

# **RANGER DIRECT LENDING FUND PLC**

## **Annual Report**

For the period from 10 April 2015 to 31 December 2015



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## OVERVIEW AND INVESTMENT STRATEGY

### About Ranger Direct Lending Fund plc

Ranger Direct Lending Fund Plc (“Ranger” or the “Company”) was incorporated and registered in England and Wales on 25 March 2015. This annual report for the period ended 31 December 2015 (the “Annual Report”) includes the results of Ranger Direct Lending Fund Trust (the “Trust”), in respect of which further details are set out below.

The Company commenced operations on 1 May 2015 following its admission to the London Stock Exchange Main Market (“Admission”). The Company has carried on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

On Admission, the Company had in issue 13,500,000 ordinary shares of £0.01 each (“Ordinary Shares”) in the capital of the Company, which were allotted at an issue price of £10 per Ordinary Share. Since Admission, the Company has been deploying the proceeds of the issue of the Ordinary Shares in a portfolio of Debt Instruments (defined below) issued mainly by direct lending platforms (being businesses which serve as originators and/or distributors of Debt Instruments and which are not traditional retail or investment banks (“Direct Lending Platforms”)) in the United States of America (“US”). The portfolio comprises Debt Instruments (held directly and indirectly) within a diverse group of asset classes including real estate loans, invoice receivables, equipment finance, SME loans and platform debt.

On 6 November 2015 the Company amended its first accounting reference date to 9 April 2015 to satisfy Section 837 of the Companies Act 2006 in order to facilitate its objective of paying its first quarterly dividend. The Company’s accounting period was then changed from 9 April 2015 to 31 December 2015 to unify the accounting period with the Trust.

On 4 December 2015 the Company announced the allotment and issue of 1,348,650 Ordinary Shares (representing 9.99% of the issued Ordinary Share capital of the Company) at a placing price of £10.45. The allotment and issue of these shares was conditional, *inter alia*, upon funds managed by Invesco Asset Management Limited receiving a waiver from the requirement under rule 9 of The City Code on Takeovers and Mergers for it to make a mandatory offer to the holders of all the Ordinary Shares in the Company (the “Waiver”). The Waiver was obtained and the Ordinary Shares were admitted to the premium segment of the Official List of the Financial Conduct Authority (“FCA”), and to trading on the Main Market of the London Stock Exchange on 16 December 2015.

The Company’s investing activities have been delegated by the Board to the Investment Manager, Ranger Alternative Management II, LP (the “Investment Manager”). Other administrative functions are contracted to external service providers. However, the Directors retain responsibility for exercising overall control and supervision of the Investment Manager and external service providers. The Company has no employees.

### The Trust

In accordance with the Company’s investment policy, the Company holds a number of its Debt Instrument investments through the Trust. On establishment of the Trust, the Company was the depositor, managing holder and sole beneficiary of the Trust. The Trust is a Delaware Trust established on 22 April 2015 pursuant to a declaration of trust and trust agreement entered into between the Company as depositor and managing holder and Delaware Trust Company (a Delaware state chartered trust company). Under the terms of the declaration of trust and trust agreement that was entered into on establishment of the Trust, the Company is the sole beneficiary of the Trust and also has administrative powers in respect of the Trust’s assets.

The Trust has no separate legal personality and is wholly transparent for UK tax purposes.

The Company and the Trust are collectively referred to in this report as the “Group”.

## OVERVIEW AND INVESTMENT STRATEGY continued

### Investment Objective

The Company's investment objective 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 and which are together referred to as "Debt Instruments") that have been originated or issued by Direct Lending Platforms.

When selecting investments, the Investment Manager typically seeks to invest in Debt Instruments with average targeted net annualised returns to the Company (excluding any leverage but including reserves for loan losses) of 12 to 13% of the principal amount invested.

In addition, while not forming part of its formal investment policy, and subject to (amongst others) applicable law, market conditions and the Company's performance, the Directors intend to pay dividends on a quarterly basis and, once fully invested and levered, target the payment of dividends which equate to a yield of 10% per annum on the issue price per share at IPO<sup>1</sup>. The difference between 12 to 13% net annualised returns to the Company and the targeted 10% per annum dividend to the Shareholders is due to Company expenses and Investment Manager fees. In addition, some leverage (not to exceed 50%) on the Company's investments is expected to reach the targeted 10% annual dividend to shareholders.

### Investment Policy

The Company invests, directly and indirectly, in a portfolio of Debt Instruments originated or issued by Direct Lending Platforms.

The Debt Instruments to be acquired by the Company from Direct Lending Platforms will consist of debt obligations within a range of asset class sub-categories which may include, but are not limited to, some or all of SME loans (including alternative loan structures providing for the advance against and/or acquisition of future corporate trade receivables of the borrower), real estate loans, consumer loans, invoice factoring, asset financing, speciality financing and medical financing.

The Company will seek to purchase Debt Instruments directly from a Direct Lending Platform. However, the Company may also indirectly participate in Debt Instruments including via:

- the acquisition of notes or other financial instruments that reference the returns of an identified Debt Instrument or pool of Debt Instruments (or fractions thereof), in each case originated or issued by a Direct Lending Platform;
- a syndicate investment alongside the Direct Lending Platform or other investors where the Direct Lending Platform serves as lead creditor;
- pooled investment vehicles or investment funds which invest in Debt Instruments originated or issued by Direct Lending Platforms and which are managed by the Investment Manager (or its affiliates), a Direct Lending Platform or other third parties, in each case that the Company deems suitable with a view to enhancing Shareholder returns and providing diversification of the Company's assets.

The Company will generally only seek to participate or invest in pooled investment vehicles or investment funds when:

- such investment enables the Company to participate in Debt Instruments that the Company either cannot gain direct access to or could only gain direct access to on less favourable terms;

<sup>1</sup> The target dividend and the target net annualised return on investments are targets only and not a profit forecast. There can be no assurance that the target dividend or target net annualised return on investments can or will be achieved from time to time and it shall not be seen as an indication of the Company's expected or actual results or returns. In particular, the target dividend assumes that the Company (or a member of its group) will be able to agree terms for the provision of leverage in connection with the investments it makes and also assumes that investors will hold their Ordinary Shares as a long-term investment

## OVERVIEW AND INVESTMENT STRATEGY continued

### Investment Policy continued

- such investment allows for a greater level of diversification than the Company could otherwise achieve; or
- the Company believes in good faith that such investment is in the best interest of the Shareholders.

Although the Company may invest in other investment funds that are managed by the Investment Manager or its affiliates, these other investment funds will not be part of the Company's group.

The Company's investments in Debt Instruments or other indirect forms of investment in Debt Instruments may be made through subsidiary special purpose vehicles (including, without limitation, trusts of which the Company is the beneficiary) formed for that purpose by the Company.

The Company may also invest up to 10% of gross assets (in aggregate at the time of investment) in listed or unlisted securities issued by a Direct Lending Platform, a Direct Lending Platform's controlling entity or other organisations serving the direct lending industry, which relate to the equity value or revenue of that entity and is not, for the avoidance of doubt, a security issued for the purpose of providing an exposure to Debt Instruments ("Direct Lending Company Equity"). This restriction shall not apply to any consideration paid by the Company for the issue to it of any Direct Lending Company Equity that are convertible securities issued by a Direct Lending Platform. However, it will apply to any consideration payable by the Company at the time of exercise of any such convertible securities or any warrants issued by a Direct Lending Platform. The Company may invest in Direct Lending Company Equity indirectly via other investment funds (including those managed by the Investment Manager or its affiliates).

The Company will invest across various Direct Lending Platforms and asset class sub-categories in order to ensure diversification and to seek to mitigate concentration risks. The following investment limits and restrictions apply to the Company, to ensure that the diversification of the Company's portfolio is maintained and that concentration risk is limited.

### *Investment restrictions – Debt Instruments*

No single Debt Instrument structured as a term loan acquired by the Company will be for a term longer than 5 years. No single Debt Instrument structured as a trade receivable asset acquired by the Company will be for a term longer than 180 days.

The following restrictions apply, in each case at the time of investment by the Company:

- Debt Instruments that are attributable to a single asset class sub-category will not represent more than 25% of gross assets;
- no single Debt Instrument shall exceed 2% of gross assets;
- no single Debt Instrument shall represent more than 20% of the gross assets allocated to the asset class sub-category that the relevant Debt Instrument forms part of;
- aggregate investments in Debt Instruments originated through or issued by any single Direct Lending Platform will not exceed 25% of gross assets; and
- Debt Instruments secured (directly or indirectly) by assets and/or personal guarantees shall not be less than 65% of the gross assets.

Each of the restrictions set out above shall, to the extent the Company invests in Debt Instruments indirectly (whether through notes or other financial instruments that reference returns on Debt Instruments, pooled investment vehicles investing in Debt Instruments or otherwise), be applied in respect of each of the Debt Instruments underlying such indirect investment.

## OVERVIEW AND INVESTMENT STRATEGY continued

### Investment Policy continued

#### *Investment restrictions – Platforms and indirect investment vehicles*

The following restrictions apply, in each case at the time of investment by the Company:

- no more than 25% of gross assets shall be invested in any single entity that issues notes or other financial instruments which reference the returns of Debt Instruments; and
- no more than 25% of gross assets shall be invested any single pooled investment vehicle which holds a portfolio of Debt Instruments.

#### *Other restrictions*

The Company may invest in cash, cash equivalents, money market instruments, money market funds, bonds, commercial paper or other debt obligations with banks or other counterparties having single-A (or equivalent) or higher credit rating as determined by an international recognised agency, or any “governmental and public securities” (as defined for the purposes of the FCA rules) for cash management purposes with a view to enhancing returns to Shareholders or mitigating credit exposure.

The Company will not invest in collateralised loan obligations or collateralised debt obligations.

#### *Key Performance Indicators*

The Company’s Key Performance Indicators (“KPIs”) and investment restrictions are described in Analysis of KPIs and Investment Restrictions on pages 18 to 20.

### Financial Performance at a Glance

#### *Highlights*

31 Dec 2015

Net Asset Value <sup>2</sup> (Cum Income) per share	GBP 10.46 <sup>3</sup> /USD 15.41
Net Asset Value <sup>2</sup> (Ex Income) per share	GBP 10.23 <sup>3</sup> /USD 15.07
Total dividends per share	GBP 8.36 pence
Share Price <sup>4</sup>	GBP 10.25 <sup>3</sup> /USD 15.10
Actual return on the principal amount invested	9.36%
% of Capital deployed <sup>5</sup>	80.8%

Performance is in line with the Company’s objective to achieve 12 to 13% targeted net annualised returns on investments to the Company. NAV growth is also in line with the expectation and the Company will look to provide Shareholders with progressively higher dividends as it achieves full deployment of its capital. The Company’s market capitalisation as of 31 December 2015 was USD 224,249,509 (GBP 152,198,663 at exchange rate of 1.473) based on 14,848,650 outstanding Ordinary Shares.

#### *Company Performance*

	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
% NAV change	-0.17%	0.26%	0.18%	0.25%	0.40%	0.52%	0.45%	0.53%	2.45%
Return on Share Price	4.30%	1.63%	-0.71%	0.05%	0.66%	-0.66%	-1.23%	-1.44%	2.50%

<sup>2</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

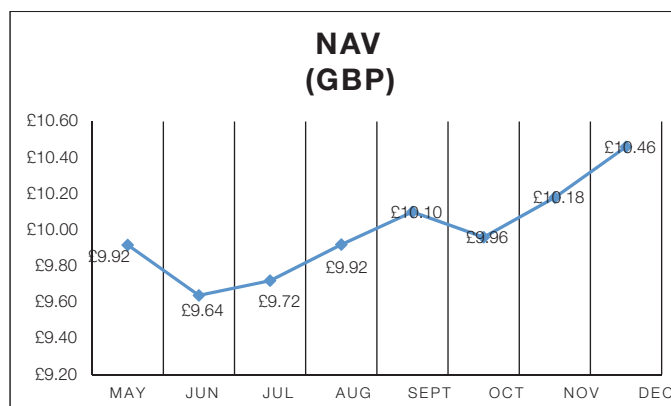
<sup>3</sup> Translated at USD to GBP foreign exchange rate of 1.473

<sup>4</sup> Share price taken from Bloomberg Professional

<sup>5</sup> Net proceeds from IPO

## OVERVIEW AND INVESTMENT STRATEGY continued

## Company Performance continued

Ongoing Charges Information<sup>6</sup>

Annualised ongoing charges <sup>7</sup>	0.73%
Performance fee <sup>8</sup>	0.26%
Annualised ongoing charges plus performance fee	0.99%

## 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>Value as at 31 Dec 2015 (USD)</i>	<i>% of Net Asset Value as at 31 Dec 2015</i>
SME credit lines	United States	Consumer lending fund	52,723,467	23.04%
Real estate loans	United States	Bridge loans to real estate developers	51,725,976	22.60%
Consumer loans	United States	Loans to consumers with improving credit	26,284,284	11.49%
SME loans	United States	Loans to small/medium size businesses	24,741,064	10.81%
Equipment loans	United States	Equipment loans to business	8,066,947	3.53%
Consumer loans	United States	Loans to general consumers	7,232,975	3.16%
Business loans	United States	Vehicle service contract administration	3,631,041	1.59%
Business loans	United States	Vehicle service contract financing	3,464,340	1.51%
Receivable credit lines	United States	Credit lines secured by accounts receivable	2,254,491	0.99%
Invoice factoring	United States	Spot invoice financing	1,429,129	0.62%
<b>Total</b>			<b>181,553,714</b>	<b>79.34%</b>

<sup>6</sup> Ongoing charges are set out as a percentage of annualised ongoing charge over average reported Net Asset Value

<sup>7</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>8</sup> Performance fee is calculated based on the terms of the Investment Management Agreement. Further information is provided in note 16 of the Notes to the Consolidated Financial Statements

## CHAIRMAN'S STATEMENT

I am pleased to report the results of Ranger for the period from 10 April 2015 to 31 December 2015. This has been a period of consistent progress, both in terms of NAV growth and in fund deployment, culminating in December with a secondary issue of 1,348,650 new ordinary shares at a premium to NAV, enlarging the Company's share capital by 10%.

As at 31 December 2015, all of the Company's assets were deployed, or committed to be deployed, in Debt Instruments issued by Direct Lending Platforms, less approximately 5% for general fund operations and foreign exchange settlements. This has resulted in a steadily improving rate of monthly NAV growth and dividend yield over the period. This pace of deployment was anticipated at the time of the Initial Public Offering ("IPO") in April, but it is nevertheless reassuring that it has been achieved and endorses Ranger's original investment case.

More than 80% of Ranger's portfolio consists of secured loans across a diverse selection of industries and whilst most of the assets are in the US, three of the recent investments have been in platforms based outside the US. There has also been progress towards making tactical equity investments in Direct Lending Platforms and we expect several to be completed by the end of the second quarter of 2016.

Ranger paid its first dividend in December 2015 and now that its capital is effectively fully invested, the Company will seek to achieve an increase in its quarterly dividends through 2016. As envisaged at the IPO, payment of the 10% targeted annual dividend will be contingent on securing appropriate leverage and discussions are continuing on the structure of an appropriate facility, which it is hoped will be utilised by the end of the second quarter.

Last year's IPO was capped at £135m to ensure a prudent and timely deployment of the proceeds; an approach that was justified by the actual pace of investment in 2015. However, the Board remains committed to growing Ranger and it is clear from discussions with the Investment Manager that the direct lending sector still offers compelling value and yield. The continuing reluctance of mainstream lenders to offer attractive finance to SMEs means that there will be further opportunities in 2016 and Ranger hopes to be able to raise new capital to take advantage of them.

Thank you for your continuing support.

**Christopher Waldron**

*Chairman*

11 April 2016



## INVESTMENT MANAGER'S REPORT

Tighter regulations and increasingly restrictive lending requirements have caused many banks to reduce or eliminate lending to well established Direct Lending Platforms, primarily because of their niche markets, low average loan size, or small account size. Direct lenders cover multiple secured lending categories such as real estate, equipment finance, invoice factoring, auto, specialty finance, trade receivables and small business lending. The Investment Manager believes there is an exceptional opportunity emerging in the vacuum left by retreating commercial banks.

The Investment Manager believes there are attractive, high yield opportunities which can be accessed by providing funding through these established Direct Lending Platforms. To take advantage of this opportunity, the Investment Manager has identified, negotiated, undertaken due diligence and invested with multiple direct lenders. 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.

Since the Company completed its IPO on 1 May 2015, deployment of capital has continued through a number of Direct Lending Platforms in the US, focused primarily on secured Debt Instruments. The number of platforms has grown from seven at the time of the IPO to 11 by December. With a continuing focus to diversify the portfolio, three of the four added platforms provide non-U.S. SME lending. Two of these new sources will enable secured business loan originations through the international offices of an existing U.S. platform relationship. The third is a new international platform that focuses on advances against government-backed receivables. The Investment Manager is currently in negotiations with other new Direct Lending Platforms, all with the potential to meet or exceed the Company's investment objectives.

At 31 December 2015, all of the Company's IPO proceeds have been deployed or committed to be deployed, less approximately 5% for general fund operations and FX settlements. The investments were made into nine categories and 15 different sub-categories of Debt Instruments spanning the 11 different Direct Lending Platforms. As noted above, this diverse mix of investment types is intended to mitigate risk. At 31 December 2015, 82% (by NAV) of the portfolio was invested in secured Debt Instruments (including loans, cash advances, and receivables financing) to SME borrowers and 18% of the portfolio consisted of unsecured consumer loans.

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. The Company is currently in negotiations with several possible equity investment opportunities.

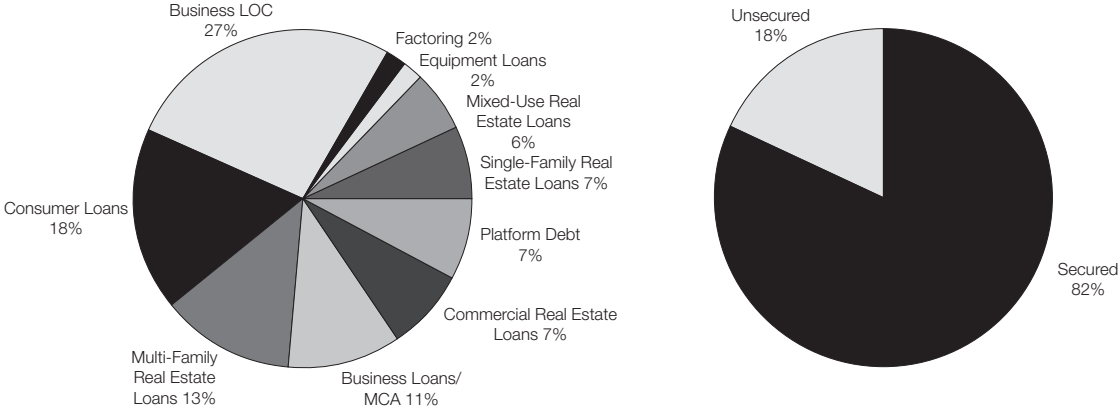
Returns from the Direct Lending Platforms are in line with the 12 to 13% targeted net annualised returns to the Company, NAV growth is in line with expectations, and the Company will seek to provide its Shareholders with progressively higher dividends now that it has reached full deployment. The Company successfully increased ordinary share capital by 9.99% via a tap issue of 1,348,650 Ordinary Shares at GBP 10.45 pence (USD 15.79 cents) per share in December.

The Investment Manager selects investments using an active management approach, where each potential investment is analysed to determine its suitability in meeting the overall investment objectives of the Company. Unlike passive investing, the Investment Manager may exclude individual investments offered by a Direct Lending Platform believed to be unsuitable.

After initial launch costs of 1.63% of gross proceeds of the issue, the Company had a NAV of USD 15.14 per share upon listing, with the NAV per share growing to USD 15.41 on 31 December 2015.

**INVESTMENT MANAGER'S REPORT continued**

The Portfolio Composition as of 31 December 2015 was as follows:



**GROUP STRATEGIC REPORT**

**Cautionary Statement**

This Group Strategic Report has been prepared solely to provide information to Shareholders to assess how the Directors have performed their duty to promote the success of the Company. It has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Company and the Trust when viewed as a whole.

The Group Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

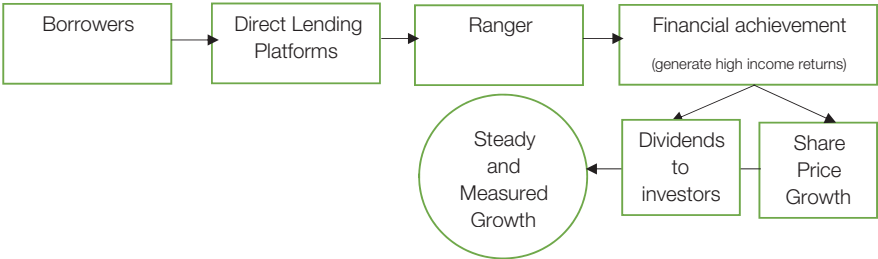
**Business Model**

The Company is an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The strategy the Board follows to achieve the Company’s investment objective on page 4 is to set investment policy and risk guidelines, together with investment limits and monitor how they are applied.

The Company’s business model is set-up to delegate investment management functions to the Investment Manager and delegate company secretarial and administration functions to the appropriate external service providers. Outsourced principal service providers include the following:

<i>Function</i>	<i>Provider</i>
Investment Management	Ranger Alternative Management II, L.P.
English and US (as to Securities Law) Legal Adviser	Travers Smith LLP
General Accounting and Administration	Sanne Fiduciary Services Limited
Company Secretarial	Capita Company Secretarial Services Limited
Company Registrar	Capita Asset Services
Cash custody	Merrill Lynch, Pierce, Fenner & Smith Incorporated

Direct Lending Platforms are increasingly looking to third party investors to assist in the funding of their loan book as well as the provision of capital to the platform itself to fund future development. The Company believes a further major advantage of investing in direct lending opportunities is the total number of asset classes available and the numerous existing platforms in each asset class. Direct lending touches almost every lending asset class, including real estate, consumer, auto, medical, equipment, insurance, specialty finance and many variations of small business lending including term loans, lines of credit, merchant cash advances and factoring. This wide variety of opportunities allows the Company to potentially reduce risk through investment diversification while also potentially achieving higher returns by investing in the best performing direct lending asset classes.



## GROUP STRATEGIC REPORT continued

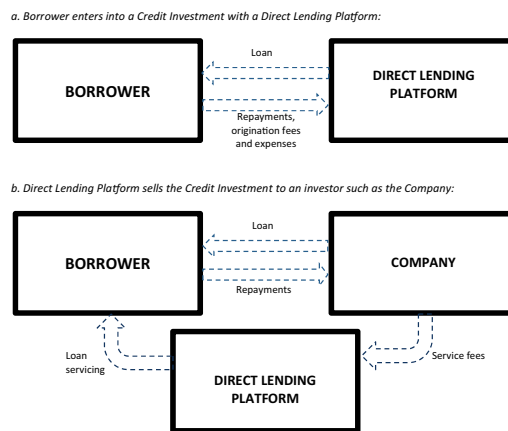
### Business Model continued

The Company currently acquires exposure to Debt Instruments originated or issued by Direct Lending Platforms through the following models and structures:

### Models and Structures

#### *Model 1 – Acquisition of the whole Debt Instrument from the Direct Lending Platform*

The first structure represents the outright sale of Debt Instruments by a Direct Lending Platform. Such a platform may source loans internally or externally, pursuant to their internal underwriting standard; and if required by applicable law, may originate such Debt Instruments in a contractually affiliated commercial bank or lending institution which maintains compliance with the relevant federal and state rules and regulations (a “Bank Intermediary”).



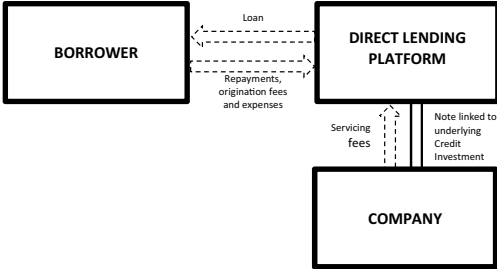
Appropriate investors (such as the Company) thereafter purchase the Debt Instrument issued by the Direct Lending Platform or Bank Intermediary and they are effectively assigned the rights and obligations associated with underlying lending transaction. Direct Lending Platforms generally sell Debt Instruments under this model at a premium to face value (such premium being the “Spread”), charge origination fees and expenses to borrowers and require, as a contractual element of the transaction, an investor to enter into a service agreement whereby the Direct Lending Platform or its affiliate provides administrative services for the life cycle of such Debt Instrument (a “Service Agreement”). A Direct Lending Platform will charge servicing fees to an investor for the life cycle of the underlying Debt Instrument pursuant to a Service Agreement. As such, in circumstances where the Company acquires a Debt Instrument, the value of and return on the Company’s investment will be determined by the payments made by the underlying borrower under the relevant loan documentation, notwithstanding the fact that the Direct Lending Platform will maintain its position as an intermediary between the investor and the underlying borrower in respect of loan servicing arrangements.

#### *Model 2 – Acquisition of performance linked notes referencing the performance of underlying loans*

The second model and structure represents the sale of performance linked notes (“Notes”) by a Direct Lending Platform (or a bankruptcy remote special purpose vehicle established by the relevant platform for the purposes of issuing the Notes), the performance of which are directly linked to the performance of payment obligations pursuant to an underlying Debt Instrument or pool of Debt Instruments entered into between the Direct Lending Platform (or a Bank Intermediary), as creditor, and an underlying borrower or borrowers.

**GROUP STRATEGIC REPORT continued**

**Models and Structures continued**



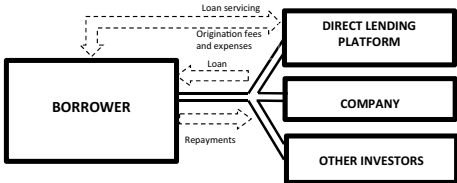
In this model, the Direct Lending Platform continues to be a party to the underlying Debt Instruments (maintaining such Debt Instruments on its books) and issues the Notes to investors such as the Company. As a result, the Direct Lending Platform maintains the rights and obligations generally associated with the underlying Debt Instrument, but provides to investors representations, warranties and covenants relating to the underlying Debt Instrument and the enforcement of rights and duties within its capacity as a creditor. Notes may link to underlying Debt Instruments on a whole loan or fractional loan basis.

When the Company invests in Notes, it will typically look to agree with the relevant Direct Lending Platform that in the event of default by underlying borrowers under the Debt Instruments to which the Notes are referenced, the benefit of any security which has been provided in respect of the underlying Debt Instrument will revert to the Company when it is enforced pursuant to the underlying loan documentation. In addition, the Company may also ask that the Direct Lending Platform itself (or its key principals) provide parent guarantees in respect of the payments required to be made under the Notes where the Notes are issued by a bankruptcy remote special purpose vehicle, thereby seeking to mitigate the credit risk that the Company will be exposed to in respect of the entity that issues the Notes it acquires.

For its services in underwriting and (internally or externally) originating the underlying Debt Instrument, the Direct Lending Platform generally charges a Spread in interest rates, fees relating to the origination of the credit instrument, and enters into a service agreement whereby the Direct Lending Platform charges servicing fees for the life cycle of the underlying Debt Instrument.

*Model 3 – Syndicate investing*

The third model and structure represents the participation by an investor such as the Company in a syndicate that together makes up the lender on a Debt Instrument, and where the Direct Lending Platform serves as lead creditor. In this model, the investor participates in all the rights and obligations of a lender pursuant to the terms of the Debt Instrument on a pro-rata basis, but the Direct Lending Platform maintains primary control over the servicing and collection of outstanding debt.



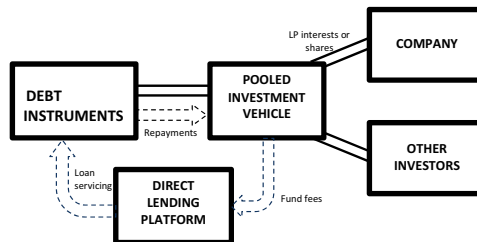
These forms of participation relationships are often employed in Debt Instruments relating to commercial factoring or revolving lines of credit where the Direct Lending Platform seeks to diversify risk among a syndicate of likeminded investors. Direct Lending Platforms employing participation syndicates generally do not, but may, charge a Spread and/or Servicing fees to participating investors. As with Model 1, the value of and return on the Company's investment will be determined by the payments made under the relevant Debt Instrument by the underlying borrower notwithstanding the fact that the Direct Lending Platform will maintain its position as an intermediary between the Investor and the underlying borrower in respect of loan servicing arrangements.

## GROUP STRATEGIC REPORT continued

### Models and Structures continued

#### Model 4 – Pooled investment vehicles

The fourth model and structure represents pooled vehicles managed by the Direct Lending Platform. The pooled investment vehicle will hold a portfolio of underlying Debt Instruments and the investor will have a pro rata exposure to the payments made on those Debt Instruments by reference to the percentage of the pooled investment vehicle that it owns.



In pooled investment vehicle structures, an investor will retain a pro-rata interest in a diversified pool of underlying Debt Instruments. Investors such as the Company may, in certain circumstances, maintain input regarding the allocation of underlying Debt Instruments that are held by the pooled investment vehicle and/or maintain an ability to opt out of participating in respect of certain underlying Debt Instruments. That said, the Direct Lending Platform will generally choose the individual Debt Instruments to which the investor participates through its investment in the pooled investment vehicle, but in this instance the investor may require that the Direct Lending Platform maintain certain underwriting criteria and transparency with respect to the underlying Debt Instruments which are allocated to it in the pool. Rather than the charging a Spread, servicing fees or other purchase fees, the Direct Lending Platform will often charge a combination of management fees, fulcrum fees and/or performance fees.

### Objective and Strategy

#### Objective

The Company's objective is to seek to provide shareholders with an attractive return, principally in the form of quarterly income distributions through exposure to a portfolio of Debt Instruments that have been originated or issued by Direct Lending Platforms.

#### Strategy

Ranger Alternative Management II, LP (the "Investment Manager") selects investments using an active management approach, where each potential investment is analysed to determine its suitability in meeting the investment objective of the Company. Unlike passive investing, individual investments offered, directly or indirectly, by a Direct Lending Platform that the Investment Manager believes to be unsuitable are excluded from the Company's portfolio.

### Borrowing policy

Borrowings may be employed at the level of the Company and/or at the level of any investee entity (including any other investment fund in which the Company invests or any special purpose vehicle ("SPV") that may be established by the Company in connection with obtaining leverage against any of its assets).

The Company may seek to securitise all or parts of its portfolio of Debt Instruments and may establish one or more SPVs in connection with any such securitisation. To the extent the Company establishes any SPV in connection with obtaining leverage against any of its assets or in connection with the securitisation of its Debt Instruments, it is likely that any such vehicles will be wholly-owned subsidiaries of the Company. The Company may use SPVs for these purposes to protect the levered portfolio from group level bankruptcy or financing risks. The Company may also, in connection with seeking such leverage or securitising its Debt Instruments, seek to assign existing assets to one or more SPVs and/or seek to acquire Debt Instruments using an SPV (to the extent permitted by applicable law and regulations).

## GROUP STRATEGIC REPORT continued

### Borrowing policy continued

The Company itself may borrow (through bank or other facilities) whether directly or indirectly through an investment fund in which it invests or through a subsidiary SPV, up to 50% of Net Asset Value, in aggregate (calculated at the time of draw down under any facility that the Company has entered into).

The Company has not, to date, exercised any of its borrowing powers.

### 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 are 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 Board receives and reviews a third party independently reviewed control report of its principal external service providers. Further, the Investment Manager received a third party independently reviewed control report for its largest single counterparty. The results of the Board and the Investment Manager's review are reported to the Audit Committee. These reports did not identify any significant weaknesses during the period 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.

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.

## GROUP STRATEGIC REPORT continued

### Principal Risks and Internal Control continued

<i>Principal risk</i>	<i>Mitigation</i>	<i>Link to KPI</i>
<p><i>Macroeconomic risk</i></p> <p>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.</p> <p>This risk has remained unchanged since the previous annual report.</p>	<p>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.</p>	<p>Capital Deployed Target Return</p>
<p><i>Operational risk</i></p> <p>Delays in deployment of the proceeds of the Ordinary Shares issuance may have an impact on the performance of the Group's portfolio and cash flows.</p> <p>This risk has remained unchanged since the previous annual report.</p>	<p>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.</p> <p>The wide variety of opportunities allows the Group to expand its marketplace to international platforms to ensure the Group is exposed to growth markets.</p>	<p>Capital Deployed Investment restrictions</p>
<p><i>Legal and compliance risk</i></p> <p>Laws applicable to Debt Instruments may govern the terms of such instruments and subject the Company to legal and regulatory examination or enforcement action.</p> <p>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.</p> <p>This risk has remained unchanged since the previous annual report.</p>	<p>The Group has an investment policy and where possible under the agreement entered into with each Direct Lending Platform all investments are selected by the Investment Manager. A due diligence process is applied before the Investment Manager recommends new investment opportunities to the Board.</p> <p>The Investment Manager secures various rights including rights of transparency relating to all documents with respect to:</p> <ul style="list-style-type: none"> <li>– the underlying Debt Instruments;</li> <li>– representations, warranties and covenants regarding the policies and procedures a Direct Lending Platform adheres to;</li> <li>– the characteristics of the Debt Instruments; and</li> <li>– the qualifications of the underlying borrowers.</li> </ul>	<p>Investment restrictions</p>
<p><i>Investment risk</i></p> <p>The Group has substantial investments in Debt Instruments and the major risks include market and credit risks.</p> <p>This risk has remained unchanged since the previous annual report.</p>	<p>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.</p> <p>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.</p>	<p>Investment restrictions NAV and Target Return</p>



## GROUP STRATEGIC REPORT continued

### Principal Risks and Internal Control continued

<i>Principal risk</i>	<i>Mitigation</i>	<i>Link to KPI</i>
<p><i>Taxation risk</i></p> <p>As an investment company, the Company needs to comply with sections 1158/1159 of the Corporation Tax Act 2010.</p> <p>This risk has remained unchanged since the previous annual report.</p>	<p>The Investment Manager and Administrator prepare quarterly management accounts which allow the Board to assess the Company's compliance with investment trust conditions.</p> <p>Further, contractual arrangements with third party service providers are in place, to ensure compliance with tax and regulatory requirements.</p>	<p>At least 85% of Net Profit distributed</p>

### 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"), the Directors have assessed the prospects of the Company over the four year period to the Annual General Meeting ("AGM") in 2020. The Directors believe this period to be appropriate as they will be required by the Articles of Association (the "Articles") to put a proposal for the continuance of the Company at that meeting therefore cannot presume that it will continue as an investment company thereafter.

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 considered 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 the AGM in 2020.

### Performance

The Company's lending activity following Admission was funded by the net proceeds of the Ordinary Shares issued upon the Company's listing on the London Stock Exchange. This funding provides the Company with capital to invest, directly or indirectly, in Debt Instruments via Direct Lending Platforms.

As at 31 December 2015 the Net Asset Value ("NAV") per share was USD 15.41 (GBP 10.46) on a cum-income basis. The NAV per share for ex-income basis was USD 15.07 (GBP 10.23).

As at 31 December 2015 the Company's Ordinary Shares were trading at a discount to NAV at 2.01%.

## GROUP STRATEGIC REPORT continued

### Performance continued

As at 31 December 2015, the portfolio (excluding cash and cash equivalents) was diversified across different sectors as follows:

<i>Sector</i>	<i>Allocation</i>
Consumer Loans	18%
Business Letter of Credit	27%
Multi-family Real Estate Loans	13%
Single-family Real Estate Loans	7%
Platform Debt	7%
Commercial Real Estate Loans	7%
Mixed-use Real Estate Loans	6%
Business Loans	11%
Factoring	2%
Equipment Loans	2%
Total (excluding cash and cash equivalents)	100%

Trends and factors likely to affect future development performance and position of the Group are included in the Investment Manager's Report on pages 9 to 10.

### 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:

<i>2015</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sept</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>
Premium/(discount) to NAV at end of each month	5.17%	9.97%	8.28%	6.15%	4.95%	5.75%	2.16%	(2.01%)

### 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 2015 are shown in the table below.

<i>Indicator</i>	<i>Criteria</i>	<i>As of 31 Dec 2015</i>
Target Return <sup>9</sup>	12 to 13% unlevered annual net returns to the Company on loan investments	9.36% from May to Dec 2015 and based on 80.8% capital deployed <sup>10</sup>
Capital Deployed	USD 205 million available for deployment (net of relevant issue costs)	USD 182.36 million principal amount invested

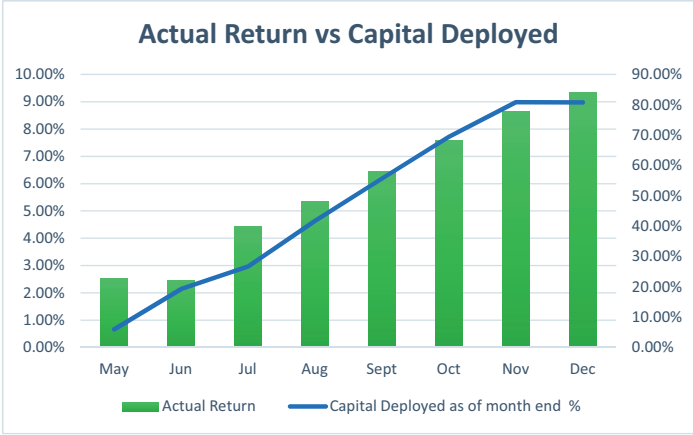
<sup>9</sup> This includes return on investments including provision for loan losses but excluding expenses and Investment Manager fees

<sup>10</sup> Net proceeds from IPO

**GROUP STRATEGIC REPORT continued**

**Analysis of KPIs and Investment Restrictions continued**

The following graph shows the cumulative actual return<sup>9</sup> per month compared with the percentage of capital deployed:



<sup>9</sup> This includes return on investments including provision for loan losses but excluding expenses and Investment Manager fees

## GROUP STRATEGIC REPORT continued

## Analysis of KPIs and Investment Restrictions continued

<i>Indicator</i>	<i>Criteria</i>		<i>As of 31 Dec 2015</i>
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 90 days	
– Maximum allocation to any single asset class sub-category	25% of gross assets	The Company has invested 22.5% of gross assets in the business letter of credit debt US sub-category	
– Maximum allocation to loans originated by any single lending platform	25% of gross assets	The Company has invested 22.5% of gross assets in the Direct Lending Platform which issues SME credit lines	
– Maximum allocation to any Debt Instrument	2% gross assets	No single Debt Instrument in which the Company has an interest exceeds 1.9% of gross assets	
– 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 19.2% of gross assets	
– Minimum allocation to loans secured by assets or personal guarantee	65% of gross assets	69.1% 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	82.3% of the portfolio are secured by assets or personal guarantee	
Total dividend for the period	At least 85% of Net Profit	Interim dividends of 90% of Net Profit	

## **GROUP STRATEGIC REPORT continued**

### **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 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.

### **Board Diversity**

A description of the Company's board diversity is set out in the Directors' Remuneration Report on page 34.

The Group Strategic Report was approved by the Board of Directors on 11 April 2016 and signed on its behalf by:

**Christopher Waldron**

*Chairman*

## CORPORATE GOVERNANCE REPORT

### Statement of Compliance

Upon Admission to the London Stock Exchange, the Listing Rules require that the Company must “comply or explain” against the UK Corporate Governance Code 2014. In addition, the Disclosure and Transparency Rules require the Company to: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.

In applying the main principles set out in the UK Corporate Governance Code, the Directors have considered the principles and recommendations of the AIC Code by reference to the AIC Guide (which is available at [www.theaic.co.uk](http://www.theaic.co.uk)). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code 2014, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code) will provide better information to shareholders.

The Directors recognise the value of the AIC Code and have taken appropriate measures to ensure that from Admission, the Company has complied and continues to comply, so far as possible given the Company’s size and nature of business, with the AIC Code, except as set out below:

Senior Independent Director – The Directors have determined that the size of the Company’s Board does not warrant the appointment of a senior independent director.

Internal audit function – Due to the current size and nature of the Company’s operations, no internal audit function is considered necessary. Details of the Company’s principal outsourced service providers are detailed on page 11.

Board evaluation – The Board has not yet undertaken a performance evaluation, and further details on this can be found on page 26.

Shareholder information – The Company does not provide, although relevant information is disclosed on pages 10 and 18, a complete portfolio listing. The Board has determined that to provide a complete listing would not be in the interests of the Company and the shareholders.

### The Board and its Committees

The Board has delegated certain responsibilities to its Audit, Management Engagement and Remuneration and Nomination Committees. Given the size and nature of the Board it is felt appropriate that all independent Directors are members of the Committees.

The roles and responsibilities of the committees are set out in the appropriate terms of reference available on the Company’s website <http://rangerdirectlending.com/documents/>.

Items are discussed and, as appropriate, matters are endorsed, approved or recommended to the Board by the Committees. The Chairman of each Committee provides the Board with a summary of the main discussion points at the Committee meeting, and any decisions made by the Committee along with any recommendations which require Board approval.

The Board may also delegate certain function to other parties; in particular the Directors may delegate to the Investment Manager. However the Directors retain responsibility for exercising overall control and supervision of the Investment Manager. Matters reserved for the Board include, amongst others, approval and oversight of the Group’s investment activities by ensuring that the Company has complied with its investment restrictions. The Board also reviews the performance of the Group against its target return (as defined in the Prospectus) and in light of the current market condition, considers the strategy taken by the Investment Manager. Approval of the half-yearly report, announcements, dividends and annual report are also reserved for the Board.

## **CORPORATE GOVERNANCE REPORT continued**

### **The Board and its Committees continued**

#### *Audit Committee*

The Company's Audit Committee, comprising all the independent Directors of the Company, meets formally twice a year. Jonathan Schneider is Chairman of the Audit Committee.

The Audit Committee:

- (1) monitors the financial reporting process;
- (2) monitors the effectiveness of the Company's internal control and risk management systems;
- (3) monitors the annual statutory audit process; and
- (4) reviews and monitors the independence of the Company's auditors in particular in relation to the auditor's provision of additional services to the Company.

#### *Management Engagement Committee*

The Company's Management Engagement Committee, comprising all the independent Directors of the Company, meets formally at least once a year for the purpose, amongst other things, of reviewing the actions and judgements of the Investment Manager and also the terms of the Investment Management Agreement. The Chairman, Christopher Waldron, acts as Chairman of the Management Engagement Committee.

Following the recommendation from the Management Engagement Committee the Board has concluded that it is in the best interest of shareholders that Ranger Alternative Management II, LP should continue to be the Investment Manager of the Company under its existing terms.

#### *Remuneration and Nomination Committee*

The Company's Remuneration and Nomination Committee, comprising all the independent Directors of the Company, meets formally at least once a year for the purpose of, amongst other things, considering the framework and policy for the remuneration of the Directors pursuant to the Articles and to review the structure, size and composition of the Board. No Director shall be involved in any decisions as to their own remuneration. Jonathan Schneider acts as Chairman of the Remuneration and Nomination Committee.

#### *Investment Manager*

Ranger Alternative Management II, LP serves as the Investment Manager of the Company and is registered as an investment adviser with the US Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940, as amended. The Investment Manager was established in 2013 and is headquartered in Dallas, Texas USA. The Investment Manager is controlled and supported by Ranger Capital Company Holdings, LP ("Ranger Capital Company") which provides institutional quality back office and operations support for the Investment Manager, including legal, compliance, accounting, information technology, administration and investor relations services.

#### *Company Secretary*

The Board has direct access to the services provided by the Company Secretary, Capita Company Secretarial Services Limited, which is responsible for ensuring that the Board and the Committee procedures are followed. The Company Secretary is also responsible for ensuring timely delivery of information and reports and that certain statutory obligations, such as compliance with the Companies Act 2006 and the UKLA Listing Rules and Disclosure and Transparency Rules, are met. Further, the Company Secretary is responsible for advising the Board on all governance related matters.

## CORPORATE GOVERNANCE REPORT continued

### The Board of Directors

Biographies of the Directors are set out below and demonstrate the wide range of skills and experience each brings to the Board. The Directors were identified and interviewed prior to the Company's IPO and advice was taken in respect of their appointment from the Company's relevant advisers. The Company's Broker, Liberum assisted with the Board appointment identification process and the interviews were also conducted with the Investment Manager.

During the period 10 April 2015 to 31 December 2015 (the "Period"), the following served as Directors of the Company:

Key:

- + Management Engagement Committee member
- Audit Committee member
- \* Remuneration and Nomination Committee member

#### *Christopher Waldron +-\*(Chairman) (independent) appointed on 2 April 2015*

Mr Waldron is a consultant to and the chair of the investment committee of Edmond de Rothschild in the Channel Islands. He previously served as CEO of Edmond de Rothschild Company's broking and asset management companies in Guernsey, specialising in fixed income, OTC and listed hedging strategies and alternative investment mandates. Mr Waldron formerly held a variety of investment management positions with Bank of Bermuda, the Jardine Matheson Group and Fortis prior to joining the Edmond de Rothschild Company in 1999. Mr Waldron is also a member of the States of Guernsey's Treasury and Resources Investment Sub-Committee and its Bond Management sub-committee. Mr Waldron is a director of a number of listed companies including DW Catalyst Fund Limited and JZ Capital Partners and is Chairman of UK Mortgages Limited which is also on the Main Market of the London Stock Exchange Limited. He is a Fellow of the Chartered Institute for Securities and Investment. Mr Waldron has no other significant commitments for the purposes of the UK Corporate Governance Code.

Mr Waldron was also appointed Chairman of the Management Engagement Committee on 10 April 2015.

#### *Dr Matthew Mulford +-\*(independent) appointed on 2 April 2015*

Dr Mulford is a Senior Research Fellow at the London School of Economics, an Affiliate Professor at école des Hautes Etudes Commerciales de Paris (HEC-Paris) and a Visiting Faculty at the European School of Management and Technology (ESMT) in Berlin. He is formerly a founding Dean of the TRIUM Global Executive MBA programme which is currently ranked as one of the top EMBA programmes in the world. Dr Mulford has extensive research and senior executive training experience in negotiation analysis, psychology of judgement and decision making, quantitative methods and game theory. Dr Mulford has designed, directed and/or taught executive training courses in 20 countries for a variety of clients, including: Boehringer Ingelheim, Bosch, Deutsche Bank, EADS, Ericsson, Gallup, Gold Fields, Indian National Railroad, King Faisal Specialist Hospital, Linklaters, MAP – Carrefour, MTS, Qtel, Rusal, Siemens Standard Chartered Bank, Syngenta, ThyssenKrupp, Total, the UK's National Audit Office and Home Office and the United Nations Development Programme.

#### *Jonathan Schneider +-\*(independent) appointed on 2 April 2015*

Mr Schneider is a Chartered Accountant and an active entrepreneur and investor. From 2006 to 2012, he was the co-founder and managing partner of the Novator Credit Opportunities Fund, a UK based special situations hedge fund. Mr Schneider currently has a portfolio of alternative lending interests which he actively supports and manages, the majority of which he conceived and co-founded. Some of these include African Financial Services, a pan African consumer finance business, Iwoca.com, a business to business working capital lender and Mode, an emerging market airtime credit provider. Mr Schneider has held numerous previous directorships, including serving as on the Board of publicly listed Talon Metals Inc. and Aqua Online Limited.

Mr Schneider is considered by the Board to have the necessary recent and relevant financial experience for his role as Audit Committee Chairman. He was appointed Chairman of the Audit Committee and the Remuneration and Nomination Committee on 10 April 2015.



## **CORPORATE GOVERNANCE REPORT continued**

### **The Board of Directors continued**

*K Scott Canon (non-independent) appointed on 25 March 2015*

Scott Canon is the CEO of Ranger Capital Company. Mr Canon has previously served in a variety of roles within the broker-dealer affiliate of Security Capital Company, a global real estate research, investment and operating management company. Previously, Mr Canon was a member of the affiliate's board of directors and Head of the Capital Placement Company. He formerly worked for Chase Manhattan Bank and Goldman, Sachs & Co. Mr Canon served as a member of the board of directors for Green Mountain Energy Company before it was purchased by NRG Energy.

Mr William Kassul, a Non-Independent Director, connected with Ranger Alternative Management II, LLP, the Investment Manager, was appointed as a director of the Company on 25 March 2015 and resigned on 10 April 2015.

### *Directors' interests*

As at 31 December 2015 Mr Waldron has a share interest in the Company, in the form of 500 Ordinary Shares, representing 0.003% interest in voting rights (9 April 2015: none). The remaining Directors do not have any interests in the Company's Ordinary Shares. There have been no changes to the aforementioned holding between 31 December 2015 and the date of this report.

No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which were affected by the Company since its date of incorporation or remain in any respect outstanding or unperformed.

No loan or guarantee has been granted or provided by any member of the Company for the benefit of any Director.

### *Letters of appointment and election of Directors*

Each Director signed a letter of appointment to formalise the terms of their engagement as a Director with effect from 7 April 2015 (or in the case of Mr Canon, with effect from 25 March 2015). The terms of those letters of appointment specify that independent non-executive Directors are typically expected to serve three three-year terms but may be invited by the Board to serve for an additional period. Copies of the letters of appointment are available on request from the Company Secretary and will be available at the AGM.

As set out in his letter of appointment, since Mr Canon is a non-independent director, he serves a one-year term but may be invited by the Board to serve for an additional period. All Directors' appointments are subject to election by the Shareholders at the AGM following their appointment by the Board. Any term renewal is subject to Board review and AGM re-election. The Company's Articles stipulate that all new Directors shall retire and offer themselves for re-appointment at the relevant AGM every three years.

As the non-executive Directors were elected at the AGM in January 2016, they will not stand for re-election at the forthcoming May AGM with the exception of Mr Canon. Mr Canon, being connected to the Investment Manager will stand for re-election in May 2016 as the next AGM thereafter is not anticipated until May or June 2017. However, in line with good practice the Board has decided that all Directors will stand for re-election on an annual basis thereafter.

The Board considers that all of the current Directors contribute effectively to the operation of the Board and the strategy of the Company therefore the Board believes that it is in the best interest of Shareholders that Mr Canon is re-elected.

In making any new appointment the Board will consider a number of factors, but principally the skills and experience that will be relevant to the specific role and that will complement the existing Board members.

## CORPORATE GOVERNANCE REPORT continued

### Board meeting attendance for the period from 10 April 2015 to 31 December 2015

During the Period, the Company held seven Board meetings, two Audit Committee meetings, one Management Engagement Committee meeting and one Remuneration and Nomination Committee meeting. Attendance at these Board and Committee meetings is detailed below.

<i>Directors</i>	<i>Number of Meetings</i>			<i>Remuneration and Nomination</i>
	<i>Board</i>	<i>Audit</i>	<i>Management Engagement</i>	
Christopher Waldron	7/7	2/2	1/1	1/1
K Scott Canon	6/7	N/A	N/A	N/A
Jonathan Schneider	5/7	2/2	1/1	1/1
Dr Matthew Mulford	5/7	2/2	1/1	1/1
William Kassul*	0/0	N/A	N/A	N/A

\* resigned on 10 April 2015

### Board's performance evaluation

The Board's focus has been primarily on investment policies and procedures of the Company. With the exception of Mr Canon, as disclosed in their biographies, all of the other Directors were considered independent on appointment, shortly before listing on 1 May 2015. The Company intends to complete its first Board evaluation in 2016. The Board considers this appropriate as it provides reasonable time for the Board and its Committees to be fully established and therefore benefit from the review.

As part of the evaluation, the Chairman will meet with individual Directors for the purpose of a formal and rigorous performance appraisal and consideration of each Director's independence. In due course, the Directors will meet, without advisers present, to appraise the Chairman's performance. Any training needs identified as part of the Board evaluation process will be added to the agenda of the next Board meetings.

During 2015 the Board have received training from the Company's lawyers Travers Smith LLP and the Company's broker Liberum Capital Limited regarding their duties. The Directors were all provided with an induction from the Investment Manager.

### Relations with Shareholders

The Company encourages two-way communication with both its institutional and private investors and intends to respond quickly to queries raised. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The notice of the AGM, which will be circulated to all registered Shareholders with at least twenty-one days' notice of the AGM, sets out the business of the meeting and an explanation of each proposed resolution. Separate resolutions are proposed in respect of each substantive issue.

Shareholders are encouraged to attend the AGM and to participate in the proceedings. The Chairman of the Board and other members of the Board, together with representatives of the Investment Manager, will be available to answer Shareholders' questions at the AGM. Proxy voting figures will be available to Shareholders at the AGM.

The Investment Manager holds regular discussions with major Shareholders, the feedback from which is provided to and greatly valued by the Board. The Directors are available to enter into dialogue and correspondence with Shareholders regarding the progress and performance of the Company.

## **CORPORATE GOVERNANCE REPORT continued**

### **Risk Management and Internal Control review**

The Board has considered the FRC guidance on risk management, internal control and related financial and business reporting dated September 2014 that applies from 1 October 2014. The Board is responsible for ensuring the maintenance of a robust system of internal control and risk management and for reviewing the effectiveness of the Company's overall internal control arrangements and processes following recommendations from the Audit Committee.

The appointment of the Investment Manager as the Alternative Investment Fund Manager under the Alternative Investment Fund Managers Directive means that it is responsible for operating the Company's internal system of control and for initially reviewing its effectiveness. Such systems are however designed to minimise the risk and not entirely eliminate risk; they can provide only reasonable and not absolute assurance against material misstatement of loss.

The Management Engagement Committee carries out regular reviews of the performance of the Investment Manager as well as the other service providers appointed by the Company as described on page 11.

On behalf of the Board

**Christopher Waldron**

*Chairman*

11 April 2016

## AUDIT COMMITTEE REPORT

(The Audit Committee Report forms part of the Corporate Governance Report)

### *Composition*

The Audit Committee was formed on 10 April 2015, comprising Jonathan Schneider as Chairman, Christopher Waldron and Matthew Mulford. All members are Independent Non-Executive Directors. Mr. Schneider is a qualified accountant and has the necessary experience in accounting and auditing.

### *Responsibilities*

The Audit Committee monitors the integrity of the consolidated financial statements of the Company including its annual and half-yearly reports. It is also responsible for making recommendations to the Board on both the appointment of the external auditor and monitoring the external auditor's effectiveness and independence. In addition, the Audit Committee shall advise the Board on whether, in its opinion, the Company's Annual Report and consolidated financial statements, taken as a whole, is fair, balanced and understandable.

The Audit Committee is aware of and is monitoring potential changes to the UK Corporate Governance Code and EU legislation relating to appointment of auditors, restrictions on the non-audit services provided by external auditors and the fees they receive. During 2015, the Company agreed a policy for non-audit services, which will be updated in line with any future statutory or regulatory requirements.

The key responsibilities and principal activities of the Audit Committee as identified in its terms of reference and other than as mentioned above are as follows:

- to monitor the integrity of the consolidated financial statements of the Company, including its annual and half-yearly reports and any other formal announcements relating to its financial performance, and to review significant financial reporting issues and judgements which they contain;
- to review and challenge where necessary the consistency or adoption of significant accounting policies both on a year on year basis and (as applicable) across the Company;
- to review the content of the Annual Report and consolidated financial statements and decide on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to assess annually the external auditor's independence and objectivity and the effectiveness of the audit process taking into account relevant UK law, professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services; and
- to arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary.

As the Company has no employees, the Company does not have a whistleblowing policy and procedure in place. Accordingly, the Audit Committee will review the whistleblowing procedures of the Investment Manager and the external service providers to ensure that the concerns of its staff may be raised in a confidential manner.

### *Meetings*

The Audit Committee meets at least twice a year at appropriate intervals in the financial reporting and audit cycle. Further meetings will take place should the Chairman of the Audit Committee or other members require. Only the Audit Committee members have the right to attend and vote on these meetings, however others may be invited on a regular basis, including the external auditors. At least once annually, the Audit Committee will meet with the external auditor without the presence of any member of the executive management team.

## AUDIT COMMITTEE REPORT continued

### *Primary areas of judgement in relation to the Annual Report and consolidated financial statements*

The Audit Committee has considered the significant judgements made in the Annual Report and consolidated financial statements and receives reports from the external service providers and the external auditor on those judgements. The Audit Committee pays particular attention to the matters it considers to be important by virtue of size, potential impact, complexity and level of judgement.

The principal issues considered by the Audit Committee for the period were as follows:

- **Consideration of Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)**

The Audit Committee considered the implications of adopting IFRS in the Group's annual and half-yearly Reports. Prior to the half-yearly results, it reviewed management's assessment as to whether the Group met the definition of an Investment Entity which determined the presentation of the consolidated financial statements. It reviewed the Group's investment strategy, objectives and accounting policies to assess whether the Debt Instruments were managed on a fair value basis and it concluded that the Group does not meet all the criteria of an Investment Entity on the basis that the Debt Instruments are not managed on a fair value basis.

The Audit Committee reconsidered this conclusion as at the reporting date for continued appropriateness and consistency.

- **Recoverability of loans held at amortised cost**

The Investment Manager establishes an allowance for loan losses that it believes is adequate to reflect incurred impairment losses in the existing portfolio. The Audit Committee also reviewed and challenged the default rate used as well as considered the adequacy of the disclosures in respect of the key assumptions and sensitivities. Further details of these assumptions can be found in notes 2 and 4 to the consolidated financial statements.

- **Valuation of financial assets at fair value through profit or loss**

During the period, the Group has invested in a Delaware fund which is not quoted or traded on a recognised stock exchange and for which the fair value requires careful analysis and judgement. The amount of the investment as at 31 December 2015 is considered significant representing 23% of the Group's net assets.

Management receives monthly statements of fund performance from the Delaware fund. The fair value of the investment is based on the account value as reported in the statement of fund performance which represents the price at which the Group can sell its shares back to the fund. As this investment was only made during the current period the Group has carried this investment at cost plus any income accrued up to the reporting date. The Audit Committee concurs with the valuation and will revisit the fair value estimation at least annually.

- **Compliance with Investment Trust (Approved Company) (Tax) Regulations 2011**

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 Audit Committee reviewed the management accounts for the period to 30 September 2015 as the basis for the interim dividend during the period. The Audit Committee also reviewed the management accounts for the quarter ended 31 December 2015 as the basis for the interim dividend declared in February 2016. The management accounts were prepared under the relevant requirements of the Companies Act 2006 and applicable IFRS accounting policies. The calculation of the minimum interim dividend amount based on the management accounts was also reviewed by the Company's tax advisor. The Audit Committee accordingly gained substantive evidence of the appropriateness of the interim dividend and calculation for future distributions.

The internal controls over financial reporting were considered, together with feedback from the Company's Investment Manager, Company Secretary and the Company's external auditor.

## AUDIT COMMITTEE REPORT continued

The Audit Committee has met with the audit team and has assessed Deloitte LLP's performance to date. The Audit Committee received a report and supporting presentation from Deloitte LLP on its audit of the consolidated financial statements for the period. The Audit Committee read and discussed the Annual Report, with special attention to the considerations included above and concluded that it is fair, balanced and understandable.

### *External Audit*

In accordance with the requirements of the AIC Code and recent changes to the EU regulatory framework, the Company will ensure that the external audit contract is put out to tender at least every 10 years from the appointment date of the current auditors.

Deloitte LLP presented the detailed audit plan to the Audit Committee on 2 November 2015. The plan sets out the audit scope, the significant audit risks the Company faces, Deloitte LLP's position on audit independence, materiality (as described in the external auditor's report on page 45), proposed timetable and audit fees. Following the completion of the audit, the Audit Committee reviewed Deloitte LLP's effectiveness by:

- discussing the overall risk-based audit process and the audit procedures taken to address the identified significant audit risks;
- considering feedback on the audit provided by the Investment Manager and the Administrator; and
- considering the experience, involvement of specialists and continuity of the audit team, including the audit partner.

The Audit Committee has considered the significant risks identified by the audit team during the half-yearly review report and re-considered the applicability in the audit of the consolidated financial statements for the period. The feedback provided by the Investment Manager and by the Administrator regarding the audit team's performance on the audit is positive. The Audit Committee acknowledged that the audit team, including the audit partner, comprised staff with appropriate levels of knowledge and experience of the investment trust sector. Accordingly, the Audit Committee has recommended to the Board that Deloitte LLP be appointed as Auditors at the forthcoming AGM. Deloitte LLP has confirmed its willingness to continue in office.

Certain non-audit services may be provided by the external auditor including those identified in note 7 of the consolidated financial statements, subject to the level of fees involved, which are not considered to impair the external auditor's independence or objectivity. The Audit Committee considered the safeguards in place to protect the external auditor's independence by taking into account Deloitte LLP's report to the Audit Committee that it had considered its independence in relation to the audit and confirmed to the Audit Committee that its objectivity has not been compromised. The Audit Committee agreed that the following services are prohibited from being provided by the external auditor: bookkeeping, payroll administration services, management functions, executive recruiting and human resource services, broker-dealer services, expert services unrelated to their audit function and actuarial services. This list may also include any service the Audit Committee determines is not permissible.

The Audit Committee Report was approved by the Board of Directors on 11 April 2016.

On behalf of the Board

**Jonathan Schneider**

*Chairman of the Audit Committee*

## DIRECTORS' REMUNERATION REPORT

### *Statement from the Chairman of the Remuneration and Nomination Committee*

This Directors' Remuneration Report for the period ended 31 December 2015 has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. In addition to the Remuneration and Nomination Committee Chairman's Annual Statement, the Report comprises of the Directors' Remuneration Policy and Annual Report on Remuneration.

In principle, the Annual Report on Remuneration explains the payments made to the Directors' during the period. The Annual Report on Remuneration, including this Annual Statement, is subject to an advisory vote at the Company's AGM. The Directors' Remuneration Policy is forward-looking and is subject to a binding vote at the AGM. Subject to approval at the AGM, it will take effect immediately thereafter. The Directors' Remuneration Policy will remain in place for a maximum of 3 years or until the Directors' Remuneration Policy is amended, when it will require shareholder approval. Ordinary resolutions for the above-mentioned votes will be put to shareholders at the forthcoming AGM. Any views expressed by shareholders on the remuneration being paid to Directors will be taken into consideration by the Committee and the Board.

During the period under review, the Board established a Remuneration and Nomination Committee and given the limited time that has elapsed since the Company was launched, the Committee have met once. The major decisions made by the Committee were:

- review of the Remuneration policy as outlined in the Prospectus at IPO and agreed that no changes would be made to the Directors' remuneration;
- review of Market Remuneration Trends for Investment Trusts; and
- the approval of Directors' Expenses policy.

### *Composition*

The Remuneration and Nomination Committee was formed on 10 April 2015, comprising Jonathan Schneider as Chairman, Christopher Waldron and Matt Mulford, all of whom are Independent Non-Executive Directors.

The Directors and Company Secretary are the only officers of the Company. Copies of the Directors' letters of appointment are available upon request from the Company Secretary at the registered office and will be available for inspection at the AGM. The Company Secretary is engaged under a Company Secretarial Agreement with the Company. The Company has no employees.

Under the terms of their appointment, each of the Independent Directors are required to retire by rotation and seek re-election at least every three years. Mr Canon, being connected to the Investment Manager, will stand for election annually. Each Director's appointment under their respective letter of appointment is terminable by either party (the Company or the Director) giving three months' written notice. Upon termination, Directors shall only be entitled to such fees as may have been accrued to the date of termination.

The Directors are each entitled to serve as non-executive directors on the boards of other companies and to retain any earnings from such appointments.

### *Remuneration policy*

In setting the Company's remuneration policy, the Remuneration and Nomination Committee has sought (so far as it considers appropriate for a company with a non-executive board) to align the interests of the Board with those of the Company and to incentivise the Directors to help the Company to achieve its investment objective.

The Directors shall be paid such remuneration by way of fees for their services as may be determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company in general meeting, the aggregate amount of such fees of all Directors shall not exceed £250,000 per annum.

**DIRECTORS' REMUNERATION REPORT** continued*Remuneration policy continued*

Under the terms of their appointments as Non-Executive Directors of the Company, the Directors (other than Scott Canon who has waived his entitlement to an annual fee) are entitled to the following annual fees:

<i>Position</i>	<i>Annual fee levels</i>	<i>Purpose</i>	<i>Operation</i>	<i>Opportunity</i>
Chairman	Following Admission: £15,000 Following second equity fundraising: £23,750 Following third equity fundraising: £30,000	To reflect competitive market rates for each role, and the commitment and contribution expected from each Director.	The Chairman and other non-executive Directors receive a basic fee for their respective roles, which is increased for any additional services required of them (e.g. chairing a committee). All fees are payable in cash, but Directors may elect to apply the cash amount of their fee to subscribe for or purchase Ordinary Shares.	Fees are fixed until the expiry of the annual period following the third equity fundraising. Thereafter, annual fees may be reviewed annually, provided at all times the total fees payable to Directors are within the limits set out in the Articles.
Chairman of the Audit Committee	Following Admission: £13,750 Following second equity fundraising: £21,250 Following third equity fundraising: £27,250			
Other Non-executive Directors	Following Admission: £12,250 Following second equity fundraising: £18,750 Following third equity fundraising: £25,000			

The Directors shall not be entitled to any other fixed or variable remuneration (save as set out above).

The Directors may elect to apply the cash amount equal to their annual fee to subscribe for or purchase Ordinary Shares. The Directors hold their office in accordance with the Articles and their appointment letters. No Director has a service contract with the Company, nor are any such contracts proposed. The retirement, disqualification and removal provisions relating to the Directors (in their capacity as Directors) are summarised in paragraph 3(m) of Part VII of the Company's prospectus dated 14 April 2015 issued in connection with the IPO.

No annual bonus will be paid to any Director and the Company does not operate a long term incentive plan.

The Directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from Board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine. The Company shall consider whether it would be reasonable to pay Directors any additional fees or bonuses as a result of Directors undertaking additional work outside the ordinary scope of their duties (such as work required due to any material corporate action or fund raising).

In setting the level of each non-executive Director's fees, the Company has had regard to: the time commitments expected, the level of skill and experience of each Director, the current market, levels of companies of similar size and complexity.

On termination of the appointment, Directors shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date. If the Board considers it appropriate to appoint a new director(s), the new director(s) remuneration will comply with the above Remuneration Policy.



**DIRECTORS' REMUNERATION REPORT continued***Remuneration policy continued*

This Remuneration Policy will be subject to a binding shareholder vote at the forthcoming AGM and will take immediate effect following the AGM. This Policy will remain in force until the AGM of the Company in 2019, at which time a further policy will be proposed.

*Directors' remuneration and Share interests (audited)*

The total remuneration of the Directors for the period ended 31 December 2015 (period from 25 March 2015 to 9 April 2015: USD nil) was as follows:

<i>Director</i>	<i>Non-Executive Directors' Fee (GBP)</i>	<i>Non-Executive Directors' Fee (USD)</i>	<i>Total Remuneration Amount (GBP)</i>	<i>Total Remuneration Amount (USD)</i>
Christopher Waldron	11,250	17,259	11,250	17,259
Dr Matthew Mulford	9,187	14,096	9,187	14,096
Jonathan Schneider	10,193	15,634	10,193	15,634
William Kassul*	–	–	–	–
K Scott Canon	–	–	–	–
<b>Total</b>	<b>30,630</b>	<b>46,989</b>	<b>30,630</b>	<b>46,989</b>

\*Resigned on 10 April 2015

Directors are not eligible for bonuses, share options or long-term incentive schemes or other performance-related benefits. There are no pension arrangements in place for the Directors of the Company. Accordingly, there were no other items in the nature of remuneration, pension entitlements or incentive scheme arrangements which were paid or accrued to the Directors during this period.

Mr Waldron has a share interest in the Company in the form of 500 Ordinary Shares representing 0.003% interest in voting rights as shown in the table below. The other Directors do not have any interests in the Company's shares, nor is there any requirement under the Company's Articles of Association or letters of appointment for Directors to hold shares in the Company.

<i>Director</i>	<i>Nature of Interest</i>	<i>31 Dec 2015</i>	<i>9 Apr 2015</i>
Christopher Waldron	Beneficial	500 ordinary shares	n/a

There have been no changes to the aforementioned holdings between 31 December 2015 and the date of this report.

Mr Canon, as a Non-Independent Director has agreed to waive any entitlement to an annual fee in respect of services provided to the Company. Mr Canon, through his services provided to the Investment Manager, received a reimbursement from the Company in relation to the IPO fundraising and C Share Class due diligence in November 2015. Total amount reimbursed to Mr Canon was USD 21,891 which comprises the cost of the IPO fundraising of USD 16,150 charged to the Share Premium account arising from the issue of new Ordinary Shares and the cost of the C Share Class due diligence of USD 5,741 charged to the Statement of Comprehensive Income.

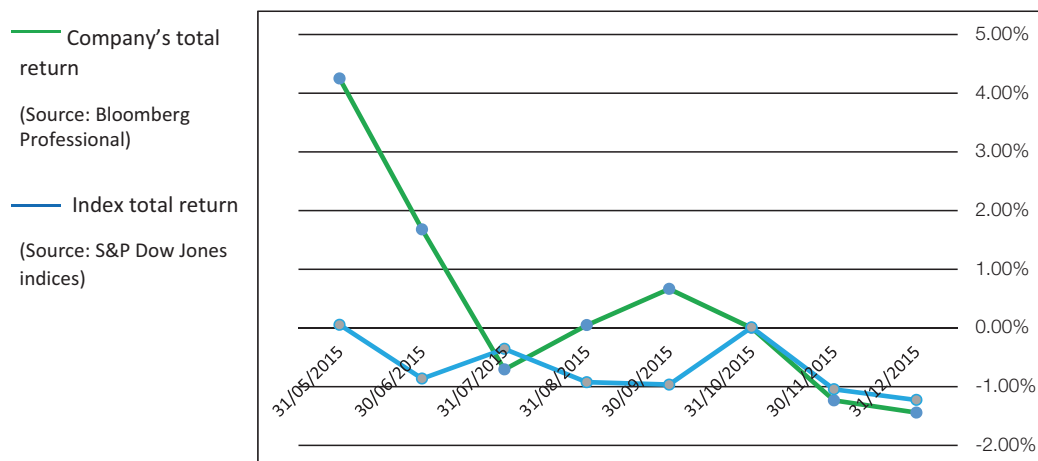
During the period no remuneration was received by any Director in a form other than cash. Furthermore, no payments were made for loss of office, other benefits or other compensation for extra services to any Director or former Director of the Company.

The Company has no employees other than its Directors who are all non-executives. When considering the level of fees, the Committee evaluated the contribution and responsibilities of each Director and the time spent on the Company's affairs. Following this evaluation, the Committee determined that the fees as set out in the Remuneration Policy were appropriate. Although the Company has not to date consulted Shareholders on Remuneration matters, it has reviewed the remuneration of Directors of other investment companies of similar size and to the limits set out in the Company's Articles of Association, which prohibits the total aggregate annual fees payable to the Directors in respect of any financial period to exceed £250,000 per annum. The Company welcomes any views the shareholders may have on its proposed Remuneration Policy.

## DIRECTORS' REMUNERATION REPORT continued

### Performance

The following graph compares the Company's Ordinary Shares with the S&P/LSTA U.S. Leveraged Loan 100 Index ("Index") on a total return basis in US Dollar. The Index was selected for comparison purposes as it is the Company's benchmark used for investment performance monitoring.



The following table shows the remuneration of the Directors in relation to dividend distributions to shareholders:

Director	10 Apr 2015 to 31 Dec 2015 (GBP)	10 Apr 2015 to 31 Dec 2015 (USD)
Total Directors' remuneration	30,630	46,989
Total dividends in respect of the period	1,128,600	1,699,783

### Statement of implementation of Remuneration Policy in respect of the financial year ended 31 December 2015 and financial year ending 31 December 2016

#### 31 December 2015

During the financial year ended 31 December 2015, the major decisions on Directors' remuneration have been restricted to formally outlining the Remuneration Policy – all other matters relating to Directors' remuneration have been decided in accordance with the prospectus of the Company published in relation to IPO. Accordingly, there were no substantial changes to Directors remuneration during the period to 31 December 2015.

#### 31 December 2016

The Remuneration and Nomination Committee will review Directors' fees during the financial year, and unless a further fundraising exercise is undertaken does not expect to recommend any change.

### Board Diversity

At the end of the financial year, the Company had 4 male directors. The Remuneration and Nomination Committee considers the current structure, size and composition required of the Board taking into account the challenges and opportunities facing the Company. In considering future candidates, appointments are made with regard to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skills, experience and expertise.

The Committee and the Board are committed to diversity at Board level and are supportive of increased gender diversity but recognises that it may not always be in the best interest of shareholders to prioritise this above other factors. Following this evaluation, the Committee determined that the fees as set out in the Remuneration Policy were appropriate. The Committee will consider gender diversity, along with all other relevant factors, when making future recommendations.

## **DIRECTORS' REMUNERATION REPORT** continued

### **Board Diversity** continued

The Directors' Remuneration Report on pages 31 to 35 was approved by the Board of Directors on 11 April 2016.

On behalf of the Board

### **Jonathan Schneider**

*Chairman, Remuneration and Nomination Committee*

## DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements for the period from 10 April 2015 to 31 December 2015. The Corporate Governance Report section of this Annual Report set out on pages 22 to 27 also forms part of this report by reference.

### *Business review*

The Company's accounting reference date is 31 December 2015. On 6 November 2015 the Company amended its first accounting reference date to 9 April 2015 to satisfy Section 837 of the Companies Act 2006 and to facilitate its objective of paying its first quarterly dividend. It subsequently reverted back to 31 December. The Company commenced trading on 1 May 2015.

During the period under review the Company invested in Debt Instruments and in a fund, primarily connected with direct lending. The Group Strategic Report on pages 11 to 21 includes further information about the Company's principal activities, financial performance during the year and indications of likely future developments.

The year under review also included consideration of the Alternative Investment Fund Managers Directive ("AIFMD") which applies to the Company. Details of the Company's compliance with the AIFMD can be found on pages 75 to 76 of this Annual Report.

The Directors believe that they have adequately discharged their responsibilities under Section 414C of the Companies Act 2006 to provide a balanced and comprehensive review of the development and performance of the business.

### *Group results*

The consolidated financial statements include the results of Ranger Direct Lending Fund Trust, a Delaware Trust established on 22 April 2015. See note 6 for further details.

The Group's total comprehensive income for the period from 10 April 2015 to 31 December 2015 amounted to USD 5,100,484 (for the period from 25 March 2015 to 9 April 2015: USD nil).

The Directors approved on 11 November 2015 the initial dividend of 8.36 pence per share in respect of the quarter ended 30 September 2015.

### *Going concern*

As discussed in note 2 to the consolidated financial statements, the Directors have reviewed the financial projections of the Company for a period of at least 12 months from the date of this report, which shows that the Company will be able to generate sufficient cash flows in order to meet its liabilities as they fall due. Accordingly, the Directors are satisfied that the going concern basis remains appropriate for the preparation of the financial statements.

### *Financial risk management*

Note 17 of the consolidated financial statements sets out the Group's key controls and mitigating factors for managing its financial risks, together with details of financial instruments and exposure to currency risk, funding and liquidity risk, interest rate risk, credit risk and counterparty risk.

### *Powers of the Board*

The powers of the Board in relation to the issuing or buying back of shares are set out under the heading "Capital Structure" below. In addition, the Company's Articles state that: subject to any direction given by special resolution, the business of the Company shall be managed by the Board which may exercise all of the powers of the Company.

## **DIRECTORS' REPORT continued**

### *Directors and Share Interests*

A list of all Directors who served during the period and their biographies is shown in the Corporate Governance Report on pages 24 to 25.

The appointment and replacement of Directors is governed by the Articles, the AIC Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the Shareholders.

During the period, no Director had a material interest in a contract to which the Company was a party (other than their own letter of appointment), requiring disclosure under the Companies Act 2006 except Mr Canon who is CEO of Ranger Capital Group, the Company's Investment Manager, appointed under the Investment Management Agreement.

### *Board of Directors' independence and conflict of interest*

The Company's procedures for dealing with conflicts of interest are set out in the Articles. These provide that the Directors may authorise any actual or potential conflict of interest that may arise, with or without imposing any conditions that they consider appropriate on the Director. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and in such circumstances they are not counted in the quorum. A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any interest in the business to be discussed before the start of each Board meeting. The Board are satisfied that the procedures in place are adequate.

### *Board of Directors' indemnity*

The Company has entered into contractual indemnities with each of the Directors pursuant to the Company's Articles and these remain in force. Alongside these indemnities, the Company also provides Directors' liability insurance cover for each Director.

### *Compensation for loss of office*

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover.

### *Political donation*

No political or charitable donations were made during the period (for the period 25 March 2015 to 9 April 2015: none).

### *Investment Manager*

The Company's investing activities have been delegated by the Board to the Investment Manager, Ranger Alternative Management II, LP. Further details about the Investment Manager are provided in the Corporate Governance Report on page 23.

A summary of the principal terms of the Investment Management Agreement between the Company and the Investment Manager is disclosed in note 16 to the consolidated financial statements. Once terminated, compensation would be payable based on a pro-rata basis to the date of the termination. The management fee for the period amounted to USD 726,844.

### *Capital Structure*

As at 31 December 2015, the Company has a single class of Ordinary Shares which is divided into 14,848,650 shares of 1 pence each. Further details are shown in note 9 to the consolidated financial statements.

The Ordinary Shares rank pari passu in all respects.

## DIRECTORS' REPORT continued

### *Capital Structure continued*

The Shareholders granted the Directors the following authorities at the AGM of the Company held on 29 January 2016 until the forthcoming AGM of the Company:

- authority to allot equity securities up to an aggregate nominal value of £14,848.65, being approximately 10% of the Company's issued share capital following the tap issue<sup>12</sup> (further details of which can be found in note 9), on a non-pre-emptive basis; and
- authority to make market purchases of up to 2,225,813 Ordinary Shares, representing 14.99% of the Company's issued share capital following the tap issue. At the general meeting held on 2 April 2015, Shareholders also granted the Directors the authority to allot up to 20 million C shares of £0.10 per share on a non-pre-emptive basis, such authority is expected to expire at the fourth AGM of the Company.

The Company has not bought back any Ordinary Shares during the period but in December 2015 issued 1,348,650 Ordinary Shares representing 9.99% of the Company's issued share capital on Admission.

The above authorities in respect of the allotment and buyback of ordinary shares will expire at the 2016 AGM at which authority to renew them will be sought. The Directors' authority to allot C shares however, will not expire until the Company's fourth AGM. Proposals for the renewal of the authorities which will expire at the 2016 AGM are set out in the Notice of the Annual General Meeting. The authority to allot new shares, dis-apply pre-emption rights or for the Company to purchase new shares will only be used if the Directors believe it is in the best interests of the Company.

No preferential rights have been granted to any existing Shareholder. The Investment Manager and the Board are committed to ensuring that all Shareholders are treated fairly.

### *Transfer of Shares*

Under the Company's Articles, all transfers of shares may be effected in any form acceptable to the Board.

The Board may refuse to register any transfer of shares which are not fully paid unless such discretion may prevent dealings in the shares of that class from taking place on an open and proper basis. The Board may also refuse to register any transfer of shares unless:

- the instrument of transfer is in respect of only one class of share;
- the transfer is not in favour of more than four persons jointly; and
- when submitted for registration, the transfer is accompanied by the relevant share certificates and such other evidence as the Board may reasonably require.

There are no agreements between holders of securities regarding their transfer known to the Company and no agreements which the Company is party to that might affect its control following a successful takeover bid.

If the Board refuse to register a transfer of shares they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

### *Restrictions on Voting*

A member is not entitled to vote unless all calls due from that member have been paid. In addition a member is also not entitled to attend or vote at meetings of the Company in respect of any Ordinary Shares held in relation to which such member or any other person appearing to be interested in such shares has been duly served with a notice after failure to provide the Company with information concerning the interest in those shares required to be provided under section 793 of the Companies Act 2006. No Ordinary Shares carry any special rights with regard to the control of the Company and there are no restrictions on voting rights.

<sup>12</sup> The tap issue was conducted by way of an accelerated bookbuilding process to qualifying new and existing investors and subject to the Company's memorandum and articles of association

**DIRECTORS' REPORT continued***Substantial shareholdings*

As at 31 December 2015, the Company had been informed of the following notifiable interests of 3% or more in the Company's voting rights in accordance with Disclosure and Transparency Rule 5.1.2:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage holding</i>
Invesco Limited	5,179,918	34.88
F&C Management Ltd	1,333,333	9.88
Aviva plc and its subsidiaries	786,250	5.82
City Financial Investment Company Ltd	671,500	4.97
Artemis Investment Management LLP	611,150	4.53

There have been no changes to any of the above holdings between 31 December 2015 and the date of this report.

*Interest distributions*

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 profit (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. Where possible, the Company has elected to stream its income from interest-bearing investments/loans as dividends that will be taxed in the hands of Shareholders as interest income. The Company paid its first dividend in December 2015 in respect of the period to 30 September 2015 and has subsequently declared an interim dividend for the period ending 31 December 2015 (in an amount of GBP 14.62 pence per share) which was paid in March 2016. The Company intends to pay dividends on a quarterly basis with dividends declared in February, May, August and November and paid in March, June, September and December in each year. The Company paid its interim dividend in March 2016 in respect of the period to 31 December 2015. Accordingly, the Directors do not intend to recommend the payment of an annual dividend at this time but will propose a resolution at the AGM to approve its dividend policy of paying four interim dividends per year. Further details of this resolution will be set out in the Notice of Annual General Meeting.

*Dividend Reinvestment Plan*

The Company offers a dividend reinvestment plan (the "Plan") that gives shareholders the opportunity to use any cash dividends to buy Ordinary Shares through a special dealing arrangement. Details of the Plan are published on the Company's website.

*Branches outside the UK*

The Company's registered office is at 40 Dukes Place, London EC3A 7NH and the Group has not established any branches outside the UK.

*Related party transactions*

Details of related party transactions are given in note 15 to the consolidated financial statements, which can be found on pages 67 to 68.

**DIRECTORS' REPORT continued**

*Information to be disclosed in accordance with UK Listing Rule 9.8.4*

A statement of the amount of interest capitalised by the Company during the period under review with an indication of the amount and treatment of any related tax relief	The Company has not capitalised any interest in the period under review
Any information required in relation to the publication of unaudited financial information	Not applicable
Details of any long-term incentive schemes	Not applicable
Details of any arrangements under which a director of the Company has waived or agreed to waive any emoluments from the Company	Mr Canon has waived his remuneration – please refer to page 33 in the Directors' Remuneration Report
Details of any pre-emptive issues of equity not for cash	Details of the tap issue of 1,348,650 Ordinary Shares which were admitted to the premium segment of the Official List of the FCA and to trading on the Main Market of the London Stock Exchange are set out in note 9 to the consolidated financial statements
Details of any non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
Details of parent participation in a placing by a listed subsidiary	Not applicable
Details of any contract of significance in which a director is or was materially interested	Mr Canon, being connected to the Investment Manager, has an interest in the Investment Manager Agreement. A summary of the principal terms of the Investment Management Agreement are set out in note 16 to the consolidated financial statements
Details of any contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
Details of waiver of dividends by a shareholder	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder	Not applicable



## DIRECTORS' REPORT continued

### *Significant Agreements*

The Company is not party to any significant agreements which take effect after or terminate upon a change of control of the Company, nor has the Company entered into any agreements with its Directors to provide for compensation for loss of office as a result of takeover bid.

### *Closed-ended investment company*

The Company is a closed-ended investment company. As a closed-ended investment company there are no redemption rights for Shareholders.

### *Alternative Investment Fund Managers Directive ("AIFMD")*

The Company is categorised as an externally managed EEA domiciled Alternative Investment Fund ("AIF") for the purposes of the AIFMD.

Since the Investment Manager is a non-EEA Alternative Fund Manager ("AIFM"), the Investment Manager is only subject to the AIFMD to the limited extent that it markets an EEA AIF in the EEA. Accordingly, the Investment Manager is only required to make certain financial and non-financial disclosures and, in particular, is not required to comply with Article 9(7) of the AIFMD which relates to maintenance of professional indemnity insurance or additional capital to cover professional liability risks. However, the Investment Manager has agreed, pursuant to the Investment Management Agreement to maintain professional indemnity cover of not less than USD 4 million until the date that the Investment Management Agreement is terminated.

Further, as a non-EEA AIFM the Investment Manager is not subject to the detailed rules concerning delegation under Article 20 of the AIFMD and Article 19 concerning valuation procedures. All assets of the Company are therefore valued in accordance with the methods set out in the prospectus published by the Company on 14 April 2015.

### *Future Developments*

The Group Strategic Report contains details of the likely future developments of the business.

### *Post balance sheet events*

Subsequent to the year-end the Company entered into various derivative contracts to hedge its exposure to foreign currency risk and declared dividend for the period ended 31 December 2015 in the amount of GBP 14.62 pence per ordinary share on 24 February 2016 as disclosed in note 21 to the consolidated financial statements.

### *Auditor*

Deloitte LLP were engaged to audit the Company's financial statement since incorporation and at the AGM in January 2016 were appointed as auditor until the next AGM of the Company. Deloitte LLP have confirmed their willingness to continue in office as auditor in accordance with Section 489 of the Companies Act 2006. The Company is satisfied that Deloitte LLP is independent and there are adequate safeguards in place to safeguard its objectivity. A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming AGM.

### *Directors' statement as to disclosure of information to the auditor*

Each of the persons who is a Director at the date of approval of this report confirms that:

- (a) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware;
- (b) he has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

## **DIRECTORS' REPORT continued**

### *Directors' statement as to disclosure of information to the auditor continued*

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

### *Annual General Meeting*

The AGM of the Company will be held on 24 May 2016 and the Company will send to Shareholders a Notice of AGM in due course.

### *Approval*

This Report was approved by the Board of Directors on 11 April 2016.

On behalf of the Board

**Christopher Waldron**

*Chairman*

## 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 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 11 April 2016 and is signed on behalf of the Board.

**Christopher Waldron**  
Chairman

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

<p><b>Opinion on financial statements of Ranger Direct Lending Fund plc</b></p>	<p>In our opinion the financial statements:</p> <ul style="list-style-type: none"> <li>● give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's profit for the period from 10 April 2015 to 31 December 2015;</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 comprise the Group and Company Statement of Financial Position, the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Changes in Shareholders' Equity, the Group and Company Statement of Cash Flows and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.</p>
<p><b>Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group</b></p>	<p>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 on page 17.</p> <p>We have nothing material to add or draw attention to in relation to:</p> <ul style="list-style-type: none"> <li>● the directors' confirmation on page 15 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;</li> <li>● the disclosures on pages 16 to 17 that describe those risks and explain how they are being managed or mitigated;</li> <li>● 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;</li> <li>● the directors' explanation on page 36 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.</li> </ul> <p>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.</p>

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF RANGER DIRECT LENDING FUND PLC continued**

<b>Independence</b>	We are required to comply with the Financial Reporting Council’s Ethical Standards for Auditors and 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.
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<b>Our assessment of risks of material misstatement</b>	<p>The assessed risks of material misstatement described below are 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> <p>The Audit Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.</p>
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<b>Risk</b>	<b>How the scope of our audit responded to the risk</b>	<b>Key observations</b>
<p><b>Revenue recognition of interest income</b></p> <p>Interest income of USD 6 million has been recognised for the period 31 December 2015.</p> <p>Refer to note 2 to the financial statements for accounting policy around revenue.</p> <p>There is a risk that the calculation of interest income on loans is inaccurate due to the complexity of the calculations, which are based on a large number of inputs. The calculations also have a large element of manual input.</p>	<p>We evaluated the design and implementation of key controls in place surrounding revenue recognition.</p> <p>We reviewed the calculation methodology against the stated accounting policy. We tested the integrity of the interest income calculations by re-performing a sample of such calculations. We verified the key inputs to the interest rate calculations to underlying supporting loan documentation. We confirmed a sample of accrued interest balances from the third parties from whom the interest was due.</p>	<p>Based on the audit procedures performed, we have not identified any errors with respect to the recognition of interest income.</p>

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

Risk	How the scope of our audit responded to the risk	Key observations
<p><b>Initial recognition of loans</b></p> <p>Loans represented USD 131 million as at 31 December 2015.</p> <p>Refer to note 4 to the financial statements.</p> <p>There is a risk that the initial recognition of loans is not in accordance with the categories permitted by IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”).</p> <p>There is also a risk that any income associated with these instruments is not recognised appropriately in accordance with IAS 39.</p>	<p>We evaluated the design and implementation of key controls in place around the initial recognition of loans.</p> <p>We verified the appropriate financial reporting treatment as determined by management by reference to judgements that management have exercised in determining the classification of loans. We reviewed the legal agreements entered into with the platforms to assess whether the loan instruments have been appropriately categorised under IAS 39.</p> <p>We obtained investment confirmations from the platforms as at the year-end confirming the year-end loan balances of a sample of loans.</p> <p>In addition, we evaluated the fees associated with these loans to assess whether that they have been treated appropriately per the requirements of IAS 39.</p>	<p>Based on the audit procedures performed, we have not identified any errors with respect to the recognition of loans in accordance with IAS 39.</p>

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF RANGER DIRECT LENDING FUND PLC continued**

<b>Risk</b>	<b>How the scope of our audit responded to the risk</b>	<b>Key observations</b>
<p><b>Recoverability of loans held at amortised cost</b></p> <p>The provision for loan losses amounted to USD 0.7 million as at 31 December 2015.</p> <p>Refer to note 4 to the financial statements.</p> <p>We considered this to be a significant 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 properly using the estimates or there are errors in the calculations performed.</p>	<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>We challenged management assumptions relating to the estimates used in the calculation of default rates and corroborated them to supporting data.</p> <p>We verified the historical and other data used by management and reviewed the documentation prepared by management that summarised their key judgments.</p> <p>We reviewed a sample of underlying legal agreements to assess whether that cash receipts received by the platforms have been made in line with the terms of the underlying agreement, and if not, whether the changes in payment profile have been properly factored into the default rates calculation.</p> <p>We tested the accuracy of the default rates computed by management by re-performing a sample of calculations. We subjected management’s default rate calculation spreadsheets to analytical procedures to assess the accuracy and consistency of formulae for the samples selected.</p>	<p>Based on our audit procedures performed, we identified a net understatement of the loan loss provision totalling USD 50,000.</p>
<p>The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 29.</p>		
<p>During the previous reporting period, there was a significant risk regarding the recording of Post Balance Sheet Events. Due to the change in reporting date, this risk was no longer applicable in the current period.</p>		
<p>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.</p>		

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

<b>Our application of materiality</b>	<p>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.</p> <p>We determined materiality for the group to be USD 2,173,000 which is below 1% of net assets. For the period ended 9 April 2015, before the Company began trading, materiality was determined to be USD 700 which is below 1% of equity. 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.</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of USD 39,200, 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.</p>
<b>An overview of the scope of our audit</b>	<p>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.</p> <p>For the purposes of scoping our group audit, we have deemed the investment trust to be one component, i.e. we have not distinguished the procedures we have performed between the different legal entities within the group or determined separate component materiality levels. We have therefore audited the whole group on a consistent basis. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.</p>
<b>Opinion on other matters prescribed by the Companies Act 2006</b>	<p>In our opinion:</p> <ul style="list-style-type: none"> <li>● the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and</li> <li>● 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.</li> </ul>



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

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

#### *Adequacy of explanations received and accounting records*

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; or
- 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 in respect of 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.

#### *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.

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

<b>Respective responsibilities of directors and auditor</b>	<p>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.</p> <p>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.</p>
<b>Scope of the audit of the financial statements</b>	<p>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 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.</p>

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

for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, UK  
11 April 2016

## CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

### AS AT 31 DECEMBER 2015

	Notes	31 Dec 2015 (USD)	9 Apr 2015 Group (USD)	31 Dec 2015 Company (USD)	9 Apr 2015 Company (USD)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Financial assets at fair value through profit or loss	3	52,723,467	–	–	–
Loans held at amortised cost	4	130,572,462	–	576,248	–
Investment in subsidiary	6	–	–	195,780,355	–
Total non-current assets		<u>183,295,929</u>	–	<u>196,356,603</u>	–
<b>Current assets</b>					
Amounts owed by subsidiary undertaking		–	–	7,766,089	–
Advances to/funds receivable from direct lending platforms	5	3,337,949	–	–	–
Prepayments and other receivables		110,742	74,500	109,518	74,500
Cash and cash equivalents	14	45,325,934	–	27,148,037	–
Total current assets		<u>48,774,625</u>	74,500	<u>35,023,644</u>	74,500
<b>TOTAL ASSETS</b>		<u>232,070,554</u>	74,500	<u>231,380,247</u>	74,500
<b>Current liabilities</b>					
Funds payable to direct lending platforms		254,840	–	–	–
Accrued expenses and other liabilities	8	2,971,250	–	2,535,783	–
Total current liabilities		<u>3,226,090</u>	–	<u>2,535,783</u>	–
<b>NET ASSETS</b>		<u>228,844,464</u>	74,500	<u>228,844,464</u>	74,500
<b>SHAREHOLDERS' EQUITY</b>					
<b>Capital and reserves</b>					
Share capital	9	228,201	74,500	228,201	74,500
Share premium account	9	20,989,992	–	20,989,992	–
Other reserves	9	204,225,570	–	204,225,570	–
Revenue reserves		1,710,176	–	1,710,268	–
Realised capital profits		2,573,965	–	2,573,965	–
Unrealised capital losses		(883,440)	–	(883,532)	–
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>228,844,464</u>	74,500	<u>228,844,464</u>	74,500
<b>NAV per ordinary share</b>		<u>15.41</u>	0.02	<u>15.41</u>	0.02

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

The financial statements for the period from 10 April 2015 to 31 December 2015 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 11 April 2016.

Signed on behalf of the Board of Directors:

**Christopher Waldron**

Chairman

## CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

	Notes	10 Apr 2015 to 31 Dec 2015					
		Revenue (USD)	Group Capital (USD)	Total (USD)	Revenue (USD)	Company Capital (USD)	Total (USD)
<b>Income</b>							
Investment income		6,369,680	–	<b>6,369,680</b>	–	–	–
Net gain on financial assets at fair value through profit or loss	3	–	2,683,300	<b>2,683,300</b>	–	–	–
Dividend and other income		488,236	–	<b>488,236</b>	61,383	–	<b>61,383</b>
Bank interest income		168	–	<b>168</b>	168	–	<b>168</b>
		<b>6,858,084</b>	<b>2,683,300</b>	<b>9,541,384</b>	<b>61,551</b>	–	<b>61,551</b>
<b>Operating expenditure</b>							
Service and premium fees Investment		729,759	–	<b>729,759</b>	187	–	<b>187</b>
Management Fees Investment Manager	15,16	726,844	–	<b>726,844</b>	726,844	–	<b>726,844</b>
Performance Fees	15,16	334,785	199,985	<b>534,770</b>	334,785	199,985	<b>534,770</b>
Provision for default Loans written-off	4,7 4,7	– –	683,455 109,335	<b>683,455</b> <b>109,335</b>	– –	92	<b>92</b>
Legal fees		265,880	–	<b>265,880</b>	233,441	–	<b>233,441</b>
Company secretarial, administration and registrar fees		230,040	–	<b>230,040</b>	230,040	–	<b>230,040</b>
Audit fees	7	100,234	–	<b>100,234</b>	100,234	–	<b>100,234</b>
Advisory fees	7	65,064	–	<b>65,064</b>	65,064	–	<b>65,064</b>
Organisation costs		51,425	–	<b>51,425</b>	51,425	–	<b>51,425</b>
Directors' fees		46,989	–	<b>46,989</b>	46,989	–	<b>46,989</b>
Foreign exchange loss	7	615,595	–	<b>615,595</b>	611,395	–	<b>611,395</b>
Other operating expenses		281,510	–	<b>281,510</b>	126,675	–	<b>126,675</b>
		<b>3,448,125</b>	<b>992,775</b>	<b>4,440,900</b>	<b>2,527,079</b>	<b>200,077</b>	<b>2,727,156</b>
<b>Operating profit/(loss)</b>		<b>3,409,959</b>	<b>1,690,525</b>	<b>5,100,484</b>	<b>(2,465,528)</b>	<b>(200,077)</b>	<b>(2,665,605)</b>
Income from shares in group undertaking		–	–	–	5,875,579	1,890,510	<b>7,766,089</b>
<b>Profit before tax</b>		<b>3,409,959</b>	<b>1,690,525</b>	<b>5,100,484</b>	<b>3,410,051</b>	<b>1,690,433</b>	<b>5,100,484</b>
<b>Taxation</b>		–	–	–	–	–	–
<b>Profit after tax and total comprehensive income for the period</b>		<b>3,409,959</b>	<b>1,690,525</b>	<b>5,100,484</b>	<b>3,410,051</b>	<b>1,690,433</b>	<b>5,100,484</b>
Basic and Diluted Earnings Per Ordinary Share – USD	13	0.25	0.12	<b>0.37</b>	0.25	0.12	<b>0.37</b>
Basic and Diluted Earnings Per Ordinary Share – GBP	13	0.17	0.08	<b>0.25</b>	0.17	0.08	<b>0.25</b>

## **CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME** **continued**

The Company only commenced trading on 1 May 2015 and there were no items of profit or loss for the period from the date of incorporation on 25 March 2015 to 9 April 2015 and therefore no comparative statement of comprehensive income was presented for the Group and the Company.

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 period or prior period.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

	Notes	Share Capital (USD)	Share Premium (USD)	Other Reserves (USD)	Realised Capital Profits (USD)	Unrealised Capital Profits/ (Losses) (USD)	Revenue Reserves (USD)	Total (USD)
Balance at 25 March 2015		-	-	-	-	-	-	-
Amounts receivable on issue of management shares	9	74,500	-	-	-	-	-	<b>74,500</b>
Total comprehensive income for the period		-	-	-	-	-	-	-
<b>Balance at 9 April 2015</b>		<u>74,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>74,500</b></u>
Balance at 10 April 2015		74,500	-	-	-	-	-	<b>74,500</b>
Management shares redeemed	9	(74,500)	-	-	-	-	-	<b>(74,500)</b>
Issue of Ordinary shares – net	9	228,201	225,215,562	-	-	-	-	<b>225,443,763</b>
Cancellation of share premium	9	-	(204,225,570)	204,225,570	-	-	-	-
Dividends	10	-	-	-	-	-	(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>		<u><b>228,201</b></u>	<u><b>20,989,992</b></u>	<u><b>204,225,570</b></u>	<u><b>2,573,965</b></u>	<u><b>(883,440)</b></u>	<u><b>1,710,176</b></u>	<u><b>228,844,464</b></u>

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

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

	Notes	Share Capital (USD)	Share Premium (USD)	Other Reserves (USD)	Realised Capital Profits (USD)	Unrealised Capital Profits/ (Losses) (USD)	Revenue Reserves (USD)	Total (USD)
Balance at 25 March 2015		-	-	-	-	-	-	-
Amounts receivable on issue of management shares	9	74,500	-	-	-	-	-	<b>74,500</b>
Total comprehensive income for the period		-	-	-	-	-	-	-
<b>Balance at 9 April 2015</b>		<u>74,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>74,500</b></u>
Balance at 10 April 2015		74,500	-	-	-	-	-	<b>74,500</b>
Management shares redeemed	9	(74,500)	-	-	-	-	-	<b>(74,500)</b>
Issue of Ordinary shares – net	9	228,201	225,215,562	-	-	-	-	<b>225,443,763</b>
Cancellation of share premium	9	-	(204,225,570)	204,225,570	-	-	-	-
Dividends	10	-	-	-	-	-	(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>		<u><b>228,201</b></u>	<u><b>20,989,992</b></u>	<u><b>204,225,570</b></u>	<u><b>2,573,965</b></u>	<u><b>(883,532)</b></u>	<u><b>1,710,268</b></u>	<u><b>228,844,464</b></u>

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

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

	Notes	10 Apr to 31 Dec 2015 Group (USD)	10 Apr to 31 Dec 2015 Company (USD)
Profit for the period		5,100,484	5,100,484
Adjustments for:			
Dividend income/income from shares in group undertaking		(56,123)	(7,766,089)
Net gain on financial assets at fair value through profit or loss	3	(2,683,300)	-
Investment income		(6,369,680)	-
Amortisation of transaction fees – net		77,989	-
Loans written-off	4,7	109,335	-
Provision for default	4,7	683,455	-
<b>Operating cash flows before movements in working capital</b>		<b>(3,137,840)</b>	<b>(2,665,605)</b>
Increase in other current assets and prepaid expenses, excluding receivable from issuance of management shares		(110,742)	(111,389)
Increase in accrued expenses and other liabilities		2,784,718	2,535,783
Increase in funds receivable from direct lending platforms – net		(3,083,109)	-
<b>Net cash flows used in operating activities</b>		<b>(3,546,973)</b>	<b>(241,211)</b>
<b>Investing activities</b>			
Acquisition of financial assets at fair value through profit or loss	3	(52,100,000)	-
Acquisition of loans	4	(155,470,932)	(574,377)
Principal repayments	4	24,966,615	-
Proceeds from partial redemption of financial assets at fair value through profit or loss	3	2,059,833	-
Investments in subsidiary undertaking	6	-	(195,780,355)
Investment income received		5,617,288	-
Dividend income received		56,123	-
<b>Net cash flows used in investing activities</b>		<b>(174,871,073)</b>	<b>(196,354,732)</b>
<b>Financing activities</b>			
Proceeds on issue of shares		229,116,913	229,116,913
Costs paid in connection with share issue		(3,673,150)	(3,673,150)
Dividends paid	10	(1,699,783)	(1,699,783)
Net cash flows from financing activities		223,743,980	223,743,980
<b>Net change in cash and cash equivalents</b>		<b>45,325,934</b>	<b>27,148,037</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>45,325,934</b>	<b>27,148,037</b>

The Company only commenced trading on 1 May 2015 and there was no cash flow transactions for the period from date of incorporation on 25 March 2015 to 9 April 2015 therefore no comparative statement of cash flows is presented for the Group and the Company.

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



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015**

### **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 Ranger Direct Lending Fund Trust, a Delaware Trust established on 22 April 2015. 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.

On 6 November 2015 the Company amended its first accounting reference date to 9 April 2015 to satisfy Section 837 of the Companies Act 2006 and to facilitate its objective of paying its first quarterly dividend. The Company's accounting period was then changed from 9 April 2015 to 31 December 2015 to be in line with the Trust. Results from 25 March 2015 to 9 April 2015 are therefore not comparable with the current period which covers results from 10 April 2015 to 31 December 2015.

### **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.

#### **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. Further detail is contained in the Group Strategic Report on page 17.

#### **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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### New Accounting Requirements not yet 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 2015, the Group holds a 100% equity interest in 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 below 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### 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 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.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES continued

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.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the Statement of Comprehensive Income is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

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.

#### Organisation costs

Organisation costs are expensed as incurred.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### 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 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 15 (Group) USD	9 Apr 15 (Group) USD	31 Dec 15 (Company) USD	9 Apr 15 (Company) USD
Opening fair value	–	–	–	–
Purchases	<b>52,100,000</b>	–	–	–
Redemptions	<b>(2,059,833)</b>	–	–	–
Net gain for the period	<b>2,683,300</b>	–	–	–
Closing balance	<b>52,723,467</b>	–	–	–

The Group's financial asset at fair value through profit or loss represents its investment in Princeton Alternative Income Fund, LP ("Princeton" or the "Fund"), a Delaware limited partnership. The Group's investment in the Fund is held through its 100% investment in Princeton Alternative Income Offshore Fund, Ltd. (the "Offshore Fund") which was set up to facilitate investment opportunities for offshore investors. The Group has assessed whether or not the Group has control over the Offshore Fund 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 the Offshore Fund's Private Placement Memorandum and subscription arrangement and concluded that the Group has no control over the Offshore Fund.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

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

#### Fair value estimation

The Group's investment in Princeton is valued on the basis of Net Asset Value received on a monthly basis from the Fund's General Partner. In the absence of an active market for an investment, a mark-to-market model approach has been adopted by the Investment Manager to determine the valuation. The fair value as at 31 December 2015 was derived from the Net Asset Value of the Fund as at that date as provided by the Fund's General Partner, adjusted for an estimated loss provision on the assets of the Fund of approximately USD 88,917. In the opinion of the Directors, this represents the best evidence of fair value on the basis that only less than a year has elapsed since the acquisition of the investment. Any change in factors that would affect the fair value of the investment from the acquisition date to the reporting date is not expected to have a material effect to the financial position or the profit or loss of the Group.

### 4. LOANS HELD AT AMORTISED COST

	31 Dec 15 (Group) USD	9 Apr 15 (Group) USD	31 Dec 15 (Company) USD	9 Apr 15 (Company) USD
Opening balance	–	–	–	–
Purchases	<b>155,470,932</b>	–	<b>574,112</b>	–
Principal repayments	<b>(24,966,615)</b>	–	–	–
Amortisation of transaction fees	<b>(77,989)</b>	–	<b>356</b>	–
Accrued interest	<b>938,924</b>	–	<b>1,872</b>	–
Loans written-off	<b>(109,335)</b>	–	–	–
	<b>131,255,917</b>	–	<b>576,340</b>	–
Default allowance	<b>(683,455)</b>	–	<b>(92)</b>	–
Closing balance	<b>130,572,462</b>	–	<b>576,248</b>	–

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 the period end, the Directors estimate that the carrying value approximates the fair value.

The main factor considered by the Board in determining that the amounts due are impaired is that the borrowers' source of income has changed or unlikely to continue. The following table shows the age of the receivables which are considered to be impaired. The total receivable for the relevant borrowers has been included in the analysis below.

	31 Dec 15 (Group) USD
Up to 3 months	<b>1,095,328</b>
3 to 6 months	<b>2,754,993</b>
Over 6 months	<b>1,581,543</b>
	<b>5,431,864</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

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

	31 Dec 15 (Group) USD	9 Apr 15 (Group) USD	31 Dec 15 (Company) USD	9 Apr 15 (Company) USD
Investment advance to Princeton	<b>3,000,000</b>	–	–	–
Other direct lending platforms	<b>337,949</b>	–	–	–
	<b>3,337,949</b>	–	–	–

### 6. INVESTMENT IN SUBSIDIARY

	31 Dec 15 (Company) USD
Investment in subsidiary	<b>195,780,355</b>

<i>Subsidiary name</i>	<i>Effective ownership %</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>
Ranger Direct Lending Fund Trust	100%	USA	Invests in a portfolio of Debt Instruments through Direct Lending Platforms

### 7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	10 Apr 15 to 31 Dec 15 (Group) USD	25 Mar 15 to 9 Apr 15 (Group) USD	10 Apr 15 to 31 Dec 15 (Company) USD	25 Mar 15 to 9 Apr 15 (Company) USD
Provision for default	<b>683,455</b>	–	<b>92</b>	–
Loans written-off	<b>109,335</b>	–	–	–
Foreign exchange loss – net	<b>615,595</b>	–	<b>611,395</b>	–
	<b>1,408,385</b>	–	<b>611,487</b>	–

Fees payable to the Group's auditor:

	31 Dec 15 (Group) USD
Audit fees for annual financial statements	<b>100,234</b>
Non-audit fees related to corporate financial services charged to Share Premium	<b>87,739</b>
Non-audit fees related to corporate financial services charged to Statement of Comprehensive Income	<b>55,629</b>
Fee for review of half-yearly financial reporting for the period ended 30 June 2015	<b>9,435</b>
	<b>253,037</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 8. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 Dec 15 (Group) USD	9 Apr 15 (Group) USD	31 Dec 15 (Company) USD	9 Apr 15 (Company) USD
Payable in relation to acquisition of loans	<b>899,863</b>	–	<b>899,863</b>	–
Performance fees payable – notes 15 and 16	<b>534,770</b>	–	<b>534,770</b>	–
Investment Management fees payable – notes 15 and 16	<b>353,367</b>	–	<b>353,367</b>	–
Withholding tax payable	<b>312,508</b>	–	<b>312,508</b>	–
Legal fee payable	<b>220,804</b>	–	<b>220,804</b>	–
Interest received in advance	<b>186,532</b>	–	–	–
Service and premium fee payable	<b>134,746</b>	–	–	–
Audit fee payable	<b>81,332</b>	–	<b>81,332</b>	–
Administration fee payable	<b>43,774</b>	–	<b>43,774</b>	–
Registrar fee payable	<b>30,225</b>	–	<b>30,225</b>	–
Payable to London Stock Exchange	<b>28,569</b>	–	<b>28,569</b>	–
Directors' fee payable (note 15)	<b>15,268</b>	–	<b>15,268</b>	–
Other payables	<b>129,492</b>	–	<b>15,303</b>	–
	<b><u>2,971,250</u></b>	–	<b><u>2,535,783</u></b>	–

### 9. SHARE CAPITAL AND SHARE PREMIUM

The table below shows the total movement during the period:

	Share Capital USD	Share Premium USD	Other Reserves USD
On Admission	207,819	204,225,570	–
Cancellation of share premium	–	(204,225,570)	204,225,570
Tap issue	20,382	20,989,992	–
Balance at 31 December 2015	<b><u>228,201</u></b>	<b><u>20,989,992</u></b>	<b><u>204,225,570</u></b>

Issued and fully paid:

	Number of shares	Nominal Value (GBP)	Nominal Value (USD)*
<i>Prior to Admission:</i>			
Ordinary Shares of GBP 1 pence each	1	0.01	<b>0.015</b>
Management shares of GBP 1.00 each	50,000	50,000	<b>74,500</b>

\*Converted at GBP 1.00: USD at 1.49

	Number of shares	Paid up per share (GBP)	Amount (GBP)	Amount (USD)
<i>On Admission:</i>				
Ordinary Shares of GBP 1 pence each	13,500,000	10	135,000,000	<b>207,819,000**</b>

\*\*Converted at GBP 1.00: USD at 1.5394

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 9. SHARE CAPITAL AND SHARE PREMIUM continued

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. Issue costs include placing fees, registration, listing and admission fees, legal fees and any other applicable expenses incurred in connection with the offering of shares amounting to USD 3,385,595 (GBP 2,199,306). The Directors were authorised to issue up to 15.5 million ordinary shares on Admission and a further 10% of the Company's issued share capital immediately following Admission until the first AGM of the Company.

50,000 Management Shares of £1 par value were paid up in full on Admission and redeemed out of the proceeds of the issue, and subsequently cancelled. At a Board meeting on 27 April 2015 it was agreed that immediately after admission the Management Shares would be redeemed and cancelled.

On 16 December 2015, the Company issued a total of 1,348,650 new Ordinary Shares at £10.45 per share resulting in a share premium amount of USD 20,989,992 (GBP 13,889,694) net of direct issue costs of USD 287,555 pursuant to a tap issue. The terms of the tap issue were announced, and the tap issue closed on 4 December 2015 when the market price of the Company's Ordinary Shares was GBP 10.45 pence per Ordinary Share. The new Ordinary Shares issued pursuant to the tap issue represented 9.99% of the issued ordinary share capital of the Company on Admission.

	<i>Number of shares</i>	<i>Paid up per share (GBP)</i>	<i>Amount (GBP)</i>	<i>Amount (USD)**</i>
<i>On tap issue:</i>				
Ordinary Shares of GBP 1 pence each	1,348,650	10.45	14,093,393	<b>21,297,913</b>

\*\*\*Converted at GBP 1.00: USD at 1.5112 on 16 December 2015

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

	<i>Shares in issue at the beginning of the period</i>	<i>Shares subscribed</i>	<i>Shares redeemed</i>	<i>Shares in issue at the end of the period</i>
Ordinary Shares	1	14,848,649	–	<b>14,848,650</b>
Management Shares	50,000	–	50,000	–

### Rights attaching to the shares

All shareholders have the same voting rights in respect of the share capital of the Company. Every member who is present in person or by a duly authorised representative or proxy shall have one vote on a show of hands and on a poll every member present shall have one vote for each share of which he is the holder, proxy or representative. All shareholders are entitled to receive notice of the Annual General Meeting and any other General meetings.

Each Ordinary Share will rank in full for all dividends and distributions declared made or paid after their issue and otherwise *pari passu* in all respects with each existing Ordinary Share and will have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each existing Ordinary Share. Further details are given in the Company's Articles of Association.

### 10. DIVIDENDS

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

<i>Ordinary dividends paid</i>	<i>Per share pence</i>	<i>(GBP)</i>	<i>(USD)</i>
Interim dividend paid on 11 December 2015	8.36	1,128,600	<b>1,699,783</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 10. DIVIDENDS continued

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 paid its first dividend in December 2015 in respect of the period to 30 September 2015. Thereafter, the Company intends to pay dividends on a quarterly basis with dividends declared in February, May, August and November and paid in March, June, September and December in each year. On 24 February 2016, the Directors declared an interim dividend of 14.62 pence per share for the three month period ended 31 December 2015.

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.

### 11. 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. The tax reconciliation is as follows:

	<i>31 Dec 15</i> <i>Revenue</i> <i>USD</i>	<i>31 Dec 15</i> <i>Capital</i> <i>USD</i>	<b>31 Dec 15</b> <b>Total</b> <b>USD</b>
Profit before tax	3,410,051	1,690,433	<b>5,100,484</b>
Tax at the standard UK corporation tax rate of 20%	682,010	338,087	<b>1,020,097</b>
Effects of:			
– Non-deductible expenses	38,112	–	<b>38,112</b>
– Loan relationship debits and expenses in capital	–	198,573	<b>198,573</b>
– Interest distributions	(952,083)	–	<b>(952,083)</b>
– Excess management expenses not utilised	233,700	–	<b>233,700</b>
– Non-taxable fair value adjustments	–	(536,660)	<b>(536,660)</b>
– Non-taxable income	(1,739)	–	<b>(1,739)</b>
	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

As of 31 December 2015 the Company had a potential deferred tax asset of USD 210,330 (9 April 2015: USD nil), based on a prospective corporation tax rate of 18%, in respect of losses of USD 1,168,501 (9 April 2015: USD nil) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 12. ULTIMATE CONTROLLING PARTY

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

### 13. BASIC EARNINGS PER SHARE

The basic revenue, capital and total return per ordinary share is based on each of the profit after tax and on 13,668,581 ordinary shares, being the weighted average number of ordinary shares in issue throughout the period.

### 14. CASH AND CASH EQUIVALENTS

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

	31 Dec 15 (Group) USD	9 Apr 15 (Group) USD	31 Dec 15 (Company) USD	9 Apr 15 (Company) USD
Cash at bank	<b>35,278,938</b>	–	<b>17,101,041</b>	–
Cash equivalents	<b>10,046,996</b>	–	<b>10,046,996</b>	–
	<b><u>45,325,934</u></b>	<u>–</u>	<b><u>27,148,037</u></b>	<u>–</u>

### 15. 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 follow:

	31 Dec 15 USD
Chairman	<b>17,259</b>
Other directors	<b>29,730</b>
	<b><u>46,989</u></b>

As of 31 December 2015, USD 15,268 (9 April 2015: USD nil) was accrued. Further details are disclosed in note 8.

As at 31 December 2015 Mr Waldron has a share interest in the Company, in the form of 500 Ordinary Shares, representing 0.003% interest in voting rights (9 April 2015: none). 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 2015 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 726,844. Further details are disclosed in note 16 below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 15. RELATED PARTIES continued

During the period, the Investment Manager received a reimbursement amount of USD 103,414 (9 April 2015: USD nil) comprising: issue costs amounting to USD 50,222; organisation costs amounting to USD 51,425; and other expenses of USD 1,767. Performance fee for the period from 10 April 2015 to 31 December 2015 amounted to USD 534,770 (25 March 2015 to 9 April 2015: USD nil).

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 2015, amounts owed by undertakings relating to the Trust's net income for the period was USD 7,766,090.

### 16. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 16. FEES AND EXPENSES continued

#### 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.

### 17. 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>Subsequent to the year end, the Group has also entered into derivative contracts to mitigate the effect of the currency risk (see note 21). 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 non-USD monetary financial assets and liabilities as of 31 December 2015 was:

	31 Dec 15 (Group) USD	9 Apr 15 (Group) USD
Great British Pounds	<b>15,459,641</b>	74,500
Canadian Dollars	<b>(324,236)</b>	–
	<b><u>15,135,405</u></b>	<b><u>74,500</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 17. FINANCIAL RISK MANAGEMENT continued

#### Sensitivity analysis

	31 Dec 15 (Group) USD	9 Apr 15 (Group) USD
Great British Pounds	<b>772,982</b>	3,725
Canadian Dollars	<b>(16,212)</b>	–
Effect on Revenue return after taxation	<b><u>756,770</u></b>	<b><u>3,725</u></b>

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 IPO and Tap proceeds. There are no redemption rights for the shareholders since the Company is closed-ended investment company.</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 15 Financial Assets USD	31 Dec 15 Financial Liabilities USD	9 Apr 15 Financial Assets USD	9 Apr 15 Financial Liabilities USD
Within one year	48,774,625	3,226,090	74,500	–
In more than one year but not more than five years	183,295,929	–	–	–
In more than five years	–	–	–	–
	<b><u>232,070,554</u></b>	<b><u>3,226,090</u></b>	<b><u>74,500</u></b>	<b><u>–</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 17. FINANCIAL RISK MANAGEMENT continued

Interest rate risk	Key controls and mitigating factors
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>

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 15 (Group) USD
Effect on Revenue return	<b><u>46,946</u></b>

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 period is 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>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 17. FINANCIAL RISK MANAGEMENT continued

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 15 (Group) USD	9 Apr 15 (Group) USD
Loan principal amount	<b>129,633,538</b>	–
Accrued interest	<b>938,924</b>	–
Advances to/funds receivable from direct lending platforms	<b>3,337,949</b>	–
Prepayments and other receivables	<b>110,742</b>	74,500
Cash and cash equivalents	<b>45,325,934</b>	–
	<b><u>179,347,087</u></b>	<u>74,500</u>

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 2015, Bank of America, N.A. has a long-term deposit credit rating of A from Standard & Poor's and Merrill Lynch, Pierce, Fenner & Smith Incorporated has a long-term senior credit rating of 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 are derived from a valuation model generated by the Princeton fund's General Partner.

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.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 17. FINANCIAL RISK MANAGEMENT continued

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:

31 Dec 15	Level 1 (USD)	Level 2 (USD)	Level 3 (USD)	Total (USD)
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.

### 18. 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”) and Canada. The total investment income generated from 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.

### 19. 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, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued FOR THE PERIOD FROM 10 APRIL 2015 TO 31 DECEMBER 2015

### 19. CAPITAL MANAGEMENT continued

#### Leverage

The Company has not, to date, exercised any of its borrowing powers. The AIFMD mandates a certain calculation methodology which must be applied in relation to leverage. Leverage as calculated under the AIFMD methodology is as follows:

	31 Dec 15 (Group)	31 Dec 15 (Company)
<b>Gross method</b>		
Direct investments	183,295,929	576,248
Investment in subsidiary	–	195,780,355
Receivables and prepayments	3,448,691	7,875,607
Total investments at exposure value as defined under AIFMD	186,724,040	204,232,210
Shareholders' Equity	228,844,464	228,844,464
<b>Leverage</b>	<b>0.82</b>	<b>0.89</b>

The Company's leverage limit under the AIFMD 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.

### 20. COMMITMENTS

As at 31 December 2015, the Company had no outstanding commitments (9 April 2015: none).

### 21. SUBSEQUENT EVENTS

Subsequent to the year-end the Company entered into various derivative contracts to hedge its exposure to foreign currency risk. The total nominal amount of the derivative contracts is USD 22,447,811.

On 24 February 2016, the Directors proposed the payment of dividend on the ordinary shares of USD 20.61 cents (GBP 14.62 pence) per Ordinary Share at a total amount of USD 3,060,631. This dividend was paid in March 2016 and split as follows: USD 1,710,268 from revenue reserves and USD 1,350,363 from realised capital profits.

## **ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURES (UNAUDITED)**

Ranger Alternative Management II, L.P. (the "Investment Manager") and the Company are required in accordance with Alternative Investment Fund Managers Directive to make certain periodic disclosures as follows:

### *Changes to AIFMD disclosure schedule*

The prospectus issued by the Company in connection with IPO contained a schedule of disclosures prepared by the Investment Manager for the purposes of AIFMD. In addition, the AIFMD requires the Company's annual report to include details of any material changes to the information contained in that Schedule. The Investment Manager confirms that no material changes have occurred in relation to the information contained in the schedule.

In making this confirmation, the Investment Manager considers that any change in respect of which a reasonable investor, becoming aware of such information, would reconsider its investment in the Company, including because the information could impact on the investor's ability to exercise its rights in relation to its investment, or otherwise prejudice that investors (or any other interests) interest in the Company should be considered material. In setting this threshold, the Investment Manager has had regard to the current risk profile of the Company which outlines the relevant measures to assess actual and potential exposure to those risks set out in the prospectus published by the Company on 14 April 2015 as well as to the investment restrictions. As required by the Listing Rules, any material change to the investment policy of the Company will be made only with the approval of Shareholders.

### *Liquidity Risk Profile and Management*

As identified in the Company's prospectus in respect of IPO, the Company identified that there is a risk that a position held by the Company cannot be realised at a reasonable value sufficiently quickly to meet the obligations (primarily, debt) of the Company as they fall due. In monitoring the Company's exposure to this risk, the Investment Manager 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 liquidity.

Based on the Company's current portfolio, the Investment Manager does not consider that the risk limits set by it are likely to be breached. As a closed-ended investment company, Shareholders of the Company have no right of redemption. Therefore in managing the Company's financial assets, the Investment Manager ensures that the Company holds at all times a sufficiently liquid portfolio of assets to enable the Company to discharge its payment obligations. The Group does not currently have any overdraft or other borrowing facilities. There have been no material changes to the Investment Manager's liquidity risk management systems for the Company since Admission.

### *Investment Manager Remuneration*

During the Investment Manager's financial year between 1 January 2015 and 31 December 2015, the proportion of the total remuneration paid or allocated by the Investment Manager to its staff attributable to the Company was USD 835,739. Within this, the proportion of the fixed remuneration of the Investment Manager's staff attributable to the Company was USD 29,729 and the proportion of the variable remuneration of the Investment Manager's staff attributable to the Company was USD 806,010.

These amounts have been calculated by multiplying each of the following:

1. the total remuneration paid by the Investment Manager to its staff and owners;
2. the total fixed remuneration of the Investment Manager's staff and owners; and
3. the total variable remuneration of the Investment Manager's staff and owners,

by the revenues of the Investment Manager from the Company during the aforementioned period as a percentage of the total revenues of the Investment Manager during such period.

**ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURES  
(UNAUDITED) continued**

The foregoing information takes into account the fixed and variable remuneration of 13 members of staff, being those employees of the Investment Manager that are fully or partly involved in the activities of the Company.

During the financial year, the aggregate amount of remuneration earned and paid to senior management of the Investment Manager was USD 956,362 and the aggregate amount of remuneration paid to members of staff, including senior management, whose actions had a material impact on the risk profile of the Company was USD 992,987. The majority of staff other than senior management whose remuneration is included in the above disclosure were not employed by the Investment Manager until the end of the financial year ended 31 December 2015 and, as a result, the aggregate remuneration for such other staff does not reflect the full annual salary and benefits payable.

The compensation structure of the Investment Manager was created and designed by the owners of the Investment Manager, who all fulfil key roles in the ongoing policies and daily activities of the Investment Manager. In designing the compensation structure, the owners have had regard to all aspects of performance, including any potentially excessive risk taking.

The compensation structure is designed to reward investment professionals, owners, and other personnel for long-term performance and it is typically comprised of a combination of base salary, additional discretionary sums, and ownership distributions. This helps to align all participants with the Investment Manager's long term results and performance. The discretionary incentive compensation of certain personnel may also include a retention based component.

Employees generally participate in an annual discretionary bonus scheme. The purpose of this scheme is to reward staff employees for their contributions to the business during the year. The level of bonus payments is determined by reference to the profits of the group and the personal performance of the individual employee, in addition to the performance of the particular area in which the employee works. Where profits are reduced, the amount available for distribution as annual discretionary bonuses is also reduced.

Some employees who are owners or part of the fund management team do not participate in the annual discretionary bonus scheme. They (along with members of their teams who are limited partners of the Investment Manager) are instead eligible for bonuses (or profit allocations in the case of limited partners) which are assessed by reference to the economic success of the Investment Manager. These bonuses are based on the net income of the Investment Manager's management company. Where the economic success of the management company is depressed or reduced, it is possible that no bonus payments will be made.

The firm also reviews its books and records on a regular basis to ensure that variable remuneration payments are based on actual payments received from their products, that is, the management and performance fees physically received and adjusted for costs.

## COMPANY INFORMATION

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Christopher Waldron  
Jonathan Schneider  
Matthew Mulford  
K. Scott Canon

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Merrill Lynch, Pierce, Fenner & Smith  
Incorporated

