

## ANNUAL FINANCIAL REPORT ANNOUNCEMENT

(Registered No. 09510201)

### RANGER DIRECT LENDING FUND PLC

For the year ended 31 December 2016

Ranger Direct Lending Fund Plc (the "Company") announces that it has published its Annual Report and Accounts 2016. Copies of the Annual Report and Accounts 2016 and the Notice of the 2017 Annual General Meeting are available to view on the Company's website at <http://www.rangerdirectlending.uk/>. They have also been submitted to the National Storage Mechanism and will shortly be available for inspection at [www.morningstar.co.uk/NSM](http://www.morningstar.co.uk/NSM).

The financial information set out below does not constitute the Company's statutory accounts for the year ended 31 December 2016 but is derived from those accounts.

Copies of those documents, together with a form of proxy for use in connection with the 2017 Annual General Meeting, will be posted or made available to the Company's shareholders shortly.

The Company also announces that it will hold its Annual General Meeting at 3.00 pm on 15 June 2017 at Travers Smith LLP, 10 Snow Hill, London, EC1A 2AL.

### Financial Performance at a Glance

#### Highlights

	<b>Ordinary Shares</b>		<b>C Shares</b>
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>	<b>31 Dec 2016</b>
Net Asset Value <sup>1</sup> (Cum Income) per share	<b>GBP 12.20<sup>2</sup>/USD 15.05</b>	GBP 10.46 <sup>2</sup> /USD 15.41	GBP 9.80 <sup>2</sup> /USD 12.09
Net Asset Value <sup>1</sup> (Ex Income) per share	<b>GBP 12.21<sup>2</sup>/USD 15.07</b>	GBP 10.23 <sup>2</sup> /USD 15.07	GBP 9.84 <sup>2</sup> /USD 12.14
Total dividends per share	<b>89.61 pence</b>	8.36 pence	N/A
Share Price <sup>3</sup>	<b>GBP 10.55/USD 13.02<sup>2</sup></b>	GBP 10.25 <sup>2</sup> /USD 15.10	GBP 9.75 <sup>2</sup> /USD 12.03
Actual annualised return on the principal amount invested	<b>5.53%</b>	9.36%	-
% of Capital deployed <sup>4</sup>	<b>98.3%</b>	80.80%	39.60%

The Company's market capitalisation as of 31 December 2016 was:

- Ordinary Shares: USD 193,310,120<sup>2</sup> (GBP 156,653,258 based on a Share Price of GBP 10.55 and based on 14,848,650 outstanding Ordinary Shares)
- C Shares: USD 19,383,240<sup>2</sup> (GBP 15,707,650 based on a Share Price of GBP 9.75 and based on 1,611,041 outstanding C Shares)

<sup>1</sup> Net Asset Value ("NAV") is the value of all assets less any liabilities accounted for under IFRS and usually expressed as an amount per share

<sup>2</sup> Translated at USD to GBP foreign exchange rate of 1.234 (2015: 1.473)

<sup>3</sup> Share price taken from Bloomberg Professional

<sup>4</sup> Net proceeds from IPO

### CHAIRMAN'S STATEMENT

I am pleased to report the results of Ranger Direct Lending Fund plc ("Ranger" or "the Company") for the period from 1 January 2016 to 31 December 2016.

Ranger began the period with substantially all of its IPO proceeds and the proceeds of the December 2015 tap issue either deployed, or earmarked to be deployed, in debt instruments issued by Direct Lending Platforms. Over the current period, these investments generated a 5.50% total return in net asset value ("NAV") per Ordinary Share in US dollar terms, after allowing for the write-down of the Company's holding in Princeton Alternative Income Fund Ltd ("Princeton"), which is covered in detail below. The total return in Sterling terms was considerably higher as a result of Sterling's depreciation against the US Dollar following the Brexit vote.

Over the year quarterly dividends increased from 14.62p per share in the first quarter of 2016 to 27.67p in the fourth quarter. In 2016, a total of 89.61p was paid in dividends to Ordinary shareholders.

As mentioned in my half year report, it was envisaged at the IPO that the targeted annual dividend of 10% of issue price was contingent on adding leverage; consequently considerable discussion and effort was expended in the first half of 2016 to source an acceptable form of gearing. Initially, it was anticipated that bank debt would offer the Company the greatest degree of flexibility. However, it became apparent that both cost and potential complexity in the form of covenants would make this form of borrowing inappropriate for Ranger. A better option was Zero Dividend Preference Shares ("ZDPs") and the Company took advantage of investor appetite in the London market for these instruments by issuing 30 million shares in August 2016, at an effective rate of 5% for five years. A further tranche of 23 million was sold in early November at an effective rate of 4.52%, raising a total of GBP 53 million before issue expenses and increasing the Company's gearing to approximately 29% at the end of the period.

The Company issued 1,611,041 C shares in December 2016. The proceeds from this issue were invested in January and February 2017 and the C shares were converted into new Ordinary Shares in April, based on the respective NAVs at the end of February 2017.

Ranger is now invested across 13 different lending platforms, with two new platforms having been added in the second half of 2016 and there remains a strong bias towards secured lending, with approximately 75% of the portfolio invested in secured debt instruments.

The diversity of the Company's lending is covered in more detail in the Investment Manager's report, but it is worth noting that Ranger's investment decisions are driven not only by the expected returns from each platform, but also by the degree of transparency and influence that the Investment Manager can achieve and the efficiency of the holding structure. When this has proved difficult or unsatisfactory, we will seek to reduce or curtail the investment.

#### *Princeton*

Regrettably, the impairment of the Company's investment in Princeton has had a negative impact on the audited NAV of the Company as at 31 December 2016.

I think it is important to summarise for shareholders the background to the investment in Princeton and what the Company is doing in order to properly protect its investment to the extent possible.

As explained in the Company's prospectus published on IPO, the Investment Manager believed Princeton to be an investment that offered an attractive investment proposition in line with the Company's stated investment objective and target returns. To supplement its oversight of the Princeton investments, the Investment Manager negotiated a side letter which provided for certain transparency on the underlying portfolio.

While the investment performance of Princeton was in line with the Company's expectations throughout 2015 and 2016 (in particular, in respect of the income distributed by Princeton to the Company over the course of the financial year), in March 2016 the Investment Manager, on behalf of the Company, entered into negotiations with Princeton to restructure the investment due to certain accounting disadvantages attributable to receiving income from a fund investment as opposed to interest that would be received from an alternative investment structure. To be clear, these negotiations were not prompted by the performance of Princeton. As part of these negotiations, the Company submitted a notice of redemption in case the restructuring negotiations were not successful. The negotiations were unsuccessful as it did not prove possible to agree an alternative investment structure. To date, no redemption proceeds have been received and requests have been made of Princeton to provide an expected redemption timetable.

As has been described in the portfolio update announcements made by the Company on 22 December 2016, 20 January 2017 and 12 April 2017, Princeton provided credit lines to Argon Credit, LLC and Argon X, LLC (together "Argon"). Argon's filing for Chapter 11 bankruptcy and the subsequent developments described in the portfolio updates that have resulted in the impairment to the Company's NAV are clearly regretful but I would emphasise that neither the Company, nor its Investment Manager, were made aware by Princeton of the Argon proceedings prior to the issuance of the Company's C Shares on 16 December 2016. Further, as the C Shares were structured to give exposure to a pro-rata share of the entire portfolio as new investments were made, they were already exposed to Argon prior to the conversion and so the timing of the conversion did not of itself give an exposure to the Argon impairment for holders of the C Shares that they would not have otherwise had.

The fact that these financial statements are being published at the end of April is attributable to the Company's efforts to clarify the position of its investment in Princeton to the greatest extent possible before publication. Unfortunately, the nature of the investment in Princeton (the Company's only fund investment) means that we are dependent on Princeton and its manager to provide the information regarding the underlying credit line performance. Although Princeton has provided the Company and its auditor with some of the requested information, Princeton has not provided the Company with sufficient supporting evidence to enable the estimation of the fair value of the investment. Neither has Princeton provided the auditor with documentation that the auditor deemed sufficient to audit the fair value of investment, thereby, resulting in the qualified audit report for the reasons described below. The Company and the Investment Manager

continue to pursue all avenues open to us to clarify the exact position as regards the investment, and we have reserved our rights in respect of all possible actions that we can take going forward. Please be assured that we are doing everything we can in order to protect the Company's investment.

In order to clarify the Company's exact exposure to Princeton (both in respect of the entirety of its investment and the indirect exposure to Argon), the Investment Manager's report below includes a specific breakdown on the proportion of the portfolio that is exposed to the performance of that investment. In addition to this information, I would note that income receipts from Princeton for the months of January and February 2017 were broadly consistent with monthly income distributions received in the fourth quarter of 2016. The Company will continue to monitor income distributions and will inform shareholders of any material changes to the level of income received from the investment.

As has been the case thus far, the Company will continue to provide updates to shareholders as and when it obtains further information from or about Princeton, whether in respect of the Argon proceedings, the wider Princeton portfolio and/or the redemption process.

Whilst not detracting from the importance of the issues with the Princeton investment, I would note that it is unique in the Company's portfolio. All other investments are structured to provide the Investment Manager with much greater transparency in terms of monitoring underlying performance. We have been pleased with the performance of the remainder of the portfolio which continues to perform in line with the Company's expectations at IPO and has resulted in increasing quarterly dividends over the course of the year.

Thank you for your continuing support.

**Christopher Waldron**  
*Chairman*

28 April 2017

## **INVESTMENT MANAGER'S REPORT**

The Investment Manager continues to believe that there are attractive, high yield opportunities which can be accessed by providing funding through established Direct Lending Platforms in categories such as real estate, equipment finance, invoice factoring, auto, specialty finance, trade receivables and small business lending. The Investment Manager continues to identify, negotiate, undertake due diligence, and invest with multiple direct lenders and, during the twelve months to 31 December 2016, has entered into two new platform agreements with Direct Lending Platforms. To further mitigate risk, the Investment Manager has diversified investments across multiple Direct Lending Platforms and continues to invest the Company's assets in a diversified group of lending categories, industries, geographic areas, durations and funding structures.

As at 31 December 2016, all proceeds originating from the Company's IPO in May 2015, tap issue completed in December 2015, and both ZDP offerings remain deployed or committed to be deployed, less an amount for general fund operations and foreign exchange settlements. Also, the Company raised in aggregate GBP 16.1 million under the Open Offer and Initial Placing of C Shares on 16 December 2016. As at 31 December 2016, the Company had deployed approximately 40% of the net proceeds of the issue of these C Shares, with the balance being fully deployed by March 2017. Accordingly, the C Shares converted into Ordinary Shares in April 2017 in accordance with the Articles based on a conversion ratio which was calculated by reference to the NAV of the Company's Ordinary Shares and C Shares as at 28 February 2017.

As a step toward applying leverage and diversifying its capital base, the Company raised GBP 30 million through a placing of ZDP Shares on 1 August 2016 through its subsidiary, ZDPco. The ZDP Shares have a 5 year term and a gross redemption yield of 5% per annum (based on an issue price of GBP 1). The Company subsequently raised an additional GBP 23.8 million through another placing of ZDP Shares by ZDPco on 4 November 2016. The entirety of the gross proceeds of each of these issues of ZDP Shares were loaned to the Company pursuant to an intra-group loan agreement and have therefore increased the Company's gearing to approximately 29% as at 31 December 2016.

At the time of acquisition of any investment that is non-USD denominated, it is hedged to USD to mitigate against currency fluctuations. Additionally, expected income on those investments are typically hedged for three months into the future. The intra-group loan made to the Company by ZDPco was denominated in (and must be repaid in) GBP. In addition, the Company has undertaken to subscribe for such number of ordinary shares in the capital of ZDPco (which are also denominated in GBP) as is necessary to enable ZDPco to pay the holders of ZDP Shares their final capital entitlement on the ZDP Repayment Date of 31 July 2021. Any of

those funds converted to USD or other currencies are hedged to GBP as well as the respective accrued interest owed on those amounts.

#### *Company Portfolio*

The Company continues to invest through a number of Direct Lending Platforms in the US, UK, Australia, and Canada, focused primarily on secured Debt Instruments. With a continuing emphasis to diversify the portfolio, two additional platforms were added in the second half of 2016. This increased the total number of platforms to 13 as at 31 December 2016. In addition, the Investment Manager is also in early stage negotiations with other new Direct Lending Platforms to provide additional capacity and diversity to the portfolio.

The investments have been made into nine categories and 17 different sub-categories of Debt Instruments spanning the 13 different Direct Lending Platforms. As noted above, this diverse mix of investment types is intended to mitigate risk. At 31 December 2016, 75% (by NAV) of the portfolio was invested in secured Debt Instruments (including loans, cash advances, and receivables financing) to mainly SME borrowers, and 25% of the portfolio consisted of unsecured consumer loans. For this purpose, a secured Debt Instrument is defined by the Company as a payment obligation in which property, revenue (including receivables), or a payment guaranty has been pledged, mortgaged or sold to the Company as partial or full security with respect to such obligation.

In addition to investing in Debt Instruments, the Company may also invest up to 10% of gross assets in the equity of Direct Lending Platforms and/or organizations serving the direct lending industry. As at 31 December 2016, no such equity investments have yet been made, but the Company continues to evaluate possible equity investment opportunities.

#### *Princeton*

A summary of the background to the investment in Princeton and the Argon bankruptcy is set out in the Chairman's statement.

As disclosed in the Company's announcement on 12 April 2017, the Company was informed on the night of 11 April 2017 by Princeton that, following further analysis of the performance of the loans made by Argon that were under its control as part of the Argon bankruptcy proceedings, they were going to apply that a gross impairment of USD 11.7 million to the Princeton net asset value. In calculating the impairment, Princeton confirmed that it had applied a zero value to the portion of the underlying Argon collateral that was subject to a claim that Argon had, in breach of the terms of its agreements with Princeton, assigned it to an unapproved special purpose vehicle.

The Company's exposure to this impairment after credit adjustments for management fees, performance fees, and loss reserves is estimated to be USD 7.8 million or 3.1% of the Company's NAV before the impairment was applied. The Company announced on 12 April an expected impairment of approximately 4% in the NAV per Ordinary Share calculated as at 28 February 2017, the difference in the actual impairment shown in the audited 31 December 2016 NAV is attributable to the application of the credit adjustments described above.

As at 31 December 2016, the value of the Company's total investment in Princeton (net of the impairment referred to above) was USD 46.6 million (approximately 19.19% of the total NAV as at that date).

Based on the information provided to the Company by Princeton, the Company's indirect investment through Princeton in the Argon credit lines (again, net of the impairment referred to above) was approximately USD 26.2 million (or 10.8% of the audited 31 December 2016 NAV) as at 31 December 2016, a decrease on the estimated exposure of USD 28.3 million contained in the Company's announcement made on 22 December 2016.

The Board and the Investment Manager continue to monitor the impact of the Argon bankruptcy filing on the Company's investment in Princeton. Further announcements will be made in due course where there are any relevant updates for shareholders.

It should be noted that the Investment Manager has also waived an amount equal to the 2016 management fees it received in January and February 2017 that would not have been payable had the NAV adjustment due to the Princeton impairment been included in those unaudited NAVs at the time they were published.

The Company is also aware that on 18 April 2017 one of Princeton's borrowers filed for voluntary petition under Chapter 11 bankruptcy protection under Title 11 of the United States Code. Princeton has reviewed the court filings made to date and has retained counsel to represent its interest as a secured creditor. Princeton has advised the Company that it believes (i) the borrower is currently in negotiations for sale, (ii) such sale may conclude within the next few weeks, (iii) the underlying loan will be paid off pursuant to such sale, and (iv) that it does not anticipate an impairment with respect to the value of the investment. As at 31 December 2016, the fair value of that borrower's portfolio for the Princeton Fund was USD 10.3 million.

### Additional Portfolio Information

The Investment Manager seeks investments which permit active oversight by the Investment Manager, and potential investments are analysed to determine its suitability in meeting the overall investment objectives of the Company.

<i>Allocation</i>		
<b>Sector</b>	<i>31 Dec 2016</i>	<i>31 Dec 2015</i>
Consumer Loans	28%	18%
Business Letter of Credit	16%	27%
Multi-family Real Estate Loans	6%	13%
Residential Real Estate Loans	5%	7%
Platform Debt	13%	7%
Commercial Real Estate Loans	8%	7%
Mixed-use Real Estate Loans	5%	6%
Business Loans/Merchant Cash Advances	17%	11%
Factoring	1%	2%
Equipment Loans	1%	2%
Total (excluding cash and cash equivalents)	100%	100%

  

<b>Type</b>	<i>31 Dec 2016</i>	<i>31 Dec 2015</i>
Secured	75%	82%
Unsecured	25%	18%

### Company Performance

2016 is the first full year of operation for the Company. In the year to 31 December 2016, the Group generated a net profit before Princeton adjustment and related credit adjustments of USD 20,303,108 (10 April 2015 to 31 December 2015: USD 5,100,484) and supported the payment of the dividends for the year of USD 17,796,167 million. The net profit for the year after Princeton-Argon portfolio impairment amounted to USD 12,402,142. In the previous period, NAV growth was in line with the expectation to provide Shareholders with progressively higher dividends. During the year, the Group has fully deployed its capital raised from the IPO and achieved the targeted 10% dividend yield per annum payable to its Ordinary Shareholders.

		<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
NAV per share	2015					9.92	9.64	9.72	9.92	10.10	9.96	10.18	10.46
(cum income – GBP)	2016	10.87	11.07	10.78	10.70	10.65	11.74	11.87	11.77	12.01	12.84	12.39	12.2

### Ongoing Charges Information<sup>5</sup>

Annualised ongoing charges<sup>6</sup>

Performance fee<sup>7</sup>

Annualised ongoing charges plus performance fee

<sup>5</sup> Ongoing charges are set out as a percentage of annualised ongoing charge over average reported Net Asset Value

<sup>6</sup> Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future. The Annualised Ongoing Charge is calculated using the Association of Investment Companies recommended methodology

<sup>7</sup> Performance fee is calculated based on the terms of the Investment Management Agreement. Further information is provided in note 17 of the Notes to the Consolidated Financial Statements

### Top Ten Positions

(Shown as aggregate Debt Investments acquired from individual Direct Lending Platform)

<i>Investment/Direct Lending Platform</i>	<i>Country</i>	<i>Principal Activity</i>	<i>Net Asset Value 31 Dec 2016</i>	<i>% of Net Asset Value 31 Dec 2016</i>
Consumer Loans Platform	United States	Loans to consumers with improving credit	63,228,099	26.02%

Real Estate Loans Platform	United States	Bridge loans to real estate developers	57,725,465	23.75%
SME Credit Line Platform (Princeton)	United States	Credit lines to finance companies	46,647,239	19.19%
SME Loans Platform	United States	Loans/advances to small/medium size businesses	36,415,913	14.99%
International MCA Platform	United Kingdom	Loans/advances to small/medium size businesses	15,351,749	6.32%
MCA Platform	United States	Loans/advances to small/medium size businesses	15,030,343	6.19%
International MCA Platform	Australia	Loans/advances to small/medium size businesses	12,135,565	4.99%
Second Consumer Loans Platform	United States	Loans to general consumers	10,242,869	4.21%
Vehicle Services Contract Platform	United States	Vehicle service contract financing	7,284,974	3.00%
International SME Lending Platform	Canada	Loans to businesses with government grants	6,943,002	2.86%
Total			<b>271,005,218</b>	<b>111.52%</b>

***The following disclosures are extracted from the Group Strategic Report of the Annual Report and are repeated here solely for the purpose of complying with DTR 6.3.5.***

### **Principal Risks and Internal Control**

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historical results.

The Board of Directors has overall responsibility for risk management and internal control within the context of achieving the Company's objectives. The Board agrees the strategy for the Company, approves the Company's risk appetite and monitors the risk profile of the Company. The Company also maintains a risk register for its stress test to identify, monitor and control risk concentration.

The Company established a risk map during the IPO process, consisting of the key risks and controls in place to mitigate those risks. The risk map, which is reassessed at each Audit Committee meeting, provides a basis for the Audit Committee and the Board to regularly monitor the effective operation of the controls and to update the matrix when new risks are identified. The Board's responsibility for conducting a robust assessment of the principal risks is embedded in the Company's risk map and stress testing which helps position the Company to ensure conformance with the UK Corporate Governance Code's enhanced requirements.

The Company's investment management and administration functions have been outsourced to external service providers. Any failure of any external service provider to carry out its obligations could have a materially detrimental impact on the effective operation, reporting and monitoring of the Company's financial position. This is likely to have an effect on the Company's ability to meet its investment objectives successfully. The Company receives and reviews internal control reports from all of its external service providers on an annual basis and receives a third party independently reviewed control report on its Administrator and Company Secretary. The Investment Manager's system of internal controls are monitored by its compliance department. The results of the Board and the Investment Manager's review of the control report of its principal external service providers are reported to the Audit Committee. These reports did not identify any significant weaknesses during the year and up to the date of this Annual Report. If any had been identified then appropriate remedial action would have been taken.

In accordance with the Association of Investment Companies Code of Corporate Governance (the "AIC Code"), the Directors have carried out a review of the effectiveness of the system of internal control of the Company as it has operated during the period and up to the date of approval of the Annual Report.

The Board will continue to keep the Company's system of risk management and internal control under review and will continue to receive updates from the Investment Manager to ensure that the principal risks and challenges faced by the Group are fully understood and managed appropriately.

## Principal Risks and Internal Control continued

An overview of the principal risks that the Board considers to be the main uncertainties currently faced by the Company are provided below, together with the mitigating actions being taken.

<i>Principal risk</i>	<i>Mitigation</i>	<i>Link to KPI</i>
<i>Macroeconomic risk*</i>		
Adverse macroeconomic conditions may delay or prevent the Company from making appropriate investments that generate attractive returns and thereby cause "cash drag" on the Company's performance. Adverse market conditions and their consequences may have a material adverse effect on the Company's investment portfolio default rate, yield on investment and, therefore, cash flows. To the extent that there is a delay in making investments, the Company's returns will be reduced.	The Board and the Investment Manager review on a quarterly basis the market trends affecting the loan industry. The Investment Manager carries out its regular review through externally sourced market data.	Capital Deployed Target Return
<i>Operational risk*</i>		
Delays in deployment of the proceeds of the ZDP Shares and C Shares issuance may have an impact on the performance of the Group's portfolio and cash flows.	There is a continued focus on finding attractive direct lending platforms, all with the potential to produce at least a 12% targeted net annualised return to the Group.  The wide variety of opportunities allows the Group to expand its marketplace to international platforms to ensure the Group is exposed to growth markets.	Capital Deployed Investment restrictions
<i>Legal and compliance risk*</i>		
Laws applicable to Debt Instruments may govern the terms of such instruments and subject the Company to legal and regulatory examination or enforcement action.  Further, any proceeding brought by the federal or state regulatory authorities to any of the Direct Lending Platforms could result in cases against the Company itself and could affect whether the Debt Instruments are enforceable in accordance with their terms.	To manage this risk the Directors are regularly briefed by the Investment Manager's in house legal counsel and by the Company's legal counsel on legal and regulatory developments. Further, regulatory risk is a standing item at board meetings.	Investment restrictions
<i>Investment risk</i>		
The Group has substantial investments in Debt Instruments and the major risks include market and credit risks.  On 22 December 2016, the Company announced the bankruptcy of Argon Credit, LLC ("Argon") to which it has indirectly provided credit lines through its investment in Princeton. The Board and the Investment Manager of the Company continue to monitor the impact of the Argon bankruptcy filing on the Company's investment through Princeton.  Subsequently on 12 April 2017, the Company has been informed by Princeton that it intends to take a reserve of USD 11.7 million against the Argon portfolio due to a decline in recent cash flows attributable to the portfolio. The impact of this impairment resulted to a decrease in the fair value of USD 8,856,612 based on Princeton's revised 31 December 2016 statement of fund performance.	The number of investments held and sector diversity enable the Group to spread the risks with regard to market volatility, currency movements, revenue streams and credit exposure.  The Company has in place investment restrictions and receives quarterly reports from the Investment Manager to monitor the Company's and Group's exposure to these risks.  The Investment Manager's investment decisions are also driven by the degree of transparency and influence that the Investment Manager can achieve and the efficiency of the holding structure. If this proves difficult or unsatisfactory, investments will be reduced or curtailed altogether.  Subsequent to the investment in Princeton, the Board will review any future proposed investment through a fund structure having particular regard to the reporting obligations that the underlying fund is subject to. Further, regular monitoring of compliance with those reporting requirements will	Investment restrictions NAV and Target Return

	become a standing agenda item of quarterly board meetings, with particular regard to any breach of service level agreements.	
<i>Taxation risk*</i>		
As an investment company, the Company needs to comply with sections 1158/1159 of the Corporation Tax Act 2010.	The Investment Manager and Administrator prepare quarterly management accounts which allow the Board to assess the Company's compliance with investment trust conditions.  Further, contractual arrangements with third party service providers are in place, to ensure compliance with tax and regulatory requirements.	At least 85% of Net Profit distributed
<i>Cyber security risk</i>		
The Company relies on services provided by its service providers and therefore dependent on the effective operation of their systems in place. Likewise, the Company is dependent on the Direct Lending Platforms' ability to effectively manage vulnerabilities to technological failure and cyber attacks.  Any weakness in their information security could result in a disruption to the dealing procedures, accounting and payment process.  This is a new principal risk in this annual report.	The Company performs due diligence review before entering contracts with any external service provider and also prior to investing in a Debt Instrument. Subsequently, the Company receives a controls performance report such as ISAE 3402 report on the service provider which is subject to the Audit Committee's review.  The Management Engagement Committee also meets on an annual basis to review the Investment Manager's overall performance, independence, resources, expertise and compliance with the Investment Management Agreement.	Investment restrictions

\*Asterisks indicate the risk has remained unchanged since the previous annual report.

The Company has also considered Brexit's current and potential impact on the Company. The majority of the Group's portfolio is denominated in United States Dollar and the Company has entered into derivative contracts to manage the exposure to foreign currency on existing assets. Therefore the Board has concluded that this event does not represent a principal risk to the Company.

## Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014 (the "UK Corporate Governance Code 2014"), and Principle 21 of the AIC Code, the Directors have continued to assess the prospects of the Company over the four year period taking into account until the final repayment date of the ZDP Shares of 2021.

The Directors also consider the requirement by the Articles of Association (the "Articles") to put a proposal for the continuance of the Company at the Annual General Meeting ("AGM") in 2020 and have reviewed the potential impact that this may have on the Company's viability.

In their assessment of the viability of the Company, the Directors have considered each of the principal risks and uncertainties above. The Directors have also reviewed the Company's income and expenditure projections and the fact the Company's investments (including those held through the Trust) do not comprise readily realisable securities which can be sold to meet funding requirements if necessary. The Company maintains a risk register for its stress test to identify, monitor and control risk concentration. In addition, overall credit and economic conditions are monitored by the Investment Manager's Credit and Risk Committee to provide insight with respect to potential warnings on adverse changes at macro level. The stress test uses the 2007 - 2009 financial crisis as its basis which resulted in the entry of institutions offering alternative lending sources of capital in the US and European market, thereby reflecting the principal risks on deployment of the IPO proceeds and application of default allowance.

The Company has processes for monitoring operating costs, share price discount, the Investment Manager's compliance with the investment objective and policy, asset allocation, the portfolio risk profile, availability of eligible investments within the Company's investment policy, counterparty exposure, liquidity risk, financial controls and stress-testing based assessment of the Company's prospects.

Based on the Directors' evaluation of these factors, they concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the four year period to 2021.

## Performance



The table below provides monthly performance information from incorporation:

<b>Ordinary Shares</b>		<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>YTD</i>
% NAV	<b>2015</b>					(0.17%)	0.26%	0.18%	0.25%	0.40%	0.52%	0.45%	0.53%	2.45%
	<b>2016</b>	0.48%	0.75%	0.77%	0.78%	0.82%	0.74%	0.79%	0.72%	0.75%	0.82%	0.83%	(2.80%)	5.53%
Return on Share Price	<b>2015</b>					4.30%	1.63%	(0.71%)	0.05%	0.66%	(0.66%)	(1.23%)	(1.44%)	2.50%
	<b>2016</b>	(6.15%)	(0.31%)	(2.50%)	2.14%	2.62%	(1.02%)	6.19%	3.69%	3.56%	5.97%	(3.50%)	(6.72%)	2.93%

#### C Shares

		<i>Dec</i>	<i>YTD</i>
% NAV	<b>2016</b>	(0.37%)	(0.37%)
Return on Share Price	<b>2016</b>	(2.50%)	(2.50%)

As at 31 December, the portfolio (excluding cash and cash equivalents) was diversified across different sectors as follows:

<b>Sector</b>	<b>Allocation</b>		
	<i>31 Dec 2016</i>	<i>31 Dec 2015</i>	<i>Change</i>
Consumer Loans	28%	18%	56%
Business Letter of Credit	16%	27%	-41%
Multi-family Real Estate Loans	6%	13%	-54%
Residential Real Estate Loans	5%	7%	-29%
Platform Debt	13%	7%	86%
Commercial Real Estate Loans	8%	7%	14%
Mixed-use Real Estate Loans	5%	6%	-17%
Business Loans/Merchant Cash Advances	17%	11%	55%
Factoring	1%	2%	-50%
Equipment Loans	1%	2%	-50%
Total (excluding cash and cash equivalents)	100%	100%	0%

Trends and factors likely to affect future development performance and position of the Group are included in the Investment Manager's Report above.

#### Premium/Discount

The Board monitors the price of the Company's Ordinary Shares in relation to their net asset value and the premium/discount at which the shares trade. The following table shows the premium/discount through the year:

Premium/discount at which the shares trade. The following table shows the premium/discount through the year.													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Premium/ (discount) to NAV at end of each month	2015					5.17%	9.97%	8.28%	6.15%	4.95%	5.75%	2.16%	(2.01%)
	2016	(11.52%)	(13.33%)	(13.25%)	(10.75%)	(8.01%)	(17.38%)	(13.21%)	(9.23%)	(7.89%)	(8.75%)	(8.74%)	(13.52%)

#### Analysis of KPIs and Investment Restrictions

The following key performance indicators are being tracked for the Group, and values for each as of 31 December 2016 are shown in the table below.

<i>Indicator</i>	<i>Criteria</i>	<i>As of 31 Dec 2016</i>
Target Return <sup>8</sup>	12 to 13% unlevered annual net returns to the Company on loan investments	Targeted net annualised returns (after Princeton-Argon impairment) are 10% to 11% to the Company before fund expenses, management and performance fees.

Capital Deployed	USD 311 million (net of relevant issue costs) available for deployment	USD 296 million principal (net of relevant issue costs) amount invested
Total dividends for the period	At least 85% of Net Profit	Interim dividends of 90% of Net Profit
Investment restrictions		
- Maximum term loan for investment	5 years	No Debt Instrument references a loan agreement with a term in excess of 5 years
Maximum term for trade receivable investment	180 days	No Debt Instrument references a trade receivable in excess of 180 days
- Maximum allocation to any single asset class sub-category	25% of gross assets	The Company has invested 23.8% of gross assets in the unsecured consumer loan US sub-category
- Maximum allocation to loans originated by any single lending platform	25% of gross assets	The Company has invested 20.6% of gross assets in the Direct Lending Platform which issues unsecured consumer loans
- Maximum allocation to any Debt Instrument	2% of gross assets	No single Debt Instrument in which the Company has an interest exceeds 1.9% of gross assets
Investment restrictions continued		
- Maximum allocation to any Debt Instrument to an asset sub-class	20% of gross assets	No single Debt Instrument originated or issued by a single Direct Lending Platform represents more than 19.6% of gross assets
- Minimum allocation to loans secured by assets or personal guarantee	65% of gross assets	67.9% of the gross assets is invested in Debt Instruments which are secured by assets or personal guarantee
- Target allocation to loans secured by assets or personal guarantee	75% of portfolio	74.5% of the portfolio are secured by assets or personal guarantee

## Employees, Social, Human Rights and Environmental Issues

The Company has no employees and the Board is composed of a majority of independent non-executive Directors with one non-independent non-executive Director. As an investment trust, the Company has no direct impact on the community and as a result does not maintain specific policies in relation to these matters.

The Company falls outside the scope of the Modern Slavery Act 2015 as it does not meet the turnover requirements under that act. The Company does operate by outsourcing significant parts of its operations to reputable professional companies, including investment management to the Investment Manager. In doing so the Investment Manager complies with all the relevant laws and regulations and also takes account of social, environmental, ethical and human rights factors, where appropriate.

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' Report) Regulations 2013, including those within its underlying investment portfolio. However the Company believes that high standards of corporate social responsibility ("CSR") such as the recycling of paper waste will support its strategy and make good business sense.

In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

***The following responsibility statement is extracted from page 45 of the Annual Report and is repeated here solely for the purpose of complying with DTR 6.3.5. This statement does not relate to the extracted information presented in the annual financial report announcement.***

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

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 Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies;
- 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 in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

### **Responsibility statement**

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial positions and profit or loss of the Group and the Company;
- the Group strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties.

This responsibility statement was approved by the Board of Directors on 28 April 2017 and is signed on behalf of the Board.

**Christopher Waldron**  
Chairman

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANGER DIRECT LENDING FUND PLC**

<b>Qualified opinion on financial statements of Ranger Direct Lending Fund group (the 'group') and Ranger Direct Lending Fund Plc (the 'company')</b>
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<b>In our opinion, except for the possible effects of the matters described in the basis for qualified opinion on financial statements paragraph, the financial statements:</b>
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<ul style="list-style-type: none"> <li>• give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's and the parent company's profit for the year then ended;</li> <li>• have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and</li> <li>• have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.</li> </ul> <p>The financial statements that we have audited comprise:</p> <ul style="list-style-type: none"> <li>• the Group and Parent Company Statements of Comprehensive Income;</li> <li>• the Group and Parent Company Statements of Financial Position;</li> <li>• the Group and Parent Company Statements of Cash Flows;</li> <li>• the Group and Parent Company Statements of Changes in Shareholders' Equity; and</li> <li>• the related notes 1 to 24.</li> </ul> <p>The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.</p>	
<b>Basis for qualified opinion on financial statements</b>	
As described in note 3, the directors have been unable to provide us with sufficient appropriate audit evidence in relation to investments recorded at a value of USD 46.6 million. We were unable to obtain sufficient appropriate audit evidence regarding this investment by using other audit procedures.	
<b>Statement pursuant to section 837(4) of the Companies Act 2006</b>	
<p><i>Respective responsibilities of directors and the auditor</i></p> <p>In addition to their responsibilities described above, the directors are also responsible for considering whether the group, subsequent to the balance sheet date, has sufficient distributable profits to make a distribution at the time the distribution is made.</p> <p>Our responsibility is to report whether, in our opinion, the subject matter of our qualification of our auditor's report on the group financial statements for the year ended 31 December 2016 is material for determining, by reference to those financial statements, whether distributions proposed by the company are permitted under section 830, section 831 and section 832 of the Companies Act 2006. We are not required to form an opinion on whether the company has sufficient distributable reserves to make the distribution proposed at the time the distribution is made.</p> <p><i>Opinion on proposed distributions</i></p> <p>In our opinion the subject matter of the above qualification is not material for determining by reference to these financial statements whether any distributions of not more than USD 40,000,000 in aggregate as may be proposed by the company (being an amount with sufficient headroom for the Company to pay dividends over the next 12 months) are permitted under section 830, section 831 and section 832 of the Companies Act 2006.</p>	
<b>Summary of our audit approach</b>	
<b>Key risks</b>	<p>The key risks that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>• fair value of the group's financial assets held at fair value through profit or loss as discussed above in the basis for qualified opinion on financial statements paragraph;</li> <li>• recoverability of loans held at amortised cost; and</li> <li>• effective interest revenue recognition</li> </ul>
<b>Materiality</b>	The materiality that we used in the current year was USD 2.5 million which was determined on the basis of 1% of net assets.
<b>Scoping</b>	<p>Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing risks of material misstatement at the group and subsidiary level.</p> <p>We determined two key audit components:</p>

	<ol style="list-style-type: none"> <li>1. Ranger Direct Lending Fund Plc, which includes financial information relating to Ranger Direct Lending Trust; and</li> <li>2. Ranger Direct Lending ZDP Plc, a subsidiary of Ranger Direct Lending Fund Plc.</li> </ol>
<b>Significant changes in our approach</b>	<p>The subsidiary Ranger Direct Lending ZDP Plc was incorporated in the current year. This impacted our scoping, resulting in a separate audit component as shown above.</p> <p>Our identification of key risks was also revised:</p> <ul style="list-style-type: none"> <li>• We removed our key risk related to the initial recognition of loans as no material issues were noted in relation to this risk in the first year audit; and</li> <li>• We added the key risk around the valuation of financial assets at fair value through profit or loss due to the circumstances set out in note 3 to the financial statements.</li> </ul>

**Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group**

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the directors' statement on the longer-term viability of the group contained within the strategic report as included above.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures above that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation above as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

**We confirm that we have nothing material to add or draw attention to in respect of these matters.**

**We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.**

<b>Independence</b>	
<p>We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards.</p>	<p><b>We confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.</b></p>
<b>Our assessment of risks of material misstatement</b>	
<p>In addition to the matter described in the basis for qualified opinion on financial statements paragraph above, we have determined the assessed risks of material misstatement described below to be those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	
<b>Recoverability of loans held at amortised cost</b>	

<b>Risk description</b>	<p>The provision for loan losses amounted to USD 0.7 million as at 31 December 2016, against loans held at amortised cost of USD 240.0m at the same date. Refer to note 2 to the financial statements for information on this key source of estimation uncertainty.</p> <p>We considered this to be a key risk because management is required to make complex and subjective judgements in estimating the existence and quantum of any incurred loan loss impairments within the portfolio.</p> <p>There is a risk that the estimates used by management for default rate calculations (such as those based on historical data including credit and payments history) are not appropriate and hence the default allowance calculated based on this information could be inaccurate.</p> <p>There is a related risk that default rates are not calculated appropriately using the estimates or there are errors in the calculations performed.</p>
<b>How the scope of our audit responded to the risk</b>	<p>We evaluated the design and implementation of key controls in place around the calculation of loan loss provisioning including the validation of management estimates.</p> <p>In doing this we assessed the monitoring and evaluation of underlying data (including factors such as historical performance, collateral available and term of loans) in direct relation to the identification of indicators of impairment and the establishment of loan loss provisions.</p> <p>We challenged the Investment Manager's estimations used in calculation of the impairment amounts for a sample of loans and corroborated them to underlying support. In doing this, we verified any historical and other data applied within the calculation and reviewed the documentation that summarised their key judgments made.</p> <p>We performed sensitivity analysis to identify key inputs used in determination of the impairment amount and those which are more susceptible to fraud or error. We performed detailed audit procedures to test these individual inputs.</p> <p>We focused on the nature of misstatements that we identified during the previous audit, being non-compliance with IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") around the basis of the impairment loss calculation, and whether similar misstatements existed to a material level. We obtained and tested the analysis of impairment losses under IAS 39.</p> <p>We compared the historical repayment profile for a sample of loans against the legal agreements to ensure that the repayments had been made in line with the terms of the agreement, and if not, whether the changes in payment profile had been properly factored into the loan loss provision calculated by the Investment Manager.</p>
<b>Key observations</b>	<p>Based on our audit procedures performed, we did not identify any material issues with regard to the impairment of loans.</p>
<b>Effective interest revenue recognition</b>	
<b>Risk description</b>	<p>Interest income of USD 21.9 million has been recognised for the period ended 31 December 2016. Refer to note 2 to the financial statements for the related accounting policy.</p> <p>We have identified a key risk around the appropriateness of the effective interest rate in relation to the loan portfolio investments.</p> <p>The determination of these assets' effective interest rates involves the Investment Manager's judgement related to the specific quantum and timing of cash flows relating thereto, thus increasing the likelihood of revenue being misstated.</p>
<b>How the scope of our audit responded to the risk</b>	<p>We evaluated the design and implementation of key controls in place around effective interest revenue recognition.</p> <p>We recalculated the effective interest rate for a sample of loan transactions compared these to the rates applied.</p>

	<p>We tested the integrity of the interest income calculations by recalculating a sample of interest income calculations using the effective interest rate and compared these to the Investment Manager's records.</p> <p>We performed analytical procedures to assess the completeness of interest income. We assessed the reasonableness of the Investment Manager's judgements regarding changes in instrument repayment dates and amounts through our testing of loans.</p> <p>We obtained independent confirmation of the accrued interest balances held with each of the loan platforms as at the reporting date.</p>
<b>Key observations</b>	Based on the audit procedures performed, we have not identified any material errors with respect to the recognition of interest income.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Group materiality</b>	USD 2.5 million (2015: USD 2.2 million)
<b>Basis for determining materiality</b>	1% of net assets.
<b>Rationale for the benchmark applied</b>	As the investment objective of the Group is primarily to achieve an annualised net return from investments, we consider the net assets of the Group to be a key performance indicator for shareholders. Partner judgement was applied in the determination of an appropriate percentage.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of USD 125k (2015: USD 43.5k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

#### **An overview of the scope of our audit**

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

For the purposes of scoping our group audit, we determined two key audit components:

1. Ranger Direct Lending Fund Plc, which includes financial information relating to Ranger Direct Lending Trust; and
2. Ranger Direct Lending ZDP Plc, a subsidiary of Ranger Direct Lending Fund Plc that was incorporated to raise funds for the wider group to realise its investment objectives. For this we performed separate risk assessment procedures based on the component's activities.

The above represents a change from our prior year audit as Ranger Direct Lending ZDP Plc was incorporated during the current reporting period. Thus we had previously determined only one audit component as represented by (1) above.

These two components account for all of the operations and net assets as represented within the group financial statements. A full scope audit has been performed for both components directly by the audit engagement team.

#### **Opinion on other matters prescribed by the Companies Act 2006**

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report and the Directors' Report.

#### Matters on which we are required to report by exception

##### *Adequacy of explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

**In respect solely of the limitation on our work relating to the valuation of financial assets held at fair value through profit or loss described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.**

##### *Adequacy of accounting records*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

**We have nothing to report arising from these matters.**

##### *Directors' remuneration*

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

**We have nothing to report arising from these matters.**

##### *Corporate Governance Statement*

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

**We have nothing to report arising from our review.**

#### Matters on which we are required to report by exception continued

##### *Our duty to read other information in the Annual Report*

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

**We confirm that we have not identified any such inconsistencies or misleading statements.**

#### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Garrath Marshall, ACA (Senior statutory auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, UK

28 April 2017

**CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Notes	2016	2015	2016	2015
		Group		Company	
		(USD)		(USD)	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Financial assets at fair value through profit or loss	3	46,647,239	52,723,467	-	-
Loans held at amortised cost	4	240,015,255	130,572,462	35,757,090	576,248
Investment in subsidiaries	6	-	-	195,780,355	195,780,355
Total non-current assets		286,662,494	183,295,929	231,537,445	196,356,603
<b>Current assets</b>					
Derivative assets	13	531,528	-	531,528	-
Amounts owed by subsidiary undertakings	16	-	-	65,710,219	7,766,089
Advances to/funds receivable from direct lending platforms	5	1,000,563	3,337,949	-	-
Prepayments and other receivables		958,452	110,742	134,345	109,518
Cash and cash equivalents	15	24,820,380	45,325,934	15,407,630	27,148,037
Total current assets		27,310,923	48,774,625	81,783,722	35,023,644
<b>TOTAL ASSETS</b>		<b>313,973,417</b>	<b>232,070,554</b>	<b>313,321,167</b>	<b>231,380,247</b>
<b>Non-current liabilities</b>					
Zero dividend preference shares	9	66,096,829	-	-	-
Amounts due to subsidiary undertaking	16	-	-	66,049,907	-
Total non-current liabilities		66,096,829	-	66,049,907	-
<b>Current liabilities</b>					
Funds payable to direct lending platforms		-	254,840	-	-
Accrued expenses and other liabilities	8	3,700,070	2,971,250	3,061,492	2,535,783
Income tax liability		54,328	-	-	-
Derivative liabilities	13	1,103,319	-	1,103,319	-
Total current liabilities		4,857,717	3,226,090	4,164,811	2,535,783
<b>TOTAL LIABILITIES</b>		<b>70,954,546</b>	<b>3,226,090</b>	<b>70,214,718</b>	<b>2,535,783</b>
<b>NET ASSETS</b>		<b>243,018,871</b>	<b>228,844,464</b>	<b>243,106,449</b>	<b>228,844,464</b>
<b>SHAREHOLDERS' EQUITY</b>					
<b>Capital and reserves</b>					
Share capital	10	427,300	228,201	427,300	228,201
Share premium account	10	40,346,947	20,989,992	40,346,947	20,989,992
Other reserves	10	204,225,570	204,225,570	204,225,570	204,225,570
Revenue reserves		5,077,791	1,710,176	6,583,320	1,710,268
Realised capital profits		(6,682,162)	2,573,965	(6,952,782)	2,573,965
Unrealised capital losses		(388,953)	(883,440)	(1,523,906)	(883,532)
Foreign currency translation reserves		12,378	-	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>243,018,871</b>	<b>228,844,464</b>	<b>243,106,449</b>	<b>228,844,464</b>
<b>NAV per Ordinary Share</b>		<b>15.05</b>	<b>15.41</b>	<b>15.06</b>	<b>15.41</b>
<b>NAV per C Share</b>		<b>12.09</b>	<b>-</b>	<b>12.09</b>	<b>-</b>

The accompanying notes are an integral part of these financial statements.

The financial statements for the year ended 31 December 2016 of Ranger Direct Lending Fund Plc, a public company limited by shares and incorporated in England and Wales with registered number 09510201, were approved and authorised for issue by the Board of Directors on 28 April 2017.

Signed on behalf of the Board of Directors:

**Christopher Waldron**  
*Chairman*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	1 Jan to 31 Dec 16			10 Apr to 31 Dec 15		
		Revenue (USD)	Capital (USD)	Total (USD)	Revenue (USD)	Capital (USD)	Total (USD)
<b>Income</b>							
Investment income		21,872,269	-	<b>21,872,269</b>	6,369,680	-	<b>6,369,680</b>
Net gain on financial assets at fair value through profit or loss	3	-	125,672	<b>125,672</b>	-	2,683,300	<b>2,683,300</b>
Foreign exchange gain		-	281,679	<b>281,679</b>	-	-	-
Other income		4,911,063	-	<b>4,911,063</b>	488,236	-	<b>488,236</b>
Bank interest income		1,832	-	<b>1,832</b>	168	-	<b>168</b>
		<b>26,785,164</b>	<b>407,351</b>	<b>27,192,515</b>	<b>6,858,084</b>	<b>2,683,300</b>	<b>9,541,384</b>
<b>Operating expenditure</b>							
Investment Manager Performance Fees	16,17	1,387,481	-	<b>1,387,481</b>	334,785	199,985	<b>534,770</b>
Investment Management Fees	16,17	2,521,735	-	<b>2,521,735</b>	726,844	-	<b>726,844</b>
Service and premium fees		2,413,701	-	<b>2,413,701</b>	729,759	-	<b>729,759</b>
(Reversal of)/Provision for default	7	-	(36,801)	<b>(36,801)</b>	-	683,455	<b>683,455</b>
Loans written off	4,7	-	5,089,881	<b>5,089,881</b>	-	109,335	<b>109,335</b>
Company secretarial, administration and registrar fees		427,685	-	<b>427,685</b>	230,040	-	<b>230,040</b>
Finance costs		1,057,092	-	<b>1,057,092</b>	-	-	-
Loss on revaluation of derivative contracts		-	707,433	<b>707,433</b>	-	-	-
Other expenses		1,167,838	-	<b>1,167,838</b>	1,426,697	-	<b>1,426,697</b>
		<b>8,975,532</b>	<b>5,760,513</b>	<b>14,736,045</b>	<b>3,448,125</b>	<b>992,775</b>	<b>4,440,900</b>
<b>Profit before tax</b>		<b>17,809,632</b>	<b>(5,353,162)</b>	<b>12,456,470</b>	<b>3,409,959</b>	<b>1,690,525</b>	<b>5,100,484</b>
<b>Taxation</b>	12	<b>(316,328)</b>	<b>262,000</b>	<b>(54,328)</b>	-	-	-
<b>Profit after tax</b>		<b>17,493,304</b>	<b>(5,091,162)</b>	<b>12,402,142</b>	<b>3,409,959</b>	<b>1,690,525</b>	<b>5,100,484</b>
Basic and Diluted Earnings Per Ordinary Share - USD	14	1.18	(0.34)	<b>0.84</b>	0.25	0.12	<b>0.37</b>
Basic and Diluted Earnings Per Ordinary Share - GBP	14	0.95	(0.28)	<b>0.68</b>	0.17	0.08	<b>0.25</b>
Basic and Diluted Loss Per C Share - USD	14	(0.05)	-	<b>(0.05)</b>	-	-	-
Basic and Diluted Loss Per C Share - GBP	14	(0.04)	-	<b>(0.04)</b>	-	-	-
<b>Profit for the year/period</b>		<b>17,493,304</b>	<b>(5,091,162)</b>	<b>12,402,142</b>	<b>3,409,959</b>	<b>1,690,525</b>	<b>5,100,484</b>
Other comprehensive income: Items that may be reclassified subsequently to profit and loss: Exchange differences on translation of net assets of subsidiary		-	-	12,378	-	-	-
Total comprehensive income for the year/period		<b>17,493,304</b>	<b>(5,091,162)</b>	<b>12,414,520</b>	<b>3,409,959</b>	<b>1,690,525</b>	<b>5,100,484</b>

The accompanying notes are an integral part of these financial statements.

The total column of this Statement of Comprehensive Income was prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations.

**COMPANY STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	1 Jan to 31 Dec 16			10 Apr to 31 Dec 15		
		Revenue (USD)	Capital (USD)	Total (USD)	Revenue (USD)	Capital (USD)	Total (USD)
<b>Income</b>							
Investment income		2,601,451	-	<b>2,601,451</b>	-	-	-
Foreign exchange gain			299,649	<b>299,649</b>	-	-	-
Dividend and other income		1,412	-	<b>1,412</b>	61,383		<b>61,383</b>
Bank interest income		42	-	<b>42</b>	168		<b>168</b>
		<b>2,602,905</b>	<b>299,649</b>	<b>2,902,554</b>	<b>61,551</b>		<b>61,551</b>
<b>Operating expenditure</b>							
Investment Manager Performance Fees	16,17	1,387,481	-	<b>1,387,481</b>	334,785	199,985	<b>534,770</b>
Investment Management Fees	16,17	2,521,735	-	<b>2,521,735</b>	726,844	-	<b>726,844</b>
Service and premium fees		39,135	-	<b>39,135</b>	187	-	<b>187</b>
Provision for default		-	68,572	<b>68,572</b>	-	92	<b>92</b>
Company secretarial, administration and registrar fees		361,320	-	<b>361,320</b>	230,040	-	<b>230,040</b>
Impairment loss on investment in subsidiaries		-	747,901	<b>747,901</b>	-	-	-
Finance costs		400,609	-	<b>400,609</b>	-	-	-
Loss on revaluation of derivative contracts		-	707,433	<b>707,433</b>	-	-	-
Other expenses		664,263	-	<b>664,263</b>	1,235,223	-	1,235,223
		<b>5,374,543</b>	<b>1,523,906</b>	<b>6,898,449</b>	<b>2,527,079</b>	<b>200,077</b>	<b>2,727,156</b>
Operating loss		<b>(2,771,638)</b>	<b>(1,224,257)</b>	<b>(3,995,895)</b>	(2,465,528)	(200,077)	(2,665,605)
Income from shares in group undertaking		21,508,379	(5,010,386)	<b>16,497,993</b>	5,875,579	1,890,510	7,766,089
<b>Profit before tax</b>		<b>18,736,741</b>	<b>(6,234,643)</b>	<b>12,502,098</b>	<b>3,410,051</b>	<b>1,690,433</b>	<b>5,100,484</b>
<b>Taxation</b>		<b>262,000</b>	<b>(262,000)</b>	-	-	-	-
<b>Profit after tax and total comprehensive income for the year/period</b>		<b>18,998,741</b>	<b>(6,496,643)</b>	<b>12,502,098</b>	<b>3,410,051</b>	<b>1,690,433</b>	<b>5,100,484</b>
Basic and Diluted Earnings Per Ordinary Share - USD	14	1.28	(0.44)	<b>0.84</b>	0.25	0.12	<b>0.37</b>
Basic and Diluted Earnings Per Ordinary Share - GBP	14	1.04	(0.35)	<b>0.68</b>	0.17	0.08	<b>0.25</b>
Basic and Diluted Loss Per C Share - USD	14	(0.05)	-	<b>(0.05)</b>	-	-	-
Basic and Diluted Loss Per C Share - GBP	14	(0.04)	-	<b>(0.04)</b>	-	-	-

The accompanying notes are an integral part of these financial statements.

The total column of this Statement of Comprehensive Income was prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations.

**Other comprehensive income**

There were no items of other comprehensive income in the current year or prior period.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 2016**

	<i>Notes</i>	<i>Share Capital (USD)</i>	<i>Share Premium (USD)</i>	<i>Other Reserves (USD)</i>	<i>Realised Capital (USD)</i>	<i>Unrealised Capital Profits/ (USD)</i>	<i>Revenue Reserves (USD)</i>	<i>Total (USD)</i>
Balance at 9 April 2015		74,500	-	-	-	-	-	<b>74,500</b>
Management shares redeemed		(74,500)	-	-	-	-	-	<b>(74,500)</b>
Issue of Ordinary Shares - net	10	228,201	225,215,562	-	-	-	-	<b>225,443,763</b>
Cancellation of share premium	10	-	(204,225,570)	204,225,570	-	-	-	-
Dividends	11	-	-	-	-	-	(1,699,783)	<b>(1,699,783)</b>
Total comprehensive income for the period		-	-	-	2,573,965	(883,440)	3,409,959	<b>5,100,484</b>
<b>Balance at 31 December 2015</b>		<b>228,201</b>	<b>20,989,992</b>	<b>204,225,570</b>	<b>2,573,965</b>	<b>(883,440)</b>	<b>1,710,176</b>	<b>228,844,464</b>

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Other Reserves</i>	<i>Realised Capital Profits</i>	<i>Unrealised Capital Profits/ (Losses)</i>	<i>Revenue Reserves</i>	<i>Foreign currency translation reserves</i>	<i>Total</i>
Balance at 1 January 2016	228,201	20,989,992	204,225,570	2,573,965	(883,440)	1,710,176	-	<b>228,844,464</b>
Issue of C Shares - net	10	199,099	19,356,955	-	-	-	-	<b>19,556,054</b>
Dividends	11	-	-	(3,670,478)	-	(14,125,689)	-	<b>(17,796,167)</b>
Reclassification of capital losses		-	-	(883,440)	883,440	-	-	-
Profit for the year				(4,702,209)	(388,953)	17,493,304	-	<b>12,402,142</b>
Other comprehensive income for the year		-	-	-	-	-	12,378	<b>12,378</b>
<b>Balance at 31 December 2016</b>	<b>427,300</b>	<b>40,346,947</b>	<b>204,225,570</b>	<b>(6,682,162)</b>	<b>(388,953)</b>	<b>5,077,791</b>	<b>12,378</b>	<b>243,018,871</b>

The accompanying notes are an integral part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

<i>Notes</i>	<i>Share Capital (USD)</i>	<i>Share Premium (USD)</i>	<i>Other Reserves (USD)</i>	<i>Realised Capital Profits (USD)</i>	<i>Unrealised Capital Profits/ (Losses) (USD)</i>	<i>Revenue Reserves (USD)</i>	<i>Total (USD)</i>
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Balance at 9 April 2015		74,500	-	-	-	-	-	<b>74,500</b>
Management shares redeemed		(74,500)	-	-	-	-	-	<b>(74,500)</b>
Issue of Ordinary Shares - net	10	228,201	225,215,562	-	-	-	-	<b>225,443,763</b>
Cancellation of share premium	10	-	(204,225,570)	204,225,570	-	-	-	<b>-</b>
Dividends	11	-	-	-	-	-	(1,699,783)	<b>(1,699,783)</b>
Total comprehensive income for the period		-	-	-	2,573,965	(883,532)	3,410,051	<b>5,100,484</b>
<b>Balance at 31 December 2015</b>		<b>228,201</b>	<b>20,989,992</b>	<b>204,225,570</b>	<b>2,573,965</b>	<b>(883,532)</b>	<b>1,710,268</b>	<b>228,844,464</b>
Balance at 1 January 2016		228,201	20,989,992	204,225,570	2,573,965	(883,532)	1,710,268	<b>228,844,464</b>
Issue of C Shares - net	10	199,099	19,356,955	-	-	-	-	<b>19,556,054</b>
Dividends	11	-	-	-	(3,670,478)	-	(14,125,689)	<b>(17,796,167)</b>
Reclassification of capital losses		-	-	-	(883,532)	883,532	-	<b>-</b>
Total comprehensive income for the period		-	-	-	(4,972,737)	(1,523,906)	18,998,741	<b>12,502,098</b>
<b>Balance at 31 December 2016</b>		<b>427,300</b>	<b>40,346,947</b>	<b>204,225,570</b>	<b>(6,952,782)</b>	<b>(1,523,906)</b>	<b>6,583,320</b>	<b>243,106,449</b>

The accompanying notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 2016**

		1 Jan to 31 Dec 2016 (USD)	10 Apr to 31 Dec 2015 (USD)
Profit for the year/period		12,402,142	5,100,484
Adjustments for:			
Dividend income		-	(56,123)
Provision for income tax expense		54,328	-
Net gain on financial assets at fair value through profit or loss	3	(125,672)	(2,683,300)
Investment income		(21,872,269)	(6,369,680)
Interest expense on ZDP Shares	9	1,024,920	-
Amortisation of transaction fees – net		73,823	77,989
Amortisation of issue costs		32,172	-
Foreign exchange loss		2,469,237	-
Loss on revaluation of derivative financial instruments		707,433	-
Loans written off	4,7	5,089,881	109,335
(Utilisation of)/Provision for default		(5,126,682)	683,455
<b>Operating cash flows before movements in working capital</b>		<b>(5,270,687)</b>	<b>(3,137,840)</b>
Increase in other current assets and prepaid expenses		(847,710)	(110,742)
Increase in accrued expenses and other liabilities		728,820	2,784,718
Decrease/(Increase) in funds receivable from direct lending platforms – net		2,082,546	(3,083,109)
<b>Net cash flows used in operating activities</b>		<b>(3,307,031)</b>	<b>(3,546,973)</b>
<b>Investing activities</b>			
Acquisition of financial assets at fair value through profit or loss	3	(3,000,000)	(52,100,000)
Acquisition of loans	4	(259,863,807)	(155,470,932)
Principal repayments	4	150,024,854	24,966,615
Proceeds from partial redemption of financial assets at fair value through profit or loss	3	9,201,900	2,059,833
Investment income received		20,582,579	5,617,288
Net settlement on derivative positions		(135,642)	-
Dividend income received		-	56,123
<b>Net cash flows used in investing activities</b>		<b>(83,190,116)</b>	<b>(174,871,073)</b>
<b>Financing activities</b>			
Proceeds on issue of Ordinary Shares	10	-	225,443,763
Proceeds on issue of C Shares	10	19,556,054	-
Proceeds on issue of ZDP Shares, net of issue costs	9	65,070,704	-
Dividends paid	11	(17,796,167)	(1,699,783)
Net cash flows from financing activities		66,830,591	223,743,980
<b>Net change in cash and cash equivalents</b>		<b>(19,666,556)</b>	<b>45,325,934</b>
<b>Effect of foreign exchange</b>		<b>(838,998)</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year/period</b>		<b>45,325,934</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year/period</b>	15	<b>24,820,380</b>	<b>45,325,934</b>

The accompanying notes are an integral part of these financial statements.

**COMPANY STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 2016**

		1 Jan to 31 Dec 2016	10 Apr to 31 Dec 2015
	Notes	(USD)	(USD)
Profit for the year/period		12,502,098	5,100,484
Adjustments for:			
Dividend income/income from shares in group undertaking		(16,497,993)	(7,766,089)
Investment income		(2,601,451)	-
Foreign exchange gain		(205,937)	-
Impairment loss on investment in subsidiaries	6	747,901	-
Interest expense on loan with subsidiary undertaking	9	400,609	-
Loss on revaluation of derivative financial instruments		707,433	-
Provision for default	4,7	68,572	-
Reversal of origination fees		332	-
<b>Operating cash flows before movements in working capital</b>		<b>(4,878,436)</b>	<b>(2,665,605)</b>
Increase in other current assets and prepaid expenses, excluding receivable from issuance of management shares		(24,827)	(111,389)
Increase in amounts owed by subsidiary undertaking		(65,734,646)	-
Increase in accrued expenses and other liabilities		525,708	2,535,783
<b>Net cash flows used in operating activities</b>		<b>(70,112,201)</b>	<b>(241,211)</b>
<b>Investing activities</b>			
Acquisition of loans	4	(39,053,284)	(574,377)
Principal repayments	4	2,592,569	-
Investments in subsidiary undertaking	6	(747,901)	(195,780,355)
Investment income received		2,137,980	-
Dividend income received		24,288,509	-
Net settlement on derivative positions		(135,642)	-
<b>Net cash flows used in investing activities</b>		<b>(10,917,769)</b>	<b>(196,354,732)</b>
<b>Financing activities</b>			
Proceeds on issue of shares	10	19,556,054	225,443,763
Intercompany loan from subsidiary undertaking	16	68,368,674	-
Dividends paid	11	(17,796,167)	(1,699,783)
<b>Net cash flows from financing activities</b>		<b>70,128,561</b>	<b>223,743,980</b>
<b>Net change in cash and cash equivalents</b>		<b>(10,901,409)</b>	<b>27,148,037</b>
<b>Effect of foreign exchange</b>		<b>(838,998)</b>	
<b>Cash and cash equivalents at the beginning of the year/period</b>		<b>27,148,037</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year/period</b>	15	<b>15,407,630</b>	<b>27,148,037</b>

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. GENERAL INFORMATION**

The Company was incorporated and registered in England and Wales on 25 March 2015 and commenced operations on 1 May 2015 following its admission to the London Stock Exchange Main Market. The registered office of the Company is 40 Dukes Place, London EC3A 7NH.



The financial statements ("financial statements") include the results of the Trust and the ZDPco. The investment objective of the Group is to seek to provide shareholders with an attractive return, principally in the form of quarterly income distributions, by acquiring a portfolio of debt obligations (such as loans, invoice receivables and asset financing arrangements) that have been originated or issued by Direct Lending Platforms.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### **Basis of accounting and preparation**

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The financial statements were also prepared in accordance with the Statement of Recommended Practice ("SORP") for investment trusts issued by the AIC (as issued in November 2014 and updated in January 2017), where this guidance is consistent with IFRS.

### **Basis of measurement and consolidation**

The financial statements have been prepared on a historical cost basis as modified for the revaluation of certain financial assets. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Trust is fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

### **Going concern**

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

### **New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") not yet adopted**

In the Directors' opinion, except for the application of IFRS 9 referred to below, all non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position or disclosures of the Group and consequently have neither been adopted nor listed.

### **New Accounting Requirements endorsed for use in the EU**

*IFRS 9 – "Financial Instruments" (Replacement of IAS 39 – "Financial Instruments: Recognition and Measurement") – effective from 1 January 2018*

IFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities and may be adopted to replace IAS 39. IFRS 9 requires financial assets to be classified into two measurement categories: (i) those measured at fair value; and (ii) those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

IFRS 9 also replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model in the measurement of impairment loss. The new model applies to financial assets that are not measured at fair value through profit or loss.

The mandatory effective date for application of IFRS 9 is for accounting periods beginning on or after 1 January 2018. The Group is currently evaluating the impact that adoption of IFRS 9 will have.

### **Use of estimates, judgements and assumptions**

The following are areas of particular significance to the Group's financial statements and include the use of estimates and the application of judgement, which is fundamental to the preparation of these financial statements. Actual results could differ from those estimates.

*Critical judgements in applying the Group's accounting policies – loans at amortised cost*

The Group accounts for its loans at amortised cost on the basis that the underlying Debt Instruments originated by Direct Lending Platforms are non-derivative financial assets with fixed or determinable payments. The effective interest rate method has been applied in calculating the income during the period.

*Critical judgements in applying the Group's accounting policies – financial assets at fair value through profit or loss*

As of 31 December 2016, the Group holds a 100% equity interest in Princeton Alternative Income Offshore Fund, Ltd. ("Princeton") (see note 3). The Group expects to profit from the total return in the form of distributions from Princeton. The Directors have considered the requirements of IFRS 10 – "Consolidated Financial Statements" as disclosed in note 3 and is of the opinion that the Group does not control Princeton. Accordingly, Princeton is not consolidated in these financial statements and the Group's equity interest in Princeton is instead accounted for as financial assets at fair value through profit or loss.

*Key source of estimation uncertainty – impairment of loans*

Information about significant areas of estimation uncertainty and critical judgements in relation to the impairment of loans are described under Impairment section below.

*Key source of estimation uncertainty – fair value of financial assets at fair value through profit or loss*

The determination of what constitutes observable market data requires significant judgement by the Group. See note 3 for the fair value estimation.

**Functional and presentational currency**

The financial statements are presented in US Dollars ("USD"), the currency of the primary economic environment in which the Company operates, the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. The effective interest method calculates the amortised cost by allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the loans to the net carrying amount on initial recognition.

**Impairment**

In evaluating the portfolio and estimating the default allowance, management takes into consideration numerous factors, including current economic conditions, prior loan loss experience, composition of the loan portfolio and management's estimate of credit losses. Such evaluation, which includes a review of all loans on which full collectability may not be reasonably assured, also considers among other matters, the estimated net realisable value or the fair value of the underlying collateral, economic conditions, historical loss experience, and other factors that warrant recognition in providing for an adequate allowance for loan losses. Management establishes an allowance for loan losses that it believes is adequate to reflect incurred impairment losses in the existing portfolio. In the event that management's evaluation of the level of the allowance for loan losses is inadequate, the Group would need to increase its provision for loan losses.

If, in a subsequent period, the amount of the default allowance decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised default allowance is recognised in the Statement of Comprehensive Income.

**Financial assets held at fair value through profit or loss**

The Group's financial assets consist of an investment in a fund. The Group designated its investment as financial assets at fair value through profit or loss in accordance with International Accounting Standards 39 Financial Instruments: Recognition and Measurement ("IAS 39"), as the fund is managed and its performance is evaluated on a fair value basis.

Purchases and sales of financial assets are recognised on the trade date, the date which the Group commits to purchase or sell the assets and are derecognised when the rights to receive cash flows from the financial assets have expired or the Group has transferred substantially all risks and rewards of ownership. Financial instruments are initially recognised at fair value, and transaction costs for financial assets carried at fair value through profit or loss are expensed. Gains and losses arising from changes in the fair value of the Group's financial instruments are included in the Statement of Comprehensive Income in the period which they arise.

#### **Financial liabilities at amortised cost – Zero Dividend Preference Shares**

These are initially recognised at cost, being the fair value of the consideration received associated with the borrowing net of direct issue costs. Zero Dividend Preference Shares are subsequently measured at amortised cost using the effective interest method. Direct issue costs are amortised using the effective interest method and are added to the carrying amount of the Zero Dividend Preference Shares.

#### **Derivative financial instruments**

Derivative financial instruments, including short-term forward currency and swap contracts are classified as held at fair value through profit or loss, and are classified in current assets or current liabilities in the statement of financial position. Derivatives are entered into to reduce the exposure on the foreign currency loans. Changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income as a capital item. The Group's derivatives are not used for speculative purposes and hedge accounting is not applied.

#### **Taxation**

Investment trusts which have approval as such under section 1158 of the Corporation Taxes Act 2010 are not liable for taxation on capital gains. The Company has taken advantage of modified UK tax treatment in respect of its qualifying interest income for an accounting period and has chosen to designate as an "interest distribution" all or part of any amount it distributes to the shareholders as dividends, to the extent that it has qualifying interest income for the accounting period. As such, the Company is able to deduct such interest distributions from its income in calculating its taxable profit for the relevant accounting period. It is expected that the Company will have material amounts of qualifying interest income and therefore may decide to designate some or all of the dividends payable as interest distributions.

The current tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

### **Investment income**

Investment income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Income for all interest bearing financial instruments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### **Dividends payable**

Dividends payable on ordinary shares are recognised in the Statement of Changes in Equity when approved by the Directors in respect of interim dividends and by the shareholders if declared as a final dividend by the Directors at the AGM. The Directors intend to recommend a dividend on a quarterly basis, having regard to various considerations including the financial position of the Company.

### **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

### **Segmental reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Directors perform regular reviews of the operating results of the Group and make decisions using financial information at the Group level only. Accordingly, the Directors believe that the Group has only one reportable operating segment.

The Directors are responsible for ensuring that the Group carries out business activities in line with the transaction documents. They may delegate some or all of the day-to-day management of the business, including the decisions to purchase and sell securities, to other parties both internal and external to the Group. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors, therefore the Directors retain full responsibility as to the major allocation decisions of the Group.

### **Earnings per share**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The diluted EPS is the same as the Basic EPS as there is currently no arrangement which could have a dilutive effect on the Company's ordinary shares.

## Share capital and share premium

Ordinary Shares and C Shares are not redeemable and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## Expenses

Expenses are accounted for on an accruals basis and are recognised in the Statement of Comprehensive Income. Investment management fee is 100% allocated to revenue. Except for provision of default and performance fee allocated to financial assets at fair value through profit or loss, all other expenses are charged through revenue.

## 3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD	31 Dec 16 (Company) USD	31 Dec 15 (Company) USD
Opening balance	52,723,467	-	-	-
Purchases	3,000,000	52,100,000	-	-
Redemptions	(9,201,900)	(2,059,833)	-	-
Net gain			-	-
- Net gain allocation	8,982,284	2,683,300	-	-
- Argon impairment allocation (note 24)	(8,856,612)	-	-	-
Closing balance	46,647,239	52,723,467	-	-

The Group's financial asset at fair value through profit or loss represents its investment in Princeton. The Group has assessed whether or not the Group has control over Princeton based on its voting rights and practical ability to direct the relevant activities of the Offshore Fund unilaterally. In making their judgement the Directors considered Princeton's Private Placement Memorandum and subscription arrangement and concluded that the Group does not have control over Princeton.

### Fair value estimation

The Group's investment in Princeton is valued on the basis of Statement of Fund Performance received on a monthly basis from Princeton, less a provision for potential defaults of USD 137,750 (2015: USD 88,917).

In previous period, the fair value as at the reporting date was checked for reasonableness by comparing the amount against Princeton's discounted projected future cash flows. Following Argon's bankruptcy as announced by the Company on 22 December 2016, the Investment Manager made various inquiries in respect of the basis on which Princeton's reserve against the Argon portfolio has been made. These inquiries included meetings with Princeton's management, auditor, legal counsel and the Group's auditor. As the Investment Manager has not been provided enough data to make its own determination of the value of this asset, the Investment Manager, as a practical expedient, is relying 100% without adjustment upon the net asset valuation provided by Princeton.

## 4. LOANS HELD AT AMORTISED COST

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD	31 Dec 16 (Company) USD	31 Dec 15 (Company) USD
Opening balance	130,572,462	-	576,248	-
Purchases	259,863,807	155,470,932	39,053,284	574,112
Principal repayments	(150,024,854)	(24,966,615)	(2,592,569)	-
Amortisation of transaction fees	(73,823)	(77,989)	(332)	356
Accrued interest	1,289,690	938,924	463,471	1,872
Loans written off	(5,089,881)	(109,335)	-	-
Effect of foreign exchange	(1,648,828)	-	(1,674,440)	-
	234,888,573	131,255,917	35,825,662	576,340
Utilisation of/(Provision for default allowance) - net	5,126,682	(683,455)	(68,572)	(92)

Closing balance	<b>240,015,255</b>	130,572,462	<b>35,757,090</b>	576,248
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The Group's loans are accounted for using the effective interest method. The carrying value of such instruments includes assumptions that are based on market conditions existing at each statement of financial position date. Such assumptions include application of default rate and identification of effective interest rate taking into account the credit standing of each borrower as assessed by each direct lending platform. At year end, the Directors estimate that the carrying value approximates the fair value.

The main factor considered by the Board in determining whether or not the amounts due are impaired is if the underlying borrowers' source of income has decreased or is unlikely to continue. The following table shows the age of the receivables which are considered to be at risk of default:

	<i>31 Dec 16</i>	<i>31 Dec 15</i>
	<i>(Group)</i>	<i>(Group)</i>
	<i>USD</i>	<i>USD</i>
Up to 3 months	<b>13,660,557</b>	1,095,328
3 to 6 months	<b>7,938,810</b>	2,754,993
Over 6 months	<b>459,409</b>	1,581,543
	<b>22,058,776</b>	5,431,864

The movement in the provision for default allowance is as follows:

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD
Balance at the beginning of the year/period	683,455	-
Provision for the year/period	5,067,265	792,790
Amount written-off during the year/period	(5,089,881)	(109,335)
Balance at end of the year/period	660,839	683,455

## 5. ADVANCES TO/FUNDS RECEIVABLE FROM DIRECT LENDING PLATFORMS

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD	31 Dec 16 (Company) USD	31 Dec 15 (Company) USD
Investment advance to Princeton	-	3,000,000	-	-
Other direct lending platforms	1,000,563	337,949	-	-
	1,000,563	3,337,949	-	-

## 6. INVESTMENT IN SUBSIDIARIES

	31 Dec 16 (Company) USD	31 Dec 15 (Company) USD
Investment in subsidiaries	195,780,355	195,780,355

Subsidiary name	Effective ownership %	Country of Incorporation and Place of Business	Principal activity
Ranger Direct Lending Fund Trust	100%	USA	Invests in a portfolio of Debt Instruments through Direct Lending Platforms
Ranger Direct Lending ZDP plc	100%	United Kingdom	Issuance of zero dividend preference shares

In the Company's statement of comprehensive income, an impairment loss of USD 747,901 was recognised relating to the Company's investment in ZDPco. The Company's investment in ZDPco was fully impaired due to ZDPco's shareholder's deficit position as at reporting date.

## 7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD	31 Dec 16 (Company) USD	31 Dec 15 (Company) USD
(Reversal of)/Provision for default	(36,801)	683,455	68,572	92
Loans written-off	5,089,881	109,335	-	-
Foreign exchange (gain)/loss – net	(281,679)	615,595	(299,649)	611,395
	4,771,401	1,408,385	(231,077)	611,487

Fee payable to the Group's auditor:

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD
Audit fees for annual financial statements:		

- RDLF	<b>116,400</b>	100,234
- ZDPco	<b>27,148</b>	-
Non-audit fees related to corporate financial services charged to Share Premium	<b>37,837</b>	87,739
Non-audit fees related to corporate financial services included as issue costs in note 9	<b>152,522</b>	-
Non-audit fees related to corporate financial services charged to Statement of Comprehensive Income	-	55,629
Fee for review of half-yearly financial reporting - RDLF	<b>11,005</b>	9,435
	<b>344,912</b>	253,037

## 8. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD	31 Dec 16 (Company) USD	31 Dec 15 (Company) USD
Payable in relation to acquisition of loans	-	899,863	-	899,863
Performance fees payable – notes 16 and 17	<b>1,387,481</b>	534,770	<b>1,387,481</b>	534,770
Investment Management fees payable - notes 16 and 17	<b>475,002</b>	353,367	<b>475,002</b>	353,367
Withholding tax payable	<b>922,994</b>	312,508	<b>922,994</b>	312,508
Other payables	<b>914,593</b>	870,742	<b>276,015</b>	435,275
	<b>3,700,070</b>	2,971,250	<b>3,061,492</b>	2,535,783

## 9. ZERO DIVIDEND PREFERENCE SHARES

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD
Opening balance	-	-
Issuance of ZDP Shares	<b>66,395,370</b>	-
Issue costs	<b>(1,324,666)</b>	-
Amortisation of issue costs during the period	<b>57,819</b>	-
Amortisation of premium during the period	<b>(25,647)</b>	-
Interest expense during the period	<b>1,024,920</b>	-
Effect of foreign exchange	<b>(30,967)</b>	-
Closing balance	<b>66,096,829</b>	-

Under the ZDPco's Articles of Association, the Directors are authorised to issue up to 55 million zero dividend preference shares ("ZDP Shares") for a period of 5 years from 25 July 2016. The ZDPco issued 53 million ZDP Shares at GBP 0.01 each (the "ZDP Shares") during the year. On 1 November, the ZDPco passed a resolution to authorise Directors to issue up to 75 million ZDP shares, such authority to expire on 26 July 2021, unless revoked sooner or varied by the Company in general meeting. The ZDP Shares will have a term of five years and a final capital entitlement of GBP 127.63 pence per ZDP share on 31 July 2021, being the ZDP Repayment Date. The total amount repayable on the ZDP repayment date is GBP 67,643,900.



The ZDP Shares do not carry the right to vote at general meetings of the Company, although they carry the right to vote as a class on certain proposals which would be likely to materially affect their position. Further ZDP Shares (or any shares or securities which rank in priority to or *pari passu* with the ZDP Shares) may be issued without the separate class approval of the ZDP Shareholders provided that the Directors determine that the ZDP Shares would have a Cover of not less than 2.75 times immediately following such issue. The Cover for ZDP Shares as of 31 December 2016 is 3.70 times.

## 10. SHARE CAPITAL AND SHARE PREMIUM

The table below shows the total issued share capital as at 31 December 2016:

	<i>Nominal value</i>	<i>Nominal value</i>	<i>Number of shares</i>
	<i>GBP</i>	<i>USD</i>	<i>Number</i>
Ordinary Shares	148,487	228,201*	14,848,650
C Shares	161,104	199,099**	1,611,041
	<u>309,591</u>	<u>427,003</u>	<u>16,459,691</u>

\*GBP 135,000 converted at GBP 1.00: USD at 1.5394 on Admission; and GBP 13,487 converted at GBP 1.00: USD at 1.5112 on 16 December 2015

\*\*Converted at GBP 1.00: USD at 1.236 on 16 December 2016

### *Ordinary Shares*

The IPO of 13,500,000 Ordinary Shares on 1 May 2015 was priced at GBP 10 each resulting in a share premium amount of USD 204,225,570 (GBP 132,665,694) net of direct issue costs. Shareholder approval was given on 2 April 2015 for the Company's share premium account to be cancelled immediately after admission and this permission was confirmed by court order on 1 July 2015.

On 16 December 2015, the Company issued a total of 1,348,650 new Ordinary Shares at GBP 10.45 per share resulting in a share premium amount of USD 20,989,992 or GBP 13,889,694 net of direct issue costs of USD 287,555 pursuant to a tap issue.

### *C Shares*

On 16 December 2016 the Company issued 1,611,041 C Shares pursuant to the Open Offer and Initial Placing at an issue price of GBP 10 per C Share each resulting in a share premium amount of USD 19,356,955 (GBP 15,666,299).

## **Rights attaching to the shares**

The holders of the C shares and ordinary shares are only entitled to receive, and to participate in, any dividends declared in relation to the relevant class of shares that they hold.

The holders of Ordinary Shares shall be entitled to all of the Company's remaining net assets after taking into account any net assets attributable to the C shares.

The Ordinary Shares and C Shares shall carry the right to receive notice of, attend and vote at general meetings of the Company.

On a winding-up or a return of capital by the Company, if there are C shares in issue, the net assets of the Company attributable to the C shares shall be divided pro rata among the holders of the C shares. For so long as C shares are in issue, and without prejudice to the Company's obligations under the Act, the assets attributable to the C shares shall, at all times, be separately identified and shall have allocated to them such proportion of the expenses or liabilities of the Company as the Directors fairly consider to be attributable to the C shares.

## **Voting Rights**

Subject to any rights or restrictions attached to any shares, on a show of hands every shareholder present in person has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote, and on a poll every shareholder (whether present in person or by proxy) has one vote for every share of which he is the holder. A shareholder entitled to more than one vote need not, if he votes, use all his

votes or cast all the votes he uses the same way. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register.

No shareholder shall be entitled to vote at any general meeting or at any separate general meeting of the holders of any class of shares in the Company, either in person or by proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

### **Variation of Rights and Distribution on Winding Up**

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may, unless otherwise provided by the terms of issue of the Shares of that Class, be varied or abrogated, whether or not the Company is being wound up, either with the consent in writing of the holders of not less than three-quarters in nominal value amount of the issued shares of the affected class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class (but not otherwise).

At every such separate general meeting the necessary quorum, other than an adjourned meeting, shall be two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question, and at an adjourned meeting one person holding shares of the class in question or his proxy; any holder of shares of the class in question present in person or by proxy may demand a poll and the holder of shares of the class in question shall, on a poll, have one vote in respect of every share of such class held by him. Where the rights of some only of the shares of any class are to be varied, the foregoing provisions as if each group of shares of the class differently treated formed a separate class whose rights are to be varied.

The Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Company will be proposed at the AGM of the Company to be held in 2020 and, if passed, every five years thereafter. Upon any such resolution not being passed, proposals will be put forward within three months after the date of the resolution to the effect that the Company be wound up, liquidated, reorganised or unitised. If the Company is wound up, the liquidator may divide among the shareholders in specie the whole or any part of the assets of the Company and for that purpose may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders.

The table below shows the movement in shares during the period:

<i>For the year ended 31 December 2016</i>	<i>Shares in issue at the beginning of the year</i>	<i>Shares subscribed</i>	<i>Shares in issue at the end of the year</i>
Ordinary Shares	14,848,650	-	<b>14,848,650</b>
C Shares	-	1,611,041	<b>1,611,041</b>

## 11. DIVIDENDS

Set out below is the total dividend paid in respect of the financial year/period:

	<i>Per share pence</i>	<i>1 Jan to 31 Dec 2016 USD</i>	<i>10 Apr to 31 Dec 2015 USD</i>
<b>Ordinary Shares dividends declared and paid:</b>			
Interim dividends in 2016 (in respect of 30 Sept 2016 results)	27.67	<b>5,102,085</b>	-
Interim dividends in 2016 (in respect of 30 Jun 2016 results)	26.87	<b>5,210,318</b>	-
Interim dividends in 2016 (in respect of 31 Mar 2016 results)	20.45	<b>4,423,133</b>	-
Interim dividends in 2016 (in respect of 31 Dec 2015 results)	14.62	<b>3,060,631</b>	-
Interim dividend paid on 11 December 2015	8.36	-	1,699,783
<b>Total dividends paid during the period</b>		<b>17,796,167</b>	1,699,783

In accordance with Regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15% of its income (as calculated for UK tax purposes) in respect of an accounting period.

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends. The Company intends to pay dividends on a quarterly basis with dividends declared in February, May, August and November and paid in April, June, September and December in each year. On 24 February 2017, the Directors declared an interim dividend of 28.51 pence per share for the three month period ended 31 December 2016.

It is the current intention of the Board to move towards a policy of balancing the quarterly dividend payments as soon as the revenue position of the Company permits this approach. The Board, in its sole discretion, may choose not to adopt a dividend balancing policy if it considers this is desirable to minimise the effects of cash drag on the Company's performance.

## 12. TAXATION

In May 2015 the Company received confirmation from HM Revenue & Customs as an approved investment trust in the UK for accounting periods commencing on or after 1 May 2015, subject to the Company continuing to meet the eligibility conditions at Section 1158 Corporation Tax Act 2010 and the ongoing requirements for approved investment trust companies in Chapter 3 of Part 2 Investment Trust (Approved Company) Tax Regulations 2011 (Statutory Instrument 2011/2999). The Company intends to retain this approval and self-assesses compliance with the relevant conditions and requirements.

As an investment trust, the Company is exempt from UK corporation tax on its chargeable gains. The Company's revenue income from loans is taxable in the hands of the Company however, to the extent that interest distributions are paid to shareholders, the Company may treat that amount as deductible from its taxable profits.

	<i>31 Dec 16 Revenue USD</i>	<i>31 Dec 16 Capital USD</i>	<i>31 Dec 16 Total USD</i>
Corporation tax:			
Current year	279,956	(225,628)	<b>54,328</b>
Prior year adjustment	36,372	(36,372)	-
Deferred tax	-	-	-
<b>Total tax expense for the year</b>	<b>316,328</b>	<b>(262,000)</b>	<b>54,328</b>

The tax reconciliation is as follows:

	31 Dec 16 Revenue USD	31 Dec 16 Capital USD	31 Dec 16 Total USD
<b>Reconciliation of tax charge:</b>			
Profit before tax	17,809,632	(5,353,162)	12,456,470
Tax at the standard UK corporation tax rate of 20%	3,561,926	(1,070,631)	2,491,295
Effects of:			
– Non-deductible expenses	211,418	1,017,976	1,229,394
– Interest distributions	(3,523,123)	(479,809)	(4,002,932)
– Unutilised interest distributions	-	255,584	255,584
– Marginal relief	1,404	(1,404)	-
– Foreign exchange difference on consolidation	28,331	-	28,331
– Non-taxable fair value adjustments	-	52,656	52,656
– Prior year adjustment	36,372	(36,372)	-
<b>Tax expense</b>	<b>316,328</b>	<b>(262,000)</b>	<b>54,328</b>

	31 Dec 15 Revenue USD	31 Dec 15 Capital USD	31 Dec 15 Total USD
<b>Total tax expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>

	31 Dec 15 Revenue USD	31 Dec 15 Capital USD	31 Dec 15 Total USD
<b>Reconciliation of tax charge:</b>			
Profit before tax	3,409,959	1,690,525	5,100,484
Tax at the standard UK corporation tax rate of 20%	681,992	338,105	1,020,097
Effects of:			
– Non-deductible expenses	38,130	-	38,130
– Loan relationship debits and expenses in capital	-	198,555	198,555
– Interest distributions	(952,083)	-	(952,083)
– Excess management expenses not utilised	233,700	-	233,700
– Non-taxable fair value adjustments	-	(536,660)	(536,660)
– Non-taxable income	(1,739)	-	(1,739)
<b>Total tax expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>

As of 31 December 2016 the Company had a potential deferred tax asset of USD 448,711 (2015: USD 210,330), based on a prospective corporation tax rate of 17%, in respect of losses of USD 2,639,477 (2015: USD 1,168,501) which are available to be carried forward against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. Due to the Company's status as an investment trust and the intention to continue meeting the required conditions, the Company has not provided for deferred tax on any capital gains and losses.

### 13. DERIVATIVE FINANCIAL INSTRUMENTS

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD
Derivative assets	531,528	-
Derivative liabilities	(1,103,319)	-
	<b>(571,791)</b>	<b>-</b>

	<i>Notional Amount</i>	<i>31 Dec 16 (Group) USD</i>	<i>31 Dec 15 (Group) USD</i>
<b>Derivative assets/(liabilities) - net</b>			-
Forward foreign currency contracts	39,932,193	<b>(804,214)</b>	-
Forward currency swap contracts	33,538,281	<b>232,423</b>	-
	<b>73,470,474</b>	<b>(571,791)</b>	-

The Company has entered into various swap and forward contracts to manage exposure to foreign currency on existing assets. The notional amounts provided in the table above reflect the aggregate of individual derivative positions on a gross basis.

#### 14. BASIC AND DILUTED EARNINGS a PER SHARE

The basic revenue, capital and total return per ordinary share is based on each of the profit after tax and on 14,848,650 Ordinary Shares and 1,611,041 C Shares, being the weighted average number of ordinary shares in issue throughout the year (10 April 2015 to 31 December 2015: 13,668,581 Ordinary Shares).

#### 15. CASH AND CASH EQUIVALENTS

The components of the Group's cash and cash equivalents are:

	<i>31 Dec 16 (Group) USD</i>	<i>31 Dec 15 (Group) USD</i>	<i>31 Dec 16 (Company) USD</i>	<i>31 Dec 15 (Company) USD</i>
Cash at bank	<b>24,758,680</b>	35,278,938	<b>15,407,630</b>	17,101,041
Cash equivalents	<b>61,700</b>	10,046,996	-	10,046,996
	<b>24,820,380</b>	45,325,934	<b>15,407,630</b>	27,148,037

#### 16. RELATED PARTIES

Transactions between the Group and its related parties are disclosed below.

The Directors, who are the key management personnel of the Group, are remunerated per annum as follows:

	<i>31 Dec 16 (Group) USD</i>	<i>31 Dec 15 (Group) USD</i>
Chairman	<b>26,421</b>	17,259
Other directors	<b>44,495</b>	29,730
	<b>70,916</b>	46,989

As at 31 December 2016, USD 23,126 (2015: USD 15,268) including flight reimbursement of USD 2,631, was accrued. This was included within Other payables in note 8.

As at 31 December 2016 Mr Waldron has a share interest in the Company, in the form of 500 Ordinary Shares and 583 C Shares, representing 0.0066% interest in voting rights, (2015: 500 Ordinary Shares representing 0.003% interest in voting rights). The remaining Directors do not have any interests in the Company's shares. None of the Directors hold any share options nor are any receivables due or payable to them under any long term incentive plan.

The Company has not made any contribution, to any Directors' pension scheme and no retirement benefits are otherwise accruing to any of the Directors under any defined benefit or monthly purchase scheme for which the Company is liable. There have been no changes to the aforementioned holding between 31 December 2016 and the date of this report.

The Group does not have any employees.

The Board has delegated responsibility for day-to-day management of the loans held by Direct Lending Platforms to the Investment Manager. Under the terms of the Investment Management Agreement, the Investment Manager is entitled to a management fee and a performance fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. Total investment management fees for the period amounted to USD 2,521,735 (10 April 2015 to 31 December 2015: USD 726,844). Further details are disclosed in note 17 below.

During the year, the Investment Manager received a reimbursement amount of USD 93,400 (10 April 2015 to 31 December 2015: USD 103,414) comprising: issue costs on C Shares amounting to USD 11,457 and other expenses of USD 81,943. Performance fee for the year amounted to USD 1,387,481 (10 April 2015 to 31 December 2015: USD 534,770).

The Company entered into a Trust Agreement with Ranger Direct Lending Fund Trust on 22 April 2015. The Company, being the sole unitholder, has sole discretion to declare distributions from the Trust. As of 31 December 2016, amounts owed by undertakings relating to the Trust's net income for the period was USD 65,710,219 (2015: USD 7,766,090).

The Company incorporated the ZDPco on 23 June 2016 as a public limited company with limited life and granted an undertaking to (among other things) subscribe for such number of ordinary shares in the capital of ZDPco as may be necessary or to otherwise ensure that the ZDPco has sufficient assets to satisfy its obligations to the ZDP Shareholders and pay any operational costs incurred by the ZDPco. During the year, the Company paid ZDPco's expenses and ZDP Share issue costs amounting to USD 673,851.

On 25 July 2016, the Company entered into a Loan Agreement with the ZDPco. Pursuant to the Loan Agreement, the ZDPco immediately following the admission of its ZDP Shares, on-lent the proceeds to the Company which the latter have applied towards making investments in accordance with its investment policy and working capital purposes. The amount payable to the ZDPco which is eliminated upon consolidation is USD 66,049,907.

## **17. FEES AND EXPENSES**

### **Management fee**

The management fee is payable monthly in arrears and is at the rate of 1/12 of 1.0% per month of Net Asset Value (the "Management Fee"). For the period from Admission until the date on which 80% of the Net Proceeds have been invested or committed for investment, directly or indirectly, in Debt Instruments or Direct Lending Company Equity, the value attributable to any assets of the Group other than Debt Instruments or in investments in Direct Lending Company Equity held for investment purposes (including any cash) will be excluded from the calculation of Net Asset Value for the purposes of determining the Management Fee.

The Investment Manager may charge a fee based on a percentage of gross assets (such percentage not to exceed 1.0% and provided that the aggregate Management Fee payable by the Group shall not exceed an amount equal to 1.0% of the gross assets of the Company or its group in aggregate (as applicable)) to any entity which is within the Company's group (including the Company), provided that such entity employs leverage for the purpose of its investment policy or strategy.

### **Performance fee**

The Investment Manager is also entitled to a performance fee calculated by reference to the movements in the Adjusted Net Asset Value since the end of the Calculation Period (as defined below) in respect of which a performance fee was last earned or Admission if no performance fee has yet been earned (the Adjusted Net Asset Value at such earlier date being the "High Water Mark").

The performance fee will be a sum equal to 10% of the amount by which the Adjusted Net Asset Value at the end of a Calculation Period exceeds the High Water Mark.

The performance fee will be calculated in respect of each twelve month period starting on 1 January and ending on 31 December in each calendar year (a "Calculation Period"), save that the first Calculation Period was the period commencing on Admission and ending on 31 December 2015 and the last Calculation Period shall end on the date that the Investment Management Agreement is terminated or, where the Investment Management Agreement has not previously been terminated, the Business Day prior to the date on which the Company enters into liquidation, and

provided further that if at the end of what would otherwise be a Calculation Period no performance fee has been earned in respect of that period, the Calculation Period shall carry on for the next 12 month period and shall be deemed to be the same Calculation Period and this process shall continue until a performance fee is next earned at the end of the relevant period.

In the event that C shares are in issue, the Investment Manager shall be entitled to a performance fee in respect of the net assets referable to the C shares on the same basis as summarised above. A Calculation Period shall be deemed to end on the date of their conversion into Ordinary Shares.

The Management fee and Performance fee payable to the Investment Manager will be calculated and paid in US Dollars.

### Termination Arrangements

The Investment Management Agreement shall remain in force unless and until terminated by the Company or the Investment Manager both giving to the other not less than 12 months' written notice, such notice not to be served before the third anniversary of Admission.

This Agreement may also be terminated by the Company (without prejudice to any right of action accruing or already accrued to it) immediately and without penalty in writing if there is a Change of Control of the Investment Manager and the entity acquiring control of the Investment Manager is deemed, in the reasonable opinion of the Board, to be unsuitable.

### Consequences of Termination

If the agreement is terminated, the Company shall: (a) pay the accrued management fees and performance fees on a pro rata basis to the date of termination in accordance with Schedule 3 of the Investment Management Agreement; and (b) promptly reimburse to the Investment Manager all of its out of pocket expenses incurred in respect of the performances of its services hereunder up to the date of termination and payable by the Company in accordance to this Agreement. No additional payment will be required to be made to the Investment Manager by the Company.

## 18. FINANCIAL RISK MANAGEMENT

### Financial risk factors

The Company has an established management process to identify the principal risks that it faces as a business. The risk management process relies on the Investment Manager and the Board of Directors' assessment of the risk likelihood and impact and also developing and monitoring appropriate controls. The table below sets out the key financial risks and examples of relevant controls and mitigating factors. The Board considers these to be the most significant risks faced by the Company that may impact the achievement of the Company's investment objectives. They do not comprise all of the risks associated with the Company's strategy and are not set out in priority order.

Currency risk	Key controls and mitigating factors
The risk that exchange rate volatility may have an adverse impact to the Company's financial position and result.	<p>The Investment Manager monitors the Company's exposure to foreign currencies on a monthly basis and reports to the Board at each board meeting. The Investment Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.</p> <p>The Company has entered into derivative contracts to mitigate the effect of the currency risk (see note 13). The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.</p>

The currency risk of the Group's monetary financial assets and (liabilities) was:

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD
United States Dollars	270,826,561	213,709,059
Great British Pounds	(48,320,585)	15,459,641

Canadian Dollars	<b>6,957,815</b>	(324,236)
Australian Dollars	<b>13,555,080</b>	-
	<b>243,018,871</b>	228,844,464

## Currency risk continued

### Sensitivity analysis

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD
Great British Pounds	<b>(2,416,029)</b>	772,982
Canadian Dollars	<b>347,891</b>	(16,212)
Australian Dollars	<b>677,754</b>	-
Effect on Revenue return after taxation	<b>(1,390,384)</b>	756,770

A 5% weakening of USD against the above currencies would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant. The Group's exposure has been calculated as at the year end and may not be representative of the period as a whole.

It is assumed that all exchange rates move by +/- 5% against US Dollar.

This percentage is deemed reasonable based on the average market volatility in exchange rates during the period. The sensitivity analysis is based on the Group's foreign currency financial assets and financial liabilities held at the Statement of Financial Position date.

Funding and liquidity risk	Key controls and mitigating factors
The risk of being unable to continue to fund the Company's lending operation on an ongoing basis.	<p>The Company finances its operations mainly from the issuance of Ordinary Shares and C Shares. There are no redemption rights for the shareholders since the Company is closed-ended investment company.</p> <p>The ZDP Shares should have a minimum Cover<sup>9</sup> of 2.75 times. The Administrator and the Investment Manager calculate the Cover each calendar month.</p> <p>In managing the Company's financial assets, the Investment Manager ensures that the Company holds at all times a portfolio of assets to enable the Company to discharge its payment obligations.</p> <p>The Group does not have any overdraft or other borrowing facilities.</p>

### Maturity of financial assets and liabilities

The maturity profile of the Group's financial assets and liabilities is as follows:

	31 Dec 16 Financial Assets USD	31 Dec 16 Financial Liabilities USD	31 Dec 15 Financial Assets USD	31 Dec 15 Financial Liabilities USD
Within one year	<b>27,310,923</b>	<b>4,857,717</b>	48,774,625	3,226,090
In more than one year but not more than five years	<b>286,662,494</b>	<b>66,096,829</b>	183,295,929	-
In more than five years	-	-	-	-
	<b>313,973,417</b>	<b>70,954,546</b>	232,070,554	3,226,090

<sup>9</sup> Cover represents a fraction where the numerator is equal to the Net Asset Value of the Group on a consolidated basis adjusted to: (i) add back any liability to ZDP Shareholders; and (ii) deduct the estimated liquidation costs of the ZDPco, and the denominator is equal to the amount which would be paid on the ZDP Shares as a class.

Interest rate risk	Key controls and mitigating factors
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The Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.	<p>In the event that interest rate movements lower the level of income receivable on loan portfolios or cash deposits the dividend required to be paid by the Company to the shareholders will also be reduced.</p> <p>Interest rate risk is analysed by the Investment Manager on a monthly basis and is communicated and monitored by the Board on a quarterly basis. The Company may also invest in other investment funds that employ leverage with the aim of enhancing returns to investors.</p>
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IFRS 7 requires disclosure of a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

The sensitivity to a reasonably possible 50 bps decrease/increase in the interest rates, with all other variables held constant, would have decreased/increased the Group's returns after tax by the following:

	31 Dec 16 USD	31 Dec 15 USD
Effect on Revenue return	116,015	46,946

The above changes are considered by the Directors to be reasonable given the observation of prevailing market conditions in the period. The average effective interest income rate during the year is 17.9% (10 April 2015 to 31 December 2015: 15.6%).

Credit and counterparty risk	Key controls and mitigating factors
Credit risk is the risk of financial loss to the Group if the borrower fails to meet its contractual obligations. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.	<p>The Group and its Investment Manager seek to mitigate the credit risk by actively monitoring the Group's loan direct lending platform portfolio and the underlying credit quality of the borrowers. The Group's investment strategy allows the Group to potentially reduce risk through investment diversification while also potentially achieving higher returns by investing in the best performing direct lending asset classes.</p> <p>Further, cash is held at banks that are considered to be reputable and high quality. Cash balances are spread across a range of banks to reduce concentration risk.</p>

The maximum exposure to credit risk, expressed as the gross principal amount of the loans outstanding rather than the carrying value of such loans, without taking into account any collateral held or other credit enhancements was as follows:

	31 Dec 16 (Group) USD	31 Dec 15 (Group) USD
Financial assets at fair value through profit or loss	46,647,239	52,723,467
Loan principal amount	237,694,949	129,633,538
Accrued interest	2,320,306	938,924
Derivative assets	531,528	-
Advances to/funds receivable from direct lending platforms	1,000,563	3,337,949
Prepayments and other receivables	958,452	110,742
Cash and cash equivalents	24,820,380	45,325,934
	313,973,417	232,070,554

#### Credit and counterparty risk continued

The amounts presented in the Statement of Financial Position are net of default provision. Default provision is made where there is an identified loss event, based on previous experience, as evidence of a reduction in the recoverability of cash flows. The majority of the Group's cash and cash equivalents is with Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. As of 31 December 2016, Bank of America, N.A. has a long-term deposit credit

rating of A+ (2015: A) from Standard & Poor's and Merrill Lynch, Pierce, Fenner & Smith Incorporated has a long-term senior credit rating of A+ (2015: A) from Standard & Poor's. Given this rating, the Directors do not expect this counterparty to fail to meet its obligations.

### Fair value hierarchy

The fair values of the financial assets held at fair value through profit and loss was derived from the NAV of Princeton as of 31 December 2016. The fair values of the derivative financial instruments have been provided to the Directors by the counterparty, BNP Paribas S.A. and RBC Capital Markets., on whom the Directors rely as expert providers of such valuations.

The fair values of cash and cash equivalents, funds receivable from/payable to Direct Lending Platforms, prepayments and other receivables, and accrued expenses and other liabilities are estimated to be approximately equal to their carrying values due to their short-term nature.

The Directors based the fair value of the ZDP Shares disclosed below on the traded price of GBP 1.045 per share which was observed on the London Stock Exchange on 29 December 2016 being the last observable traded price before period-end. The fair value for the ZDP Shares of GBP 55,385,000 or USD 68,345,090 (based on an exchange rate of 1.234) are disclosed in this note for disclosure purposes only under IFRS 13.

IFRS 13 "Fair Value Measurement" ("IFRS 13") defines a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under IFRS 13 are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets and liabilities at the valuation date;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or liability either directly (as prices) or indirectly (derived from prices), including inputs from markets that are not considered to be active; and

Level 3: Inputs that are not based upon observable market data.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The main input parameters for this model are the default rate (the value rises when the default rate is lower, and decreases when the default rate is higher), the interest rate (the value rises when the interest rate is higher, and drops when the interest rate is lower), and the discount rate (the value rises when the discount rate is lower, and drops when discount rate is higher). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

However, the determination of what constitutes "observable" requires significant judgement by the Directors. The Directors consider observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple independent sources that are actively involved in the relevant market.

The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instruments and does not necessarily correspond to the Group's perceived risk inherent in such financial instruments.

The following tables include the fair value hierarchy of the Group's financial assets and liabilities designated at fair value through profit or loss:

	<i>Level 1</i> <i>(USD)</i>	<i>Level 2</i> <i>(USD)</i>	<i>Level 3</i> <i>(USD)</i>	<i>Total</i> <i>(USD)</i>
<b>31 Dec 16</b>				
Financial assets	-	<b>531,528</b>	<b>46,647,239</b>	<b>47,178,767</b>
Financial liabilities	-	<b>1,103,319</b>	-	<b>1,103,319</b>

	<i>Level 1</i> <i>(USD)</i>	<i>Level 2</i> <i>(USD)</i>	<i>Level 3</i> <i>(USD)</i>	<i>Total</i> <i>(USD)</i>
<b>31 Dec 15</b>				
Financial assets	-	-	52,723,467	52,723,467
Financial liabilities	-	-	-	-

There were no transfers between Levels during the period.

As disclosed in note 4, the fair value of Loans held at amortised cost approximate their carrying amounts and are categorised as Level 2.

The ZDP Shares are classified within Level 1 of the fair value hierarchy on the basis that the fair value was derived from an observable traded price.

## **19. OPERATING SEGMENTS**

### *Geographical information*

The Group is managed as a single asset management business, being the investment of the Group's capital in financial assets comprising Debt Instruments and loans originated by Direct Lending Platforms.

The chief operating decision maker is the Board of Directors. Under IFRS 8 the Group is required to disclose the geographical location of revenue and amounts of non-current assets other than financial instruments.

### *Revenues*

The Group's revenues are currently generated from United States of America ("USA"), United Kingdom ("UK") and Canada. The total investment income generated from USA, UK and Canada amounted to USD 19,270,818, USD 2,152,851 and USD 448,599, respectively (2015: USA and Canada amounted to USD 6,365,149 and USD 4,531 respectively).

### *Non-current assets*

The Group does not have non-current assets other than the Loans held at amortised cost and financial assets at fair value through profit or loss.

## **20. CAPITAL MANAGEMENT**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by the Ordinary Shares, C Shares, share premium account and retained earnings. The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objectives.

The Company is subject to externally imposed capital requirements in relation to its statutory requirement relating to interest/dividend distributions to Shareholders.

### *Leverage*

During the year, the Company incorporated the ZDPco which issued ZDP Shares for trading on the London Stock Exchange's main market for listed securities. The proceeds from the issuance of the ZDP Shares were on-lent to the Company – by way of an intercompany loan agreement.

The Company's leverage limit under its Prospectus is 1.5. The Company has not breached this limit anytime during the period, nor has the Company made any changes to this maximum limit. The Company's borrowing policy does not grant the Company any right to reuse collateral.

### *Liquidity*

As a closed ended investment company in which shareholders have no right of redemption, there are no assets of the Company which are subject to special arrangements due to their illiquid nature, nor have any new arrangements been implemented for managing the liquidity of the Company.

## **21. COMMITMENTS**

As at 31 December 2016, the Company had no outstanding commitments (2015: none).

## **22. ULTIMATE CONTROLLING PARTY**

It is the opinion of the Directors that there is no ultimate controlling party.

## 23. SUBSEQUENT EVENTS

On 6 April 2017, the Company's C Shares were converted into Ordinary Shares in accordance with the Company's articles of association at a conversion ratio of 0.7910. Accordingly the Company now has 16,122,931 Ordinary Shares in issue.

As noted in the Company's announcement on 12 April 2017, the Company was informed by Princeton that following further analysis of the performance of the loans made by Argon that were under its control as part of the Argon bankruptcy proceedings, they were going to apply that a gross impairment of USD 11.7 million to the Princeton fund net asset value. This notification was made despite repeated previous representations from Princeton that there was no impairment in the investment based on the value and performance of the underlying security. The Group's exposure to this impairment after adjustments for management fees, performance fees and loss reserves is estimated is reconciled to the published NAV per share in note 24 below.

The Company is also aware that on 18 April 2017 one of Princeton's borrowers filed for voluntary petition under Chapter 11 bankruptcy protection under Title 11 of the United States Code. Princeton has reviewed the court filings made to date and has retained counsel to represent its interest as a secured creditor. Princeton has advised the Company that it believes (i) the borrower is currently in negotiations for sale, (ii) such sale may conclude within the next few weeks, (iii) the underlying loan will be paid off pursuant to such sale, and (iv) that it does not anticipate an impairment with respect to the value of the investment. As at 31 December 2016, the fair value of that borrower's portfolio for the Princeton Fund was USD 10.3 million.

## 24. RECONCILIATION OF PUBLISHED NAV PER SHARE TO THE AUDITED NAV

The cum-income and ex-income NAV per share are published on a monthly basis by the Company. The table below shows a reconciliation between the NAV which is the basis for the cum-income and ex-income NAV per share published as at 31 December 2016 and that contained in these financial statements.

	31 Dec 16 Ordinary Shares USD	31 Dec 16 C Shares USD	31 Dec 16 Group USD
Unaudited NAV as at 31 December 2016	231,329,569	19,535,940	250,865,509
- Princeton adjustment relating to Princeton-Argon portfolio	(8,804,358)	(52,254)	(8,856,612)
- Adjustments to management and performance fees based on the up-to-date NAV as at 31 December 2016	873,217	-	873,217
- Taxation adjustment relating to ZDPco intercompany loan	136,757	-	136,757
NAV per Statement of Financial Position as at 31 December 2016	223,535,185	19,483,686	243,018,871

## COMPANY INFORMATION

### Directors

Christopher Waldron  
Jonathan Schneider  
Matthew Mulford  
K. Scott Canon

### Company Secretary

Capita Company Secretarial Services Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
United Kingdom

### Registrar

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
United Kingdom

### Auditor

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London EC4A 3BZ

United Kingdom

**Registered Office**

40 Dukes Place  
London EC3A 7NH  
United Kingdom

**Investment Manager**

Ranger Alternative Management II, LP  
2828 N. Harwood Street  
Suite 1900  
Dallas, Texas  
United States  
[info@rangercap.com](mailto:info@rangercap.com)

**Sponsor, Broker and Placing Agent – Ordinary Shares**

Liberum Capital Limited  
Level 12, Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9LY  
United Kingdom

**Joint Bookrunner – C Shares**

Fidante Partners Europe Limited  
1 Tudor Street  
London EC4Y 0AH  
United Kingdom

**Placing Agent – C Shares**

Stone Mountain Capital Ltd  
31 Compayne Gardens  
London NW6 3DD  
United Kingdom

**Administrator**

Sanne Fiduciary Services Limited  
13 Castle Street  
St Helier  
Jersey JE4 5UT  
Channel Islands

**English and US Securities Law Legal Adviser**

Travers Smith LLP  
10 Snow Hill  
London EC1A 2AL  
United Kingdom

**Cash Custodian**

Merrill Lynch, Pierce, Fenner & Smith  
Incorporated

## **NATIONAL STORAGE MECHANISM**

A copy of the Annual Report and Financial Statements will be submitted shortly to the National Storage Mechanism ("NSM") and will be available for inspection at the NSM, which is situated at: <http://www.morningstar.co.uk/uk/NSM>.

A copy of the Annual Report and Accounts will be delivered to shareholders shortly and can also be found at <http://www.rangerdirectlending.uk/>.

### **ENQUIRIES**

If you have any enquiries regarding this announcement please contact:

**Capita Company Secretarial Services Limited**  
Secretary

+44 (0)20 7954 9569

**Ranger Alternative Management II, LP**  
Scott Canon  
Bill Kassul

via Redleaf Communications

**Media enquiries**

**Redleaf Communications**  
Rebecca Sanders-Hewett  
David Ison

+44 (0)20 7382 4730

**END**