(Registered No. 09510201)

RANGER DIRECT LENDING FUND PLC

Annual Report

For the year ended 31 December 2017

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FORWARD-LOOKING STATEMENTS

This report includes statements that are, or may be considered, "forward-looking statements". The forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative, or other variations or comparable terminology. 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.

INFORMATION REQUIRED, TO THE EXTENT APPLICABLE, FOR DISTRIBUTION TO QUALIFIED INVESTORS IN SWITZERLAND:

The Prospectus, the Articles of Association as well as the annual and half-year reports of the Company are available only to qualified investors (as defined in the Collective Investment Schemes of 23 June 2006, as amended, and its implementing ordinance) ("Qualified Investors") free of charge from the Swiss Representative. In respect of shares distributed in Switzerland to Qualified Investors, place of performance and jurisdiction is at the registered office of the Swiss Representative.

Swiss Representative: FIRST INDEPENDENT FUND SERVICES LTD., Klausstrasse 33, 8008 Zurich.

Swiss Paying Agent: Neue Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich

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 year ended 31 December 2017 (the "Annual Report") includes the results of Ranger Direct Lending Fund Trust (the "Trust") and Ranger Direct Lending ZDP plc (the "ZDPco"), in respect of which further details are set out below.

The Company commenced operations on 1 May 2015 following its admission of GBP 0.01 each Ordinary Shares ("Ordinary Shares") 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.

Since Admission, the Company has deployed the proceeds of its initial public offering on 1 May 2015 (the "IPO") and subsequent tap issue Ordinary Shares at an issue price of GBP 10.45 on 16 December 2015 (the "tap issue") 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") and the United Kingdom ("UK"). 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 16 December 2016 the Company issued 1,611,041 C shares of GBP 0.10 in the capital of the Company ("C Shares") pursuant to a placing and open offer at an issue price of GBP 10.00 per C Share (the "Placing and Open Offer"). The Company's C Shares were subsequently converted into Ordinary Shares on 6 April 2017, following full investment of the net proceeds of the issue of the C Shares in accordance with the Company's investment policy.

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.

ZDPco

On 23 June 2016 the Company incorporated ZDPco, a public limited company incorporated under the laws of England and Wales. On 1 August 2016, the ZDPco was subsequently admitted to the standard segment of the Official List of the UK Listing Authority and its zero dividend preference shares of GBP 0.01 each ("ZDP Shares") were admitted to trading on the London Stock Exchange's main market for listed securities. The proceeds from the issuance of the ZDP Shares were on-lent to the Company by way of an intercompany loan agreement (the "Loan Agreement"). The Company also granted ZDPco an undertaking to (among other things) subscribe for such number of ordinary shares in the capital of the ZDPco as may be necessary or to otherwise ensure that ZDPco has sufficient assets to satisfy its obligations to the ZDP Shareholders and pay any operational costs incurred by ZDPco.

ZDPco raised GBP 30 million and GBP 24 million on 1 August 2016 and 4 November 2016, respectively through the issue of ZDP Shares.

The Company, the Trust and the ZDPco 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.

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, specialty 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; and
- master loan and security agreements ("MLSA") whereby the Company lends capital to a Direct Lending Platform for a fixed interest rate (which is calculated and agreed by reference to the Investment Managers' assessment of the pool of Debt Instruments securing the note referenced to the MLSA which is issued to the Company in return for the capital loaned to the Direct Lending Platform, less any fees payable to the Direct Lending Platform).

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;
- 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 may not be part of the Company's group.

OVERVIEW AND INVESTMENT STRATEGY continued

Investment Policy continued

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 five 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 subcategory 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 by 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 23 to 24.

Financial Performance at a Glance

Highlights	***Ordinary Shares***	
	31 Dec 2017	*31 Dec 2016*
Net Asset Value[1] (Cum Income) per share	**GBP 9.90[3]/USD 13.38**	GBP 12.20[3]/USD 15.05
Net Asset Value[2] (Ex Income) per share	**GBP 10.19[3]/USD 13.79**	GBP 12.21[3]/USD 15.07
Total dividends per share	**101.76 pence**	89.61 pence
Share Price[4]	**GBP 7.19[3]/USD 9.72**	GBP 10.55[3]/USD 13.02
Actual annualised return on the principal amount invested[5]	**(2.95)%**	5.53%
% of Capital deployed[5]	**95.5%**	98.3%[7]

The Company's market capitalisation as at 31 December 2017 was USD 156,775,447 (GBP 115,923,874 based on a Share Price of GBP 7.19 and based on 16,122,931 outstanding Ordinary Shares).

The Group's total comprehensive loss for the year ended 31st December 2017 amounted to USD 6,614,025 (31 December 2016: USD12,414,520 income)

Further details of the Group's performance for the year are included in the Investment Manager's Report on page 10 to 12 which includes a review of the investment activity, impact of applicable regulations and adherence to investment restrictions.

[1] Net Asset Value ("NAV") (cum income) includes all current year income, less the value of any dividends paid in respect of the period together with the value of the dividends which have been declared and marked ex-dividend but not yet paid, see page 55.

[2] Net Asset Value (ex income) is the Net Asset Value cum/income excluding net current year income.

[3] Translated at USD to GBP foreign exchange rate of 1.3524 (2016: 1.2340).

[4] Share price taken from Bloomberg Professional.

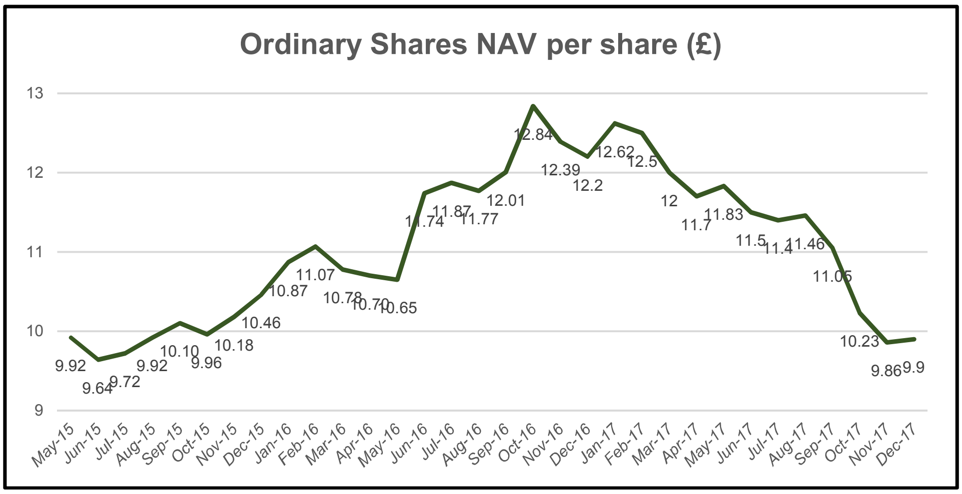
[5] Capital deployed amount used is the net proceeds from IPO, tap issue and C shares (from date of issue during the year).

[6] Annualised return based on monthly performances shown on page 22.

[7] Before impairment of the Company's investment in Princeton. Capital deployed after impairment was 94.4%.

OVERVIEW AND INVESTMENT STRATEGY continued

Company Performance



Ongoing Charges Information[8]

	2017	*2016*
Annualised ongoing charges[9]	2.07%	1.81%
Performance fee[10]	0.01%	0.60%
Annualised ongoing charges plus performance fee	2.08%	2.40%

Top Ten Positions

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

Investment/Direct Lending Platform	*Country*	*Principal Activity*	*Net Asset Value* ***31 Dec 2017***	*% of Net Asset Value* ***31 Dec 2017***
Real Estate Loans Platform	United States	Bridge loans to real estate developers	71,848,345	33.30%
SME Loans Platform	United States	Loans/advances to small/medium size businesses	55,914,446	25.92%
Consumer Loans Platform	United States	Loans to consumers with improving credit	37,789,106	17.51%
SME Credit Line Platform (Princeton)	United States	Credit lines to finance companies	29,321,483	13.59%
Vehicle Services Contract Platform	United States	Vehicle service contract financing	22,203,907	10.29%
International MCA Platform	United Kingdom	Loans/advances to small/medium size businesses	19,038,004	8.82%
International SME Lending Platform	Canada	Loans to businesses with government grants	15,919,670	7.38%
International MCA Platform	Australia	Loans/advances to small/medium size businesses	15,835,667	7.34%
MCA Platform	United States	Loans/advances to small/medium size businesses	3,853,551	1.79%
Second Consumer Loans Platform	United States	Loans to general consumers	3,277,167	1.52%
			275,001,346	**127.46%**

[8] Ongoing charges are set out as a percentage of annualised ongoing charge over average reported Net Asset Value.

[9] 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.

[10] Performance fee is calculated based on the terms of the Investment Management Agreement. Further information is provided in note 17 of the Notes to the Consolidated Financial Statements.

CHAIRMAN'S STATEMENT

2017 was a disappointing and frustrating year for the Company. Total NAV returns fell by 2.95% in US dollar terms, but continuing uncertainty over the Princeton investment was reflected in a sharp decline in the share price, which fell by 31.8% in sterling terms, widening the share price discount to NAV from 13.6% to 29.4%. However, aside from Princeton, portfolio performance was largely within expectations, confirming the assumptions made at the time of the Company's IPO, to the extent that the dividends paid increased from 89.61p in 2016 to 101.76p in 2017.

Nevertheless, the share price performance and the wide discount are indicative of a loss of confidence on the part of many Shareholders and the Board's immediate focus has, and continues to be, on three areas: a resolution of the Princeton issues, an independent confirmation of the Company's NAV aside from Princeton and ensuring the appropriate management arrangements are in place for the Company to recover and grow.

Princeton

The lack of detailed information on the investments underlying the Company's holding in Princeton Alternative Income, LP ("Princeton") meant that last year's financial statements were qualified in respect of this holding. Further efforts to clarify the value of these assets and to agree a redemption timetable proved fruitless and consequently the Company filed for arbitration in June 2017. As envisaged in my interim report last September, these hearings began in November, but extended into January and then March 2018. As the arbitration proceedings were drawing to a close, Princeton, and its general partner, Princeton Alternative Funding LLC (the "General Partner") filed for Chapter 11 bankruptcy. The bankruptcy hearings began in April and, through its representatives, the Company has been actively participating in the bankruptcy cases with a particular focus, to the extent possible in the circumstances, on seeking to protect its invested capital. One of the motions Ranger filed was a motion to instruct Princeton and its auditors to respond to the Company's information requests and on 13 April 2018 this motion was granted by the bankruptcy court. Despite this order, Princeton and its associates have not yet given the Company or our external auditors access to this information and therefore, regrettably, these financial statements have been qualified on the same basis as last year's. However, it is expected that Ranger will be able to examine the relevant documents in the next few weeks and any new information relating to the valuation of the Princeton assets will be released to the market as soon as possible. A further summary of this process and its implications is set out in the Investment Manager's report, but our priority remains to protect the Company's capital investment to the extent possible and eventually realise this investment.

The Company's holding in Princeton is valued at USD 29.3m as at 31 December 2017, following two write downs in 2017. The first, of USD 10.4m, was reported by Princeton themselves in November 2017, but the second, of USD 9.1m, was taken by the Company following a review of information provided during the arbitration process. Initial asset statements provided by Princeton to the bankruptcy court have been consistent with this valuation, but lack sufficient detail to confirm it.

Further details on the Princeton proceedings are set out in the Investment Manager's Report.

Management

The Princeton experience prompted extensive discussions between the Board and the Investment Manager to review diligence processes across the whole portfolio and to examine what lessons, if any, could be learned. It was clear from these meetings that the principal issues with Princeton were specific to that investment and related to Princeton's failure to respect the terms of the Company's investment. However, it was felt that the size this investment reflected an over-concentration within the portfolio on a limited number of platforms and that over time there was a need to increase the diversification of return streams. This resulted in the June 2017 announcement to revise the investment guidelines to reduce the maximum exposure to any single platform and to unsecured loans. It also provoked further debate about the depth of the management team required to handle the growth of a more diverse portfolio, potentially involving new lending categories as well as new platforms.

As a result, discussions began between the Board and Investment Manager and third parties to consider potential co-management arrangements. These discussions were announced to the market on 1 November 2017, at which time no agreement had been reached.

CHAIRMAN'S STATEMENT continued

In January 2018, following discussions with Shareholders, the Board appointed independent external advisers and initiated a formal process to resolve the management arrangements for the Company beyond May 2018. This process has been directed by the Management Engagement Committee of the Board, which comprises the Company's three independent Directors and it is intended that the results of this process and detailed proposals setting out revised management arrangements for the Company will be announced to Shareholders by early May.

Valuation

The extent of the share price discount to NAV suggests that Shareholders are sceptical about the valuation of the portfolio, even allowing for Princeton. Therefore, in January the Board, in conjunction with the Investment Manager, engaged an independent valuation firm to evaluate the portfolio (excluding Princeton) as at the end of 2017.

A copy of the report from the third party valuation firm has now been delivered to the Company's Board and Investment Manager.

Following its review of the report, the Company, in consultation with its advisers, has made no changes in the valuation of the portion of the portfolio reviewed as compared to the valuation used as at 31 December 2017 for the purposes of calculating the audited NAV as at that date.

Outlook

The Board hopes that during the second half of 2018 we will see a resolution of the long running Princeton saga. By then we will also have recommended to Shareholders a well-resourced management structure that will be well placed to take advantage of the continuing opportunities in direct lending.

I believe we are now approaching the end of a very difficult period for the Company and I would like to thank the investment management team for their perseverance and professionalism over the last year.

Christopher Waldron
Chairman

30 April 2018

INVESTMENT MANAGER'S REPORT

The Investment Manager continues to believe that there are attractive, high yield opportunities which can be accessed by providing funding through established Direct Lending Platforms in categories such as real estate, small/medium business enterprise (SME) lending, specialty finance, and trade receivables.

The Investment Manager continues to identify, negotiate, undertake due diligence, and invest with multiple direct lenders, subject to the overall supervision of the Board. The Board and the Investment Manager hold regular meetings to discuss the pipeline of potential investments and the typical term and return profile of such investments.

To mitigate risk, the Investment Manager has sought to diversified investments across multiple Direct Lending Platforms and continues to invest the Company's assets in a range of lending categories, industries, geographic areas, durations and funding structures.

As at 31 December 2017, all proceeds originating from the Company's IPO in May 2015, the tap issue completed in December 2015, both ZDP offerings, and the Open Offer and Initial Placing of C Shares in December 2016 (converted into Ordinary Shares in April 2017) remain deployed, less an amount for general fund operations and foreign exchange settlements. With the leverage provided by the ZDP shares, gearing is at 35.3% as at 31 December 2017.

At the time of acquisition of any investment that is non-USD denominated, it is hedged to USD to mitigate against currency fluctuations. Additionally, expected income on those investments is typically hedged for three months into the future.

The intra-group loan made to the Company by ZDPco is denominated in (and must be repaid in) GBP. In addition, the Company has undertaken to subscribe for such number of ordinary shares in the capital of ZDPco (which are also denominated in GBP) as is necessary to enable ZDPco to pay the holders of ZDP Shares their final capital entitlement on the ZDP Repayment Date of 31 July 2021. Any of those funds converted to USD or other currencies are hedged to GBP as well as the respective accrued interest owed on those amounts.

Company Portfolio

In 2017 the Company continued to invest through several Direct Lending Platforms in the US, UK, Australia, and Canada, focused primarily on secured Debt Instruments. While the Company has successfully invested in thirteen platforms since inception, investments with seven of those platforms are being liquidated due to performance issues, lack of material investment capacity, or other reasons. The remaining six platforms are currently providing sufficient capacity and diversity for reinvestment of principal proceeds from the portfolio.

During 2017, in addition to the impact to the Fund's performance from the Princeton Alternative Income Fund (as described in the Princeton section below), some performance issues were experienced with three platforms causing a material impact to the Company's performance especially during the fourth quarter of 2017. Hurricanes Irma and Harvey in August and September 2017 also affected some platform returns.

A summary of the material adjustments to loss reserves that were made during the year are summarised below.

- The Third SME Loans Platform that provides short-duration business cash advances - Overall loss rates have been trending higher than the loss rates initially provided by the platform at the time of loans purchase, partly due the hurricanes in Texas and Florida. As a result, an increase in loss reserves of USD 1.6 million was made in October 2017. This platform was acquired by a large international payment processor in 2017, and the Company expects a majority of the portfolio to self-liquidate by the end of Q3 2018.
- The Consumer Loans Platform - While no new loan purchases have been made since March 2017, loans in the portfolio have been trending to lower rates of return. Loss reserves were increased by USD 2.4 million in October 2017 to cover higher than existing losses in 2017 and expected losses on the remaining portfolio.
- The Second Consumer Loan Platform – No new loan purchases have been made since August 2016, but existing loans have continued to underperform. Loss reserves were increased by USD 0.6 million in October 2017 to cover higher than expected losses. No further adjustments are expected, since there is evidence that the peak of the loss curve occurred in 2017. Accordingly, there have been fewer write-offs in the last few months.

INVESTMENT MANAGER'S REPORT continued

In addition to the debt instruments issued by the three platforms that are being liquidated, the other platforms where the Company's investments are currently in the process of realisation without further investment are: (i) Princeton (further details on which are set out below); (ii) The Equipment Loans Platform in which the Company permanently suspended investments at the start of 2016; (iii) and The Invoice Factoring Platform had insufficient capacity. The Secured Medical Loans Platform is temporarily suspended while the platform updates its loan agreements.

The Company has invested in eight categories and seventeen sub-categories of Debt Instruments spanning the thirteen different Direct Lending Platforms. As noted above, this diverse mix of investment types is intended to mitigate risk. At 31 December 2017, 83% of the portfolio was invested in secured Debt Instruments (including loans, cash advances, and receivables financing) to mainly SME borrowers, and 17% of the portfolio consisted of unsecured consumer loans. For this purpose, a secured Debt Instrument is defined by the Company as a payment obligation in which property, revenue (including receivables), or a payment guaranty has been pledged, mortgaged or sold to the Company as partial or full security with respect to such obligation.

The Company will continue to comply with its investment restrictions set out in investment policy, together with the subsequent directions issued by the Board which have previously been announced, and which apply at the time of investment when making further investments in Debt Instruments (whether directly or indirectly).

In addition to investing in Debt Instruments, the Company may also invest up to 10% of gross assets in the equity of Direct Lending Platforms and/or organizations serving the direct lending industry. As at 31 December 2017, one such equity investment had been made for USD 300,000 in June 2017.

IFRS 9 requires companies to make provisions based on future expected losses across their entire loan portfolio. Given the methodology the Company has applied in the past when interpreting IAS 39, the preliminary calculations as performed and reviewed by the Investment Manager and Fund Administrator implementing the new IFRS 9 standards show that any impact of the new standard will be immaterial for the Company.

Independent valuation of the portfolio

As previously announced by the Company on 29 January 2018, an independent valuation firm was retained to perform valuation consulting services on the Company's portfolio (excluding the investment in Princeton owing to a lack of available information in respect of that investment and well as other de minimis investments) as of 31 December 2017, which consisted of certain limited procedures that the Company identified and requested the independent valuation firm to perform.*

A copy of the report from the independent valuation firm has now been delivered to the Company's Board and Investment Manager.

The Company is ultimately and solely responsible for determining fair value of the investments in good faith, and following its review of the report, the Company, in its sole determination, following consultation with its advisers, has not made any amendment to the values of the portion of the portfolio reviewed as compared to the values used as at 31 December 2017 for the purposes of calculating the unaudited net asset value as at that date.

Princeton - Arbitration and bankruptcy proceedings

The Company announced on 12 March 2018 that Princeton and its General Partner filed voluntary chapter 11 bankrupcty petitions on 9 March 2018 in the United States Bankruptcy Court for the District of New Jersey. These filings had the effect of staying this first phase of the arbitration as against Princeton and its General Partner and also stopping the ruling on the segregation order being delivered.

Through its legal representatives, the Company has been actively participating in the bankruptcy cases with a particular focus on (to the extent possible in the circumstances) seeking to protect its capital invested.

* The identification of limited procedures on the appointment of an independent valuer is customary for such an appointment.

INVESTMENT MANAGER’S REPORT continued

The bankruptcy court has now ruled that most of the pending counts in the arbitration proceedings, which were substantially completed at the time Princeton and the General Partner filed for bankruptcy, may be completed. After the arbitration proceedings are completed, the Company has a number of legal options, including seeking further relief from the Bankruptcy Court while the actual dates for the continued arbitration proceeding have not yet ben set, the Company will seek the earliest dates available to resume the arbitration proceedings once the Bankruptcy Court has issued its written orders on these matters.

The Company views this as a positive development and, once the arbitration panel has delivered its findings, will continue to seek relief in the Bankruptcy Court, including its pending request before the court for the appointment of an independent trustee to assume management and control of Princeton (including giving effect to the information and redemption notices previously served).

As previously reported, the arbitration process includes a second phase consisting of claims against various individuals and entities (including MicroBilt Corporation) who, as specified in the claims, are alleged to have controlled the Princeton funds, and to have acted improperly in connection with its activities, or improperly benefitted from misconduct. The Company intends to proceed with the second phase claims against the individuals and entities that are not subject to the bankruptcy stay. These claims continue to be conducted by the Company’s attorneys on a contingency basis.

Princeton portfolio update

As previously disclosed by the Company, Princeton had provided a credit line to Argon Credit, LLC and Argon X, LLC (together “Argon”) who used the proceeds to fund underlying consumer loans (which were included in the collateral for the credit line). Following the bankruptcy of Argon, Princeton took control of the Argon collateral and has been conducting loan servicing. Other than investor statements, Princeton has provided only limited information typically via their legal counsel. Consequently, the current status of the remaining investments that Princeton has made is unknown, but may be revealed during the Princeton bankruptcy proceedings.

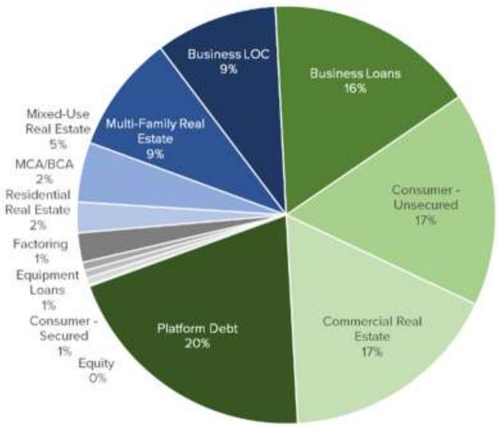
The following summarises the financial events with Princeton through to December 2017.

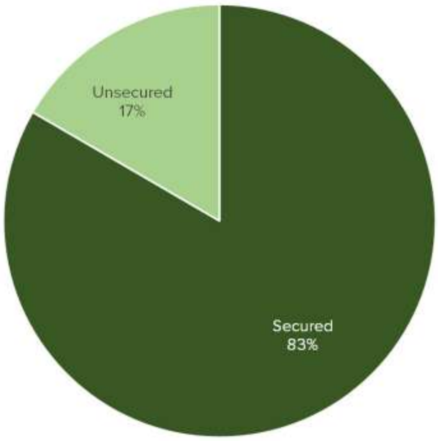
- Original Investment in Princeton: USD 55,100,000.
- Reduction in capital due to impairment and reversal of incentive fees taken by Princeton in 2016: USD 8,856,612.
- Reduction in capital due to net loss, including impairment and reversal of Princeton incentive fees, taken by Princeton in October 2017: USD 7,912,687.
- Argon side pocket amount as reported by Princeton totals USD 12,724,515 as at 31 December 2017.
- Additional Argon impairment and reserve taken by the Investment Manager in October 2017 of USD 9,050,000.
- Argon net capital value attributed in Company accounts: USD 3,674,515.
- Additional Loss Reserves taken by the Investment Manager: USD 718,017 (all income equal to USD 386,941 reported by Princeton for November 2017 - being applied to loss reserves and USD 336,076 equal to the amount of normal loss reserves through October 2017).
- Remaining Princeton non-Argon estimated net capital value as reported by Princeton: USD 26,364,674.
- Net capital value per Company’s records: USD 29,321,172.

The Board and the Investment Manager continue to monitor developments with Princeton. Further announcements will be made in due course where there are any relevant updates for Shareholders.

INVESTMENT MANAGER'S REPORT continued

The Portfolio composition as at 31 December 2017 was as follows based on outstanding principal balance (excluding accrued interest and allowance for loan losses):





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 its subsidiaries 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:

Function	*Provider*
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	Link Company Matters Limited
Company Registrar	Link 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

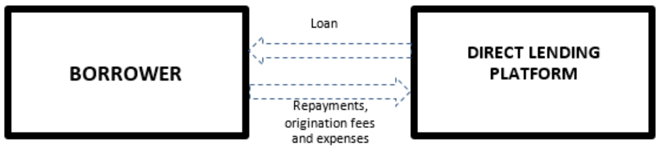
The Company currently acquires exposure to Debt Instruments originated or issued by Direct Lending Platforms through the following models and structures:

Models and Structures

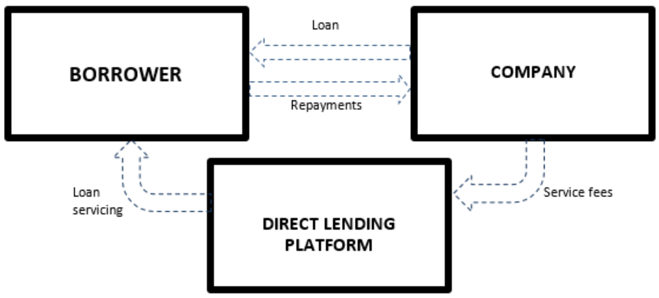
Model 1 – Acquisition of the whole Debt Instrument from the Direct Lending Platform

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").

a. Borrower enters into a Credit Investment with a Direct Lending Platform:



b. Direct Lending Platform sells the Credit Investment to an investor such as the Company:



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 lifecycle 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.

Six Direct Lending Platforms invested by the Group are structured based on Model 1.

Model 1 includes platforms which serve as intermediaries with respect to the purchase of both whole loan and fractional interest in debt instruments.

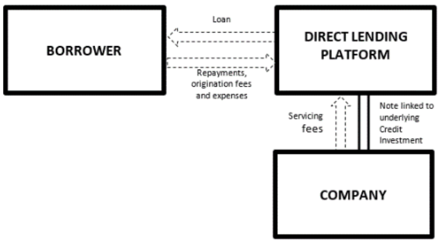
Model 2 – Acquisition of performance linked notes referencing the performance of underlying loans

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

Model 2 – Acquisition of performance linked notes referencing the performance of underlying loans (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.

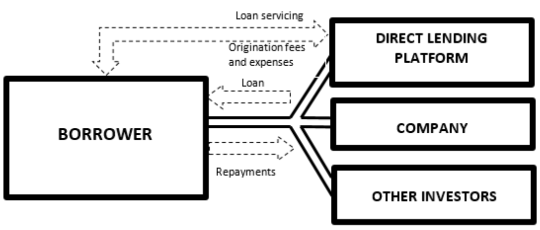
When the Company invests in Notes, it will typically look to agree with the relevant Direct Lending Platform that in the event of default by underlying borrowers under the Debt Instruments to which the Notes are referenced, the benefit of any security which has been provided in respect of the underlying 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.

One Direct Lending Platforms invested by the Group are structured based on Model 2.

Some platforms may qualify as more than one model, but the model most closely associated with the platform was used.

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.

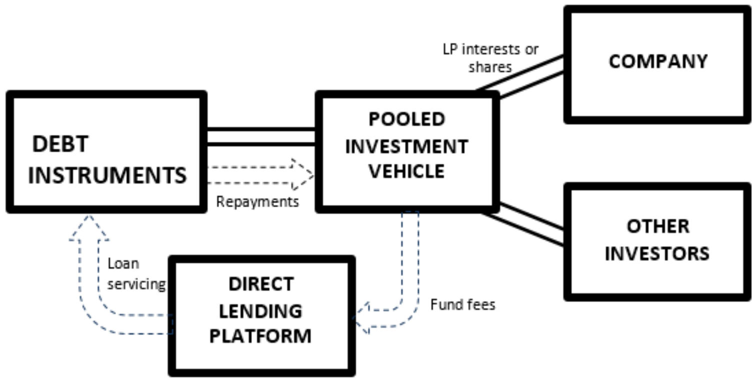
The Group had invested to three lending platforms structured based on Model 3.

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.

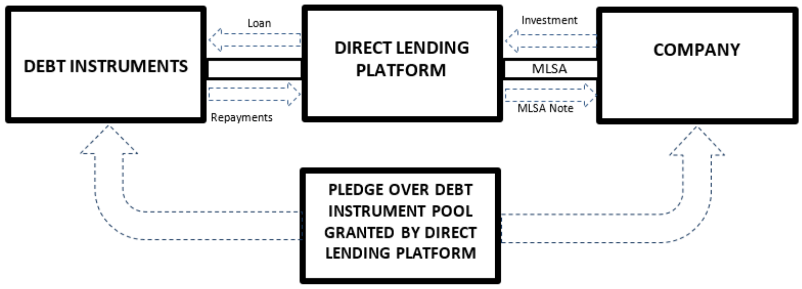


In pooled investment vehicle structures, an investor will retain a pro-rata interest in a diversified pool of underlying Debt Instruments. Investors such as the Company may, in certain circumstances, maintain input regarding the allocation of underlying Debt Instruments that are held by the pooled investment 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 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.

The Group's investment in Princeton is structured based on Model 4.

Model 5 – Master loan and security agreements to platforms

The fifth structure reflects the use of a master loan and security agreement (an "MLSA") whereby the Company lends capital to a Direct Lending Platform for a fixed interest rate (which is calculated and agreed by reference to the Investment Manager's assessment of the pool of Debt Instruments securing the relevant MLSA Note (as defined below) less, in certain circumstances, any fees that may be payable to the Direct Lending Platform). A Direct Lending Platform then receives the capital by entering into one or more notes referenced to the MLSA (an "MLSA Note"); and uses the proceeds of such MLSA Notes to originate or issue pools of Debt Instruments which are pre-approved by the Company. The rate of interest under each MLSA Note may vary from note to note by reference to the Investment Manager's assessment of the underlying pool of Debt Instruments that form the security under the MLSA Note. Pursuant to the terms of the MLSA, the Direct Lending Platform is required to pledge the pool of Debt Instruments purchased with the proceeds of each MLSA Note to the Company as security for such MLSA Note. However, unlike a performance linked note, the repayment obligations set out under an MLSA or an MLSA Note is fixed and does not vary based on the performance of the underlying pool of Debt Instruments.



Two Direct lending platforms invested by the Group are structured based on Model 5.

GROUP STRATEGIC REPORT continued

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

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).

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). As at 31 December 2017, the Company has a loan payable to ZDPCo of USD 73,835,016 (2016: USD 66,049,907). In June 2017, the Board instructed the Investment Manager not to exercise the Company's borrowing powers to incur any senior borrowings through the provision of credit facilities for the following 12 months.

Principal Risks and Internal Control

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

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

The Company established a risk map during the IPO process, consisting of the key risks and controls in place to mitigate those risks. The risk map, which is reassessed at each Audit Committee meeting, provides a basis for the Audit Committee and the Board to regularly monitor the effective operation of the controls and to update the matrix when new risks are identified. The Board's responsibility for conducting a robust assessment of the principal risks is embedded in the Company's risk map and stress testing. The Board, through delegation to the Audit Committee, undertakes this robust annual assessment and review of the principal risks facing the Company together with a review of any new risks which may have arisen during the year.

GROUP STRATEGIC REPORT continued

Principal Risks and Internal Control continued

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

In accordance with the Association of Investment Companies Code of Corporate Governance (the "AIC Code"), the Directors have carried out a review of the effectiveness of the system of internal control of the Company as it has operated during the year and up to the date of approval of the Annual Report. Information regarding the Company's internal control and risk management procedures can be found in the Corporate Governance Statement on page 26.

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.

Principal risk	*Mitigation*	*Link to KPI*
*Macroeconomic risk**		
Adverse macroeconomic conditions may delay or prevent the Company from making appropriate investments that generate attractive returns and thereby cause "cash drag" on the Company's performance. Adverse market conditions and their consequences may have a material adverse effect on the Company's investment portfolio default rate, yield on investment and, therefore, cash flows. To the extent that there is a delay in making investments, the Company's returns will be reduced.	The Board and the Investment Manager review on a quarterly basis the market trends affecting the loan industry. The Investment Manager carries out its regulatory review through externally sourced market data.	Capital Deployed Target Return
*Legal and compliance risk**		
Laws applicable to Debt Instruments may govern the terms of such instruments and subject the Company to legal and regulatory examination or enforcement action. Further, any proceeding brought by the federal or state regulatory authorities to any of the Direct Lending Platforms could result in cases against the Company itself and could affect whether the Debt Instruments are enforceable in accordance with their terms.	To manage this risk the Directors are regularly briefed by the Investment Manager's in house legal counsel and by the Company's legal counsel on legal and regularly developments. Further, regulatory risk is a standing item at board meetings.	Capital Deployed Investment restrictions

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

GROUP STRATEGIC REPORT continued

Principal Risks and Internal Control continued

Principal risk	*Mitigation*	*Link to KPI*
Investment risk The Group has substantial investments in Debt Instruments and the major risks include market and credit risks. The Company may take indirect exposure to debt instruments through platforms or funds; and such investments may be impacted if such platforms or funds declare bankruptcy. One such fund in which the Company invested, Princeton and its General Partner filed voluntary petitions of bankruptcy on 9 March 2018 in the United States Bankruptcy Court for the District of New Jersey. The bankruptcy petitions had the effect of staying arbitration that the Company has initiated against Princeton. The bankruptcy court has now announced it ruling that most of the pending counts in the arbitration proceedings, which were substantially completed at the time Princeton and the General Partner filed for bankruptcy, may be completed. After the arbitration proceedings are completed, the Company has a number of legal options, including seeking further relief from the Bankruptcy Court While the actual dates for the continued arbitration proceeding have not be set, the Company will seek the earliest dates available to resume the arbitration proceedings after the Bankruptcy Court has issued its written orders on these matters. Once the arbitration panel has delivered its findings, the Company will continue to seek relief in the bankruptcy court, including its pending request before the bankruptcy court for the appointment of an independent trustee to assume management and control of Princeton (including giving effect to the information and redemption notices previously served).	The number of investments held and sector diversity enable the Group to spread the risks with regard to market volatility, currency movements, revenue streams and credit exposure. The Company has in place investment restrictions and receives quarterly reports from the Investment Manager to monitor the Company's and Group's exposure to these risks. The Investment Manager's investment decisions are also driven by the degree of transparency and influence that the Investment Manager can achieve and the efficiency of the holding structure. If this proves difficult or unsatisfactory, investments will be reduced or curtailed altogether. Subsequent to the investment in Princeton, the Board will review any future proposed investment through a fund structure having particular regard to the reporting obligations that the underlying fund is subject to. Further, regular monitoring of compliance with those reporting requirements will become a standing agenda item of quarterly board meetings, with particular regard to any breach of service level agreements.	Investment restrictions Target Return
*Taxation risk** As an investment company, the Company needs to comply with sections 1158/1159 of the Corporation Tax Act 2010.	The Investment Manager and Administrator prepare quarterly management accounts which allow the Board to assess the Company's compliance with investment trust conditions. Further, contractual arrangements with third party external service providers are in place, to ensure compliance with tax and regulatory requirements.	Total dividends for the period
Cyber security risk This is a new principal risk. The Company relies on services provided by its external service providers and therefore dependent on the effective operation of their systems in place. Likewise, the Company is dependent on the Direct Lending Platforms' ability to effectively manage vulnerabilities to technological failure and cyber attacks. Any weakness in their information security could result in a disruption to the dealing procedures, accounting and payment process.	The Company performs a due diligence review before entering into contracts with any external service provider and also prior to investing in a Debt Instrument. Subsequently, the Company receives a controls performance report such as ISAE 3402 report on the service provider which is subject to the Audit Committee's review. The Management Engagement Committee also meets on an annual basis to review the Investment Manager and other service providers' overall performance, independence, resources, expertise and compliance with the Investment Management Agreement and service provider agreements, respectively.	Investment restrictions

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

GROUP STRATEGIC REPORT continued

Principal Risks and Internal Control continued

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

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in April 2016 (the "UK Corporate Governance Code"), and Principle 21 of the AIC Code, the Directors have continued to assess the prospects of the Company over the three year period taking into account the final repayment date of the ZDP Shares in 2021.

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

In their assessment of the viability of the Company, the Directors have considered each of the principal risks and uncertainties above. The Directors have also reviewed the Company's income and expenditure projections and the fact the Company's investments (including those held through the Trust) do not comprise readily realisable securities which can be sold to meet funding requirements if necessary. The Company maintains a risk register for its stress test to identify, monitor and control risk concentration. In addition, overall credit and economic conditions are monitored by the Investment Manager's Credit and Risk Committee to provide insight with respect to potential warnings on adverse changes at macro level. The stress test uses the 2007 - 2009 financial crisis as its basis which resulted in the entry of institutions offering alternative lending sources of capital in the US and European markets, 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 three year period to 2021.

In the year to 31 December 2017, the Group generated a net loss of USD 6,436,466 after Princeton impairment allocation of USD 16,983,138 (see note 3) (31 December 2016: net profit USD 12,402,142 after the Princeton impairment allocation of USD 8,856,612).

The Group paid dividends for the year of USD 20,555,314 (31 December 2016: USD 17,796,167). The Group has fully deployed its capital raised from the IPO and achieved the targeted 10% dividend yield per annum payable to its Ordinary Shareholders.

GROUP STRATEGIC REPORT continued

Performance

The table below provides monthly performance information:

Ordinary Shares

		Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YTD*
% NAV	**2016**	0.48%	0.75%	0.77%	0.78%	0.82%	0.74%	0.79%	0.72%	0.75%	0.82%	0.83%	(2.80%)	5.53%
	2017	**0.87%**	**0.66%**	**0.74%**	**0.60%**	**0.58%**	**0.54%**	**0.41%**	**0.42%**	**0.22%**	**(8.32%)**	**0.20%**	**0.48%**	**(2.95%)**
		Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YTD*
Return on Share Price	**2016**	(6.15%)	(0.31%)	(2.50%)	2.14%	2.62%	(1.02%)	6.19%	3.69%	3.56%	5.97%	(3.50%)	(6.72%)	2.93%
	2017	**(0.19%)**	**1.61%**	**3.27%**	**(17.90%)**	**(5.46%)**	**(4.61%)**	**(0.58%)**	**(5.84%)**	**4.96%**	**(4.23%)**	**(5.91%)**	**(0.76%)**	**(31.85%)**

C Shares

		Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YTD*
% NAV	**2016**												(0.37%)	(0.37%)
	2017	**0.31%**	**0.46%**											**0.77%**
		Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YTD*
Return on Share Price	**2016**												(2.50%)	(2.50%)
	2017	**2.05%**												**2.05%**

As at 31 December 2017, the portfolio (excluding cash and cash equivalents) was diversified across different sectors as follows:

Sector	*Allocation* *31 Dec 2017*	*31 Dec 2016*	*Change*
Platform Debt	20%	13%	54%
Commercial Real Estate Loans	18%	8%	125%
Business Loans/Merchant Cash Advances	18%	17%	6%
Consumer Loans	17%	28%	-39%
Business Letter of Credit	9%	16%	-44%
Multi-family Real Estate Loans	9%	6%	50%
Mixed-use Real Estate Loans	5%	5%	0%
Residential Real Estate Loans	2%	5%	-60%
Factoring	1%	1%	0%
Equipment Loans	1%	1%	0%
Total (excluding cash and cash equivalents)	100%	100%	0%

Trends and factors likely to affect future development performance and position of the Group are included in the Investment Manager’s Report on pages 10 to 13.

GROUP STRATEGIC REPORT continued

Premium/Discount

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

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Premium/ (discount) to NAV at end of each month	2016	(11.52%)	(13.33%)	(13.25%)	(10.75%)	(8.01%)	(17.38%)	(13.21%)	(9.23%)	(7.89%)	(8.75%)	(8.74%)	(13.52%)
	2017	(12.83%)	(11.00%)	(7.95%)	(22.48%)	(27.47%)	(28.82%)	(28.63%)	(33.16%)	(27.26%)	(24.72%)	(26.51%)	(27.34%)

Analysis of Key Performance Indicators and Investment Restrictions

The following KPIs are being tracked for the Group, and values for each as at 31 December 2017 are shown in the table below.

Indicator	*Criteria*	*As of 31 Dec 2017*
Target Return[11]	12% to 13% unlevered annual net returns to the Company on loan investments	Targeted net annualised returns (after Princeton-Argon impairment) are 10% to 11% to the Company before fund expenses, management and performance fees.
Capital Deployed	USD 311 million (net of relevant issue costs) available for deployment	USD 282 million principal (net of relevant issue costs) amount invested
Total dividends for the year	At least 85% of Net Profit	Interim dividends of 90% of Net Profit
Investment restrictions		
- Maximum term loan for investment	5 years	No Debt Instrument references a loan agreement with a term in excess of 5 years
- Maximum term for trade receivable investment	180 days	No Debt Instrument references a trade receivable in excess of 180 days
- Maximum investment to any single asset class sub-category	25% of gross assets	The Company has invested 16.8% of gross assets in the commercial real estate loans sub-category
- Maximum investment to loans originated by any single lending platform	25% of gross assets	The Company has invested 24.0% of gross assets in the Direct Lending Platform which issues real estate loans
- Maximum investment to any Debt Instrument	2% of gross assets	No single Debt Instrument in which the Company has an interest exceeds 1.8% of gross assets

[11] 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

Indicator	Criteria	As of 31 Dec 2017
Investment restrictions continued		
- Maximum investment in 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 19.7% of gross assets allocated to the asset class sub-category that the relevant Debt Instrument forms part of
- Minimum investment in loans secured by assets or personal guarantee	65% of gross assets	80.1% of gross assets are 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	83.5% of the portfolio is secured by assets or personal guarantee

Employees, Social, Human Rights and Environmental Issues

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

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

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within its underlying investment portfolio. However the Company believes that high standards of corporate social responsibility and in carrying out its investment activities and in its relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly to 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.

GROUP STRATEGIC REPORT continued

Board Diversity
A description of the Company’s Board diversity is set out in the Directors’ Remuneration Report on page 39.

The Group Strategic Report was approved by the Board of Directors on 30 April 2018 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. In addition, the Disclosure Guidance and Transparency Rules require the Company to: (i) make a corporate governance statement in its annual report 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). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, 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, an internal audit function is not considered necessary. Details of the Company's outsourced principal service providers are detailed on page 14.

Shareholder information – The Company does not provide, although relevant information is disclosed on pages 14 and 25. 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://www.rangerdirectlending.uk/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 the 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 auditor 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 continuing appointment and terms of the Investment Management Agreement. The Chairman, Christopher Waldron, acts as Chairman of the Management Engagement Committee.

As mentioned in the Chairman's Statement, the Board of the Company is in search for a potential co-manager who could assist in and strengthen some or all aspects of the Manager's current role and responsibilities. This process has been delegated to the Management Engagement Committee.

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 Group 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, Link Company Matters Limited, which is responsible for ensuring that the Board and 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, the UKLA Listing Rules and Disclosure Guidance and Transparency Rules, are met. Further, the Company Secretary is responsible for advising the Board on all UK 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. Messrs Waldron, Mulford and Schneider are considered to be independent as defined by the AIC Code as, in the opinion of the Board, each is independent in character and judgement and there are no relationships or circumstances relating to the Company that are likely to affect their judgement.

During the year, 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 has more than thirty years' experience as an asset manager. He is Chairman of UK Mortgages Limited, which is also listed on the Main Market of the London Stock Exchange and Chairman of Crystal Amber Fund Limited, which is AIM traded. He is a director of JZ Capital Partners Limited, which trades on the Specialist Fund Segment of the London Stock Exchange, as well as a number of unlisted companies. He began his career with James Capel and subsequently held investment management positions with Bank of Bermuda, the Jardine Matheson Group and Fortis prior to joining the Edmond de Rothschild Group in Guernsey as Investment Director in 1999. He was appointed Managing Director of the Edmond de Rothschild companies in Guernsey in 2008, a position he held until 2013, when he stepped down to concentrate on non-executive work and investment consultancy. He is a member of the States of Guernsey's Investment and Bond Management Sub-Committee and a Fellow of the Chartered Institute for Securities and Investment. Mr Waldron has no other significant commitments for the purposes of the AIC 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 (EMBA) 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 credit special situations hedge fund. He is the Executive Chairman of Capital Step a UK based mid-market lender. 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 Jumo, a pan African consumer finance business, Iwoca.com an SME lender (of which he is chairman) and Mode, an emerging market airtime credit provider. Mr Schneider has held numerous previous directorships, including serving on the boards 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.

Directors' interests

As at 31 December 2017, Mr Waldron's share interest in the Company, is in the form of 3,500 Ordinary Shares, representing 0.02% in the voting rights of the Company. The remaining Directors do not have any interests in the Company's Ordinary Shares. Mr Canon indirectly owns 630 shares, as a limited partner of Ranger Capital Company, representing 0.03% in the voting rights of the Company.

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 re-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, a total of nine years, 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. However, in line with good practice the Board has decided that all Directors will stand for re-election on an annual basis thereafter. As such, Christopher Waldron, Jonathan Schneider and Matthew Mulford will retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment.

Mr Canon, being connected to the Investment Manager, must submit himself for annual re-election.

The Board believes that the performance of the Directors continues to be effective, that they demonstrate commitment to their roles and that they have a range of business, financial and investment skills and experience relevant to the direction and control of the Company. Further details about the Board evaluation process can be found below. The Board, having considered the retiring Directors' performance within the annual Board performance evaluation, hereby recommends that Shareholders vote in favour of the proposed re-appointments.

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 Year

The Board met regularly during the year with additional meetings and teleconferences arranged as necessary. During the year to 31 December 2017, the number of Board and Committee meetings attended by each Director is detailed below.

	Number of Meetings			
Directors	*Board*	*Audit*	*Management Engagement*	*Remuneration and Nomination*
Christopher Waldron	4/4	2/2	1/1	1/1
K Scott Canon	4/4	N/A	N/A	N/A
Jonathan Schneider	4/4	2/2	1/1	1/1
Dr Matthew Mulford	4/4	2/2	1/1	1/1

Additional meetings were held during the year in respect of strategic planning, investment portfolio reviews and dividend declarations.

Board's Performance Evaluation

The Directors are aware of the need to continually observe and improve performance and recognise this can be achieved through regular Board evaluation, which provides a valuable feedback system for improving Board effectiveness. In addition to regular discussions during Board meetings, a formal internal performance evaluation of the Board, its Committees and the Chairman was carried out during the year. A comprehensive questionnaire specifically designed to assess the strengths and independence of the Board, the Chairman and individual directors, as well as the performance of the Committees was completed in November 2017.

The results were reviewed by the Remuneration and Nomination Committee in November 2017 and it was concluded that the Board and its Committees have an appropriate balance of skills and experience to enable it to provide effective leadership and proper governance of the Company and to continue to function effectively. The Chairman's and Directors' other commitments are such that all Directors are capable of devoting sufficient time to the Company.

The Investment Manager shall offer induction training to new Directors about the Company, its key service providers, Directors' duties and obligations and other matters as may be relevant from time to time.

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. 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. Further details on principal risks and internal control can be found in the Group Strategic Report on pages 14 to 25.

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 or loss.

The Management Engagement Committee carries out regular reviews of the performance of the Investment Manager as well as the other external service providers appointed by the Company as described on page 14.

On behalf of the Board

Christopher Waldron
Chairman

30 April 2018

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. The Committee is made up solely of the independent non-executive directors, who have relevant experience across the sector. 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 the changes to the UK Corporate Governance Code and the EU legislation relating to appointment of auditors, restrictions on the non-audit services provided by external auditors and the fees they receive. The Company has agreed a revised policy for non-audit services, which has been updated as required in line with statutory and 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 against KPIs 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. The Investment Manager and external service providers have sufficient whistleblowing procedures and no compliance and regulatory findings, or any breaches reported in the Board meetings during the year.

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 meets with the external auditor without the presence of any member of the investment management team. A formal review of the auditors by the Committee was undertaken during the year, further details of which can be found on page 34.

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 year were as follows:

- **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**

  In 2015, the Group invested in a Delaware fund, Princeton, 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 2017 is considered significant representing 14% (2016: 19%) of the Group's net assets.

  Management receives monthly statements of fund performance from Princeton. The fair value of the investment is based on the account value as reported in the statement of fund performance, less a provision for potential defaults of USD 9,768,017 (2016: USD 137,750).

  The Audit Committee has been informed by the Investment Manager that neither the Investment Manager nor the Company's independent auditor have sufficient supporting evidence for the carrying value of the Princeton Investment. As a result, the Company's auditor will issue a qualified audit opinion for the reasons set forth in the auditor's report. The Audit Committee will revisit the fair value estimation at least semi-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 quarterly management accounts as the basis for the interim dividend during the year. The Audit Committee also reviewed the management accounts for the quarter ended 31 December 2017 as the basis for the interim dividend declared in March 2018. 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 adviser. The Audit Committee accordingly gained substantive evidence of the appropriateness of the interim dividend and calculation for future distributions.

In 2015, the Audit Committee Report included Consideration of Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) which is not included in this report. There has been no change on the Group's investment strategy, objectives and accounting policies which would affect the conclusion reached therefore is no longer a primary area of judgement in relation to the Annual Report and consolidated financial statements.

AUDIT COMMITTEE REPORT continued

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.

The Audit Committee has met with the audit team and has assessed Deloitte LLP's performance from appointment in April 2015 to date. The lead audit engagement partner is Garrath Marshall, who has been the lead partner since Deloitte LLP's appointment. The Audit Committee received a report and supporting presentation from Deloitte LLP on its audit of the consolidated financial statements for the year. 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. Therefore an audit tender will be undertaken no later than April 2025.

Deloitte LLP presented the detailed audit plan to the Audit Committee on 9 November 2017 and had a couple of concluding discussions and papers closer to the completion of the audit. 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 pages 51 and 52), 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 year. 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 re-appointed as Auditor 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: taxation services not directly relevant to the audit, bookkeeping, payroll administration services, management functions, executive recruiting and human resource services, broker-dealer services, expert services unrelated to their audit function, including legal, internal control, valuation 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 30 April 2018.

On behalf of the Board

Christopher Waldron
Chairman and member of the Audit Committee

DIRECTORS' REMUNERATION REPORT

Statement from the Chairman of the Remuneration and Nomination Committee

This Directors' Remuneration Report for the year ended 31 December 2017 has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("Schedule 8"). In addition to the Remuneration and Nomination Committee Chairman's Annual Statement, this Report also comprises the Annual Report on Remuneration.

In principle, the Annual Report on Remuneration explains the payments made to the Directors during the year. The Annual Report on Remuneration, including this Annual Statement, is subject to an advisory vote at the Company's AGM. An ordinary resolution for this vote 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 year under review, the Remuneration and Nomination Committee have met once to undertake the following:

- a review of the Remuneration policy as outlined in the Prospectus at IPO and agreed that no changes would be made to the Directors' remuneration;
- a review of Market Remuneration Trends for Investment Trusts;
- the approval of Directors' Expenses policy;
- a review of the Board's composition to ensure it has an appropriate balance of skills, diversity, experience, knowledge and independence;
- a review the succession planning needs of the Company; and
- a review of the Board evaluation results.

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. No Director has a service contract with the Company, nor are any such contracts proposed. 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. However, as outlined in the Corporate Governance Report, in line with good practice the Board has decided that all Directors will stand for re-election on an annual basis. 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 are not entitled to any compensation and shall only be entitled to such fees as may have been accrued to the date of termination. If the Board considers it appropriate to appoint a new Director, the new Director's remuneration will comply with the remuneration policy in force at the date of their appointment.

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 accordance with the requirements of Schedule 8, an ordinary resolution to approve the Directors' remuneration policy was approved at the Company's AGM on 24 May 2016 and will remain in force until the AGM of the Company in 2019, at which time a further resolution will be proposed. The policy seeks 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 approved policy is available for inspection by Shareholders in the Company's Annual Report for the year ended 31 December 2015, a copy of which can be found on the Company's website at http://www.rangerdirectlending.uk/.

DIRECTORS' REMUNERATION REPORT continued

Directors' remuneration and Share interests (audited)

The total remuneration of the Directors for the year was as follows:

2017	*Non-Executive Directors' Fee*	*Non-Executive Directors' Fee*	*Total Remuneration Amount*	*Total Remuneration Amount*
Director	*(GBP)*	*(USD)*	*(GBP)*	*(USD)*
Christopher Waldron	29,969	38,976	29,969	38,976
Dr Matthew Mulford	24,969	32,477	24,969	32,477
Jonathan Schneider	27,220	35,402	27,220	35,402
K Scott Canon	-	-	-	-
Total	**82,158**	**106,855**	**82,158**	**106,855**

2016	*Non-Executive Directors' Fee*	*Non-Executive Directors' Fee*	*Total Remuneration Amount*	*Total Remuneration Amount*
Director	*(GBP)*	*(USD)*	*(GBP)*	*(USD)*
Christopher Waldron	19,632	26,421	19,632	26,421
Dr Matthew Mulford	15,757	20,927	15,757	20,927
Jonathan Schneider	17,747	23,568	17,747	23,568
K Scott Canon	–	–	–	–
Total	**53,136**	**70,916**	**53,136**	**70,916**

Mr Canon, as a Non-Independent Director has agreed to waive any entitlement to an annual fee in respect of his Directorship. Mr Canon, through his services provided to the Investment Manager, received a reimbursement from the Company in relation to the C Share due diligence in 2016. Total amount reimbursed to Mr Canon as at 31st December 2017 was USD nil (2016: USD 19,652).

Statement of implementation of Remuneration Policy in respect of the financial year ended 31 December 2017 and financial year ending 31 December 2018

31 December 2017

During the financial year ended 31 December 2017, all matters relating to the Directors' remuneration have been decided in accordance with the prospectus of the Company published in relation to its IPO. In 2016, the Directors (other than Scott Canon who has waived his entitlement to an annual fee) were entitled to be paid a fee of GBP 18,750 per annum (GBP 23,750 for the Chairman and GBP 21,250 for the chair of the Audit Committee). Following the Company's third equity fundraising (the issuance of C Shares on 16 December 2016), the Directors were entitled to an increased fee, as outlined in the Company's IPO prospectus, of GBP 25,000 per annum (GBP 30,000 for the Chairman and GBP 27,250 for the chair of the Audit Committee) commencing from March 2017. No additional fees are payable to the Directors of the Company.

31 December 2018

The Remuneration and Nomination Committee will review Directors' fees during the financial year and does not expect to recommend any change.

DIRECTORS' REMUNERATION REPORT continued

Shareholder voting at the AGM on Remuneration

At the 2016 AGM, a resolution was proposed by the Company to approve the Directors' Remuneration Policy for the year ended 31 December 2015. At the 2017 AGM an advisory resolution was proposed by the Company to approve the Directors' Remuneration Report for the year ended 31 December 2016. The votes cast by proxy at the 2016 and 2017 AGMs were as follows:

	Number of votes for	Number of votes against	Votes Withheld
Approval of the Remuneration Policy 2016 AGM	9,711,211 (100%)	0	205
Approval of the Remuneration Report 2017 AGM	10,260,458 (99.41%)	60,991 (0.59%)	100

This Remuneration Report will be subject to an advisory Shareholder vote at the AGM to be held on 19 June 2018.

Directors' Remuneration and Share Interests (audited)

Directors are not eligible for bonuses, share options or long-term incentive schemes or other performance-related or taxable 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 the year.

Mr Waldron has an interest in the Company in the form of 3,500 Ordinary Shares, representing 0.03% interest in the total voting rights as shown in the table below. Mr Canon indirectly owns 630 shares in the Company as a limited partner of Ranger Capital Company, which in turn is a limited partner of the Investment Manager who owns 4,500 Ordinary Shares as at 31 December 2017. 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.

The interests of the Directors in the shares of the Company, as at 31 December 2017 and 2016 are as follows:

31 December 2017

Director	*Nature of Interest*	*Number of Ordinary Shares of GBP 0.01 each*	*Number of C Shares of GBP 0.10 each*
Christopher Waldron	Beneficial	3,500	-
Dr Matthew Mulford	-	-	-
Jonathan Schneider	-	-	-
K Scott Canon	Indirect	630	-

31 December 2016

Director	*Nature of Interest*	*Number of Ordinary Shares of GBP 0.01 each*	*Number of C Shares of GBP 0.10 each*
Christopher Waldron	Beneficial	500	*583*
Dr Matthew Mulford	-	-	-
Jonathan Schneider	-	-	-
K Scott Canon	-	-	-

DIRECTORS' REMUNERATION REPORT continued

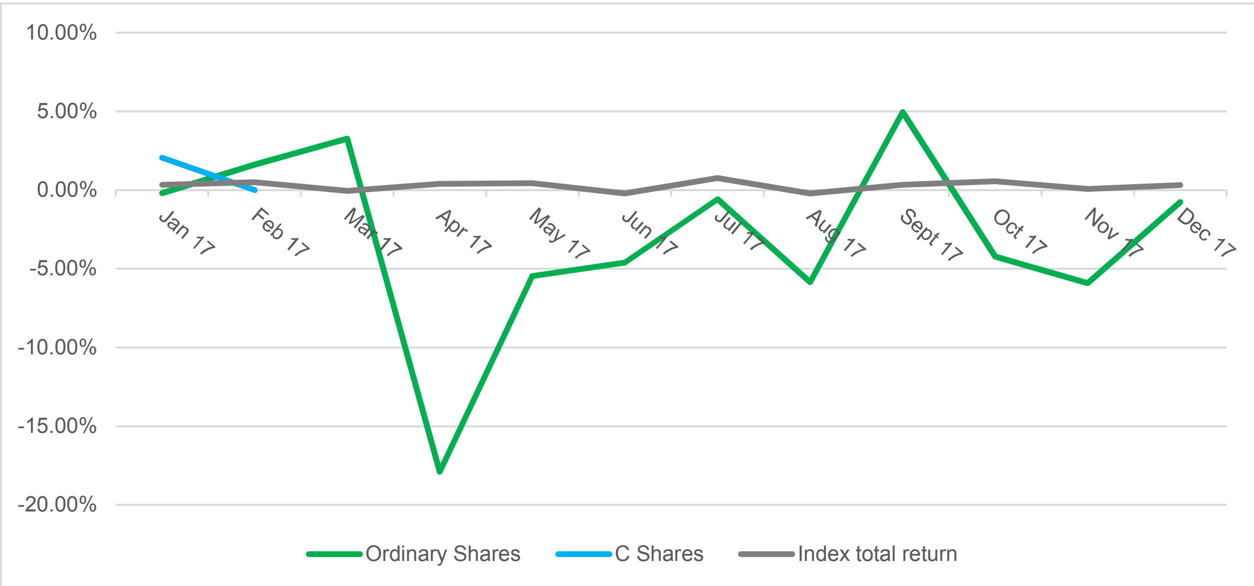
Directors' Remuneration and Share interests (audited) – (continued)

During the year 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 and its Directors are all non-executives. During the year, 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 are 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 from exceeding GBP 250,000 per annum. No changes have been made, or are proposed, to the Remuneration Policy which was approved by Shareholders in May 2016 and will remain in force until 2019.

Performance

The following graph compares the Company's Ordinary Shares and C Shares total returns 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:

	1 Jan 2017 to 31 Dec 2017 (GBP)	***1 Jan 2017 to 31 Dec 2017 (USD)***	*1 Jan 2016 to 31 Dec 2016 (GBP)*	*1 Jan 2016 to 31 Dec 2016 (USD)*
Total Directors' remuneration	**82,158**	**106,855**	53,136	70,916
Total dividends in respect of the year	**17,169,281**	**20,555,314**	13,316,134	17,796,167

DIRECTORS' REMUNERATION REPORT continued

Board Diversity

At the end of the financial year, the Company had four 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. The Committee and the Board are committed to diversity at Board level and are supportive of increased gender diversity but recognise that it may not always be in the best interest of Shareholders to prioritise this above other factors. The policy of the Committee is to consider appointments to the Board of Directors in the context of the requirements of the business, its need to have a balanced and effective Board and succession planning. Gender and diversity are considered by the Committee and are taken into account when evaluating the skills, knowledge and experience desirable to fill each vacancy, but all appointments to the Board are made on merit. The Committee has not set any measurable objectives in respect of this policy.

The Directors' Remuneration Report was approved by the Board of Directors on 30 April 2018.

On behalf of the Board

Christopher Waldron
Chairman, and member of Remuneration and Nomination Committee

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements for the year ended 31 December 2017. The Corporate Governance Report section of this Annual Report set out on pages 26 to 31 also forms part of this report by reference.

Business review

During the year under review the Company invested in Debt Instruments and funds, primarily connected with direct lending. The Group Strategic Report on pages 14 to 25 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 87 to 88 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 the Trust and the ZDPco. See note 6 for further details.

The Group's total comprehensive loss for the year ended 31 December 2017 amounted to USD 6,614,025 (31 December 2016: USD 12,414,520 income).

The Directors approved total dividends to Ordinary Shareholders of USD 20,555,314 during the year (31 December 2016: USD 17,796,167).

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 18 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 year and their biographies is shown in the Corporate Governance Report on pages 26 to 31. Details of Directors' shareholdings in the Company can also be found in the Corporate Governance Report on page 29 and Directors' Remuneration Report on page 37.

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 year, 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 the CEO of Ranger Capital Company.

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.

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 27.

A summary of the principal terms of the Investment Management Agreement between the Company and the Investment Manager is disclosed in note 17 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 year amounted to USD 3,054,733 (31 December 2016: USD 2,521,735) and the performance fee for the year amounted to USD 13,763 (31 December 2016: USD 1,387,481).

As at 31 December 2017, the Investment Manager holds 4,500 Ordinary Shares representing 0.03% interest in voting rights (31 December 2016: nil).

Capital Structure

As at 31 December 2016, the Company had 14,848,650 Ordinary Shares of GBP 0.01 each and 1,611,041 C Shares of GBP 0.10 each in issue. On 6 April 2017, the C Shares were converted into 1,274,281 Ordinary Shares and accordingly, the Company's current share capital consists of 16,122,931 Ordinary Shares only. Further details are shown in note 10 to the consolidated financial statements.

The Ordinary Shares rank pari passu in all respects. The new Ordinary Shares arising on conversion of the C Shares rank pari passu with the Ordinary Shares then in issue.

DIRECTORS' REPORT continued

Capital Structure continued

The Shareholders granted the Directors the following authorities at the AGM of the Company held on 15 June 2017 until the forthcoming AGM of the Company:

- authority to allot equity securities up to an aggregate nominal value of GBP 16,123, being approximately 10% of the Company's issued share capital (further details of which can be found in note 10), on a non-pre-emptive basis; and
- authority to make market purchases of up to 2,416,827 Ordinary Shares, representing 14.99% of the Company's issued share capital. 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 GBP 10 pence per share on a non-pre-emptive basis, such authority is expected to expire at the fourth AGM of the Company.

The above authorities in respect of the allotment and buyback of ordinary shares will expire at the 2018 AGM at which authority to renew them will be sought. The Directors' authority to allot C shares however, will not expire until the end of the Company's fourth AGM in 2018. Proposals for the renewal of the authorities which will expire at the 2018 AGM will be set out in the Notice of AGM. 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.

Three Shareholders were given management fee rebates during the year (2016: three Shareholders). 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 for either share class.

DIRECTORS' REPORT continued

Substantial shareholdings

In 2017, the Company had been informed of the following notifiable interests of 3% or more in the Company's voting rights in accordance with Disclosure Guidance and Transparency Rule 5.1.2:

Shareholder	*Number of Ordinary Shares*	*Percentage holding*
Invesco Limited	4,460,397	27.66
LIM Asia Special Situations Master Fund Limited	1,483,000	9.20
Bank of Montreal	1,006,662	6.24
Aviva plc and its subsidiaries	801,059	4.97
Oaktree Capital Management	800,000	4.96
City Financial Investment Company Ltd	787,885	4.89
Artemis Investment Management LLP	666,881	4.14

The following changes have been notified to the Company between 31 December 2017 and the date of this report:

Shareholder	*Number of Ordinary Shares*	*Percentage holding*
Oaktree Capital Group Holdings GP, LLC (3 April 2018)	2,992,000 (indirect)	18.56%

The Bank of Montreal and Aviva plc and its subsidiaries reduced their shareholdings below the 3% threshold on 3 April and 23 February 2018 respectively.

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 intends to pay dividends on a quarterly basis with dividends declared in February, May, August and November and paid in April, June, September and December in each year. The Company paid its interim dividend in April 2018 in respect of the period to 31 December 2017. Accordingly, the Directors do not intend to recommend the payment of an annual dividend at this time but as it did in 2017, 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 AGM.

For the year ended 31 December 2017, the Company declared dividends of 91.83% (2016: 105.33%) of its earned distributable income.

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 6th Floor, 65 Gresham Street, London, England, EC2V 7NQ and the Group has not established any branches outside the UK.

Related party transactions

Details of related party transactions are given in note 16 to the consolidated financial statements.

Political donation

No political or charitable donations were made during the year (31 December 2016: none).

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 35 in the Directors' Remuneration Report
Details of any pre-emptive issues of equity not for cash	Not applicable
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 17 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 declared dividend for the year ended 31 December 2017 in the amount of GBP 24.14 pence per Ordinary Share on 1 March 2018 as disclosed in note 25 to the consolidated financial statements.

Arbitration proceedings with Princeton and its General Partner began on 20 November 2017. The arbitration proceedings initially took place between 20 November 2017 and 30 November 2017 but were continued to a four-day period from 18 January 2018 in order to accommodate proposed testimony. The testimony is now substantially complete, and the remaining witness testimony is estimated by the Company to require an additional two-day hearing period. These additional days had been scheduled and were expected to conclude by 9 March 2018. Following conclusion of the testimony, the parties would submit post hearing briefings and then the arbitration panel will have up to 30 days to make a determination in respect of its ruling.

As noted in the Company's announcement on 12 March 2018, Princeton and its General Partner filed voluntary chapter 11 bankruptcy petitions on 9 March 2018 in the United Stated Bankruptcy Court for the District of New Jersey. These filings had the effect of staying this first phase of the arbitration as against Princeton and its General Partner and also stopping the ruling on the segregation order being delivered.

DIRECTORS' REPORT continued

Post balance sheet events

Through its legal representatives, the Company has been actively participating in the bankruptcy cases with a particular focus on (to the extent possible in the circumstances) seeking to protect its capital invested.

The bankruptcy court has now ruled that most of the pending counts in the arbitration proceedings, which were substantially completed at the time Princeton and the General Partner filed for bankruptcy, may be completed. After the arbitration proceedings are completed, the Company has a number of legal options, including seeking further relief from the Bankruptcy Court While the actual dates for the continued arbitration proceeding have not yet been set, the Company will seek the earliest dates available to resume the arbitration proceedings once the Bankruptcy Court has issued its written orders on these matters.

Once the arbitration panel has delivered its findings, the Company will continue to seek relief in the Bankruptcy Court, including its pending request before the court for the appointment of an independent trustee to assume management and control of Princeton (including giving effect to the information and redemption notices previously served).

As previously reported, the arbitration process includes a second phase consisting of claims against various individuals and entities (including MicroBilt Corporation) who, as specified in the claims, are alleged to have controlled the Princeton funds, and to have acted improperly in connection with its activities, or improperly benefitted from Princeton's misconduct. Although the bankruptcy filing may stay some of the claims in the second phase, the Company intends to proceed with the second phase claims against the individuals and entities that are not subject to the bankruptcy stay. These claims continue to be conducted by the Company's attorneys on a contingency basis.

Auditor

Deloitte LLP were engaged to audit the Company's financial statements and at the AGM in May 2017 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; and

(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.

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 19 June 2018 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 30 April 2018.

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 Group strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties.

This responsibility statement was approved by the Board of Directors on 30 April 2018 and is signed on behalf of the Board.

Christopher Waldron
Chairman

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

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report:

- **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's and the parent company's loss for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements 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.**

We have audited the financial statements of Ranger Direct Lending Fund plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated and parent company statements of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 25.

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 parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for qualified opinion

As described in note 3, the directors have been unable to provide us with sufficient appropriate audit evidence in relation to the investment in Princeton recorded at a value of USD 29.6 million. We were unable to obtain sufficient appropriate audit evidence regarding this investment by using other audit procedures. The audit report was qualified in the prior year in respect of this matter. Princeton filed for bankruptcy in the USA in March 2018, with ongoing arbitration proceedings not yet finalised. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Loan impairment ('loan loss provisions');* • *Valuation of investment in the Princeton fund (see the Basis for qualified opinion section above); and* • *Material estimates impacting on revenue recognition.*

	Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used in the current year was USD 2.1 million (2016: USD 2.5 million) which was determined on the basis of 1% of net assets.
Scoping	We performed a full scope audit on 2 (2016: 2) components as identified in the prior year. Together, this accounts for 100% (2016: 100%) of the Group's revenue and 100% (2016: 100%) of the Group's loss before tax.
Significant changes in our approach	Our identification of key risks was revised: - *We refined our key risk related to revenue recognition from overall effective interest rate recognition to focus on factoring income recognition*.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed 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 and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

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

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 18 -21 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 18 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; or
- the directors' explanation on page 21 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for qualified opinion section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Loan impairment ('allowance for loan losses')

Key audit matter description	The allowance for loan losses amounted to USD 4.3 million as at 31 December 2017, against loans held at amortised cost of USD 251.0m at the same date. Refer to note 2 to the financial statements for information on loan loss provisioning which management and we consider to be a key source of estimation uncertainty. There is a significant risk of material misstatement that the allowance for loan losses calculation is inappropriate and not in accordance with IAS 39. There is also a risk that the inputs and estimates used by management for the calculation are inaccurate, causing heightened risk of material misstatement of the allowance for loan losses recorded. The key judgements used by management in calculating the default allowance provision include default rates, historical data such as repayment and credit history; and discount rates. We also considered the risk of fraudulent management bias in determining these estimates.
How the scope of our audit responded to the key audit matter	Our procedures included: **Assessing related controls:** We performed detailed walkthroughs of the loan and loan loss provisioning processes, assessing the design and implementation of key controls. **Tests of detail:** We challenged management's estimations used in the calculation of the impairment provision by comparing the inputs to underlying supporting documentation. We focused on the nature of certain non-material misstatements that we identified during the previous audit, being non-compliance with IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") around the basis of the impairment loss calculation, and whether similar misstatements existed to a material level. We obtained and tested the analysis of impairment losses under IAS 39. We compared the historical repayment profile for a sample of loans against the legal agreements to test that the repayments had been made in line with the terms of the agreement, and if not, whether the changes in payment profile had been properly factored into the loan loss provision calculated by management.
Key observations	Based on our audit procedures performed, the valuation of the loans are not materially misstated.

Factoring income revenue recognition

Key audit matter description	We have identified a significant risk of material misstatement around the accuracy of the calculation of factoring income on loans using the Effective Interest Rate. This balance is recorded through "other income". As the calculations are performed by management using manual spreadsheets and incorporating estimated settlement dates, there exists a significant risk of manipulation or error within these spreadsheets. The accounting policy for Loans and Receivables which

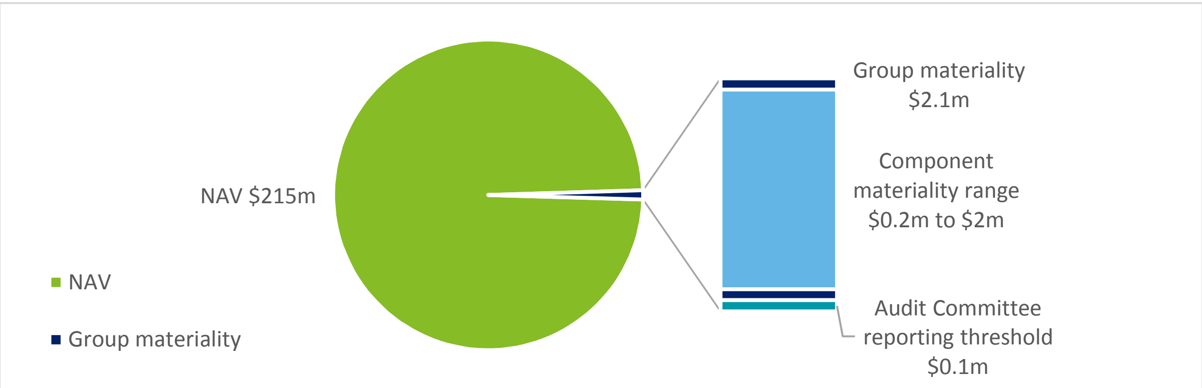
	generate other income is disclosed in note 2.
How the scope of our audit responded to the key audit matter	**Assessing related controls:** We performed detailed walkthroughs of the loan and EIR processes on the platforms earning factoring income, assessing the design and implementation of key controls. **Tests of detail:** We recalculated the factoring income for a sample of loan transactions and compared this to the recorded factoring income. We challenged any management estimates used in the calculation of the factoring income rate by comparing the inputs to underlying supporting documentation.
Key observations	Based on our audit procedures performed, the accuracy of the factoring income is not materially misstated.

Our application of materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	USD 2,157,000 (2016: USD 2,500,000)	USD 2,135,430 (2016: USD 2,375,000)
Basis for determining materiality	1% of net asset value (NAV)	1% of net assets, capped at 99% of group materiality
Rationale for the benchmark applied	Group and parent company financial statements: As the investment objective of the Group is primarily to achieve an annualised net return from investments, we consider the net assets of the Group to be a key performance indicator for shareholders. Partner judgement was applied in the determination of an appropriate percentage.	



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of USD 107k (2016: USD 125k) for the group and $106k (2016: $108) for the parent company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

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

1. Ranger Direct Lending Fund Plc, which includes financial information relating to Ranger Direct Lending Trust; and

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

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Statement pursuant to section 837(4) of the Companies Act 2006

Respective responsibilities of directors and the auditor

In addition to their responsibilities described above, the directors are also responsible for considering whether the group, subsequent to the balance sheet date, has sufficient distributable profits to make a distribution at the time the distribution is made.

Our responsibility is to report whether, in our opinion, the subject matter of our qualification of our auditor's report on the group financial statements for the year ended 31 December 2016 is material for determining, by reference to those financial statements, whether distributions proposed by the company are permitted under section 830, section 831 and section 832 of the Companies Act 2006. We are not required to form an opinion on whether the company has sufficient distributable reserves to make the distribution proposed at the time the distribution is made.

Opinion on proposed distributions

In our opinion the subject matter of the above qualification is not material for determining by reference to these financial statements whether any distributions of not more than USD 40,000,000 in aggregate as may be proposed by the company (being an amount with sufficient headroom for the Company to pay dividends over the next 12 months) are permitted under section 830, section 831 and section 832 of the Companies Act 2006.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors in April 2015 to audit the financial statements for the period ending 9 April 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 financial periods covering the periods ending 9 April 2015 to 31 December 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Garrath Marshall, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 April 2018

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	*2017*	*2016*	*2017*	*2016*
ASSETS		*Group*		*Company*	
Non-current assets		*(USD)*		*(USD)*	
Financial assets at fair value through profit or loss	3	**29,621,483**	46,647,239	**300,000**	-
Loans held at amortised cost	4	**250,993,296**	240,015,255	**50,793,341**	35,757,090
Deferred tax asset	12	**80,669**	-	**80,669**	-
Investment in subsidiaries	6	**-**	-	**195,780,355**	195,780,355
Total non–current assets		**280,695,448**	286,662,494	**246,954,365**	231,537,445
Current assets					
Derivative assets	13	**1,110,329**	531,528	**1,110,329**	531,528
Amounts owed by subsidiary undertakings	16	**-**	-	**44,712,526**	65,710,219
Advances to/funds receivable from direct lending platforms	5	**3,782,916**	1,000,563	**-**	-
Prepayments and other receivables		**192,635**	958,452	**101,488**	134,345
Cash and cash equivalents	15	**9,699,799**	24,820,380	**1,304,277**	15,407,630
Total current assets		**14,785,679**	**27,310,923**	**47,228,620**	**81,783,722**
TOTAL ASSETS		**295,481,127**	**313,973,417**	**294,182,985**	**313,321,167**
Non-current liabilities					
Zero dividend preference shares	9	**76,222,019**	66,096,829	**-**	-
Amounts due to subsidiary undertaking	16	**-**	-	**73,835,016**	66,049,907
Total non-current liabilities		**76,222,019**	**66,096,829**	**73,835,016**	**66,049,907**
Current liabilities					
Accrued expenses and other liabilities	8	**2,619,586**	3,700,070	**1,335,155**	3,061,492
Income tax liability		**290,496**	54,328	**-**	-
Derivative liabilities	13	**545,126**	1,103,319	**545,126**	1,103,319
Total current liabilities		**3,455,208**	**4,857,717**	**1,880,281**	**4,164,811**
TOTAL LIABILITIES		**79,677,227**	**70,954,546**	**75,715,297**	**70,214,718**
NET ASSETS		**215,803,900**	**243,018,871**	**218,467,688**	**243,106,449**
SHAREHOLDERS' EQUITY					
Capital and reserves					
Share capital	10	**427,300**	427,300	**427,300**	427,300
Share premium account	10	**40,346,947**	40,346,947	**40,346,947**	40,346,947
Other reserves	10	**204,225,570**	204,225,570	**204,225,570**	204,225,570
Revenue reserves		**4,484,858**	5,077,791	**8,647,515**	6,583,320
Realised capital profits		**(30,035,108)**	(6,682,162)	**(36,982,537)**	(6,952,782)
Unrealised capital losses		**(3,480,486)**	(388,953)	**1,802,893**	(1,523,906)
Foreign currency translation reserves		**(165,181)**	12,378	**-**	-
TOTAL SHAREHOLDERS' EQUITY		**215,803,900**	**243,018,871**	**218,467,688**	**243,106,449**
NAV per Ordinary Share		**13.38**	15.05	**13.55**	15.06
NAV per C Share		**-**	12.09	**-**	12.09

The accompanying notes on pages 62 to 86 are an integral part of these financial statements.

The financial statements for the year ended 31 December 2017 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 30 April 2018.

Signed on behalf of the Board of Directors:

Christopher Waldron
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	1 Jan to 31 Dec 17			1 Jan to 31 Dec 16		
		Revenue	Capital	Total	Revenue	Capital	Total
Income		(USD)	(USD)	(USD)	(USD)	(USD)	(USD)
Investment income		26,511,977	-	**26,511,977**	21,872,269	-	**21,872,269**
Gain on revaluation of derivative contracts		-	2,184,162	**2,184,162**	-	-	**-**
Net gain on financial assets at fair value through profit or loss	3	-	-	**-**	-	125,672	**125,672**
Foreign exchange gain		-	-	**-**	-	281,679	**281,679**
Other income		8,213,322	-	**8,213,322**	4,911,063	-	**4,911,063**
Bank interest income		115	-	**115**	1,832	-	**1,832**
		34,725,414	**2,184,162**	**36,909,576**	**26,785,164**	**407,351**	**27,192,515**
Operating expenditure							
Net loss on financial assets at fair value through profit or loss	3	-	12,558,687	**12,558,687**	-	-	-
Foreign exchange loss		-	2,591,408	**2,591,408**	-	-	-
Investment Manager Performance Fees	16,17	(1,822)	15,585	**13,763**	1,387,481	-	**1,387,481**
Investment Management Fees	16,17	3,054,733	-	**3,054,733**	2,521,735	-	**2,521,735**
Service and premium fees		2,964,697	-	**2,964,697**	2,413,701	-	**2,413,701**
Provision for / (Reversal of) default	7	-	3,073,240	**3,073,240**	-	(36,801)	**(36,801)**
Loans written off	4, 7	-	10,730,543	**10,730,543**	-	5,089,881	**5,089,881**
Company secretarial, administration and registrar fees		494,475	-	**494,475**	427,685	-	**427,685**
Finance costs		3,604,530	-	**3,604,530**	1,057,092	-	**1,057,092**
Loss on revaluation of derivative contracts		-	-	**-**	-	707,433	**707,433**
Other expenses		4,107,794	-	**4,107,794**	1,167,838	-	**1,167,838**
		14,224,407	28,969,463	**43,193,870**	8,975,532	5,760,513	**14,736,045**
Profit/(loss) before tax		**20,501,007**	**(26,785,301)**	**(6,284,294)**	**17,809,632**	**(5,353,162)**	**12,456,470**
Taxation	12	**(571,923)**	**419,751**	**(152,172)**	**(316,328)**	**262,000**	**(54,328)**
Profit/(loss) after tax		**19,929,084**	**(26,365,550)**	**(6,436,466)**	**17,493,304**	**(5,091,162)**	**12,402,142**
Basic Earnings Per Ordinary Share - USD	14	1.25	(1.66)	**(0.40)**	1.18	(0.34)	**0.84**
Basic Earnings Per Ordinary Share - GBP	14	0.93	(1.23)	**(0.30)**	0.95	(0.28)	**0.68**
Diluted Earnings Per Ordinary Share - USD	14	1.24	(1.64)	**(0.40)**	1.18	(0.34)	**0.84**
Diluted Earnings Per Ordinary Share - GBP	14	0.91	(1.21)	**(0.30)**	0.95	(0.28)	**0.68**
Basic and Diluted Loss Per C Share - USD	14	-	-	**-**	(0.05)	-	**(0.05)**
Basic and Diluted Loss Per C Share - GBP	14	-	-	**-**	(0.04)	-	**(0.04)**
Profit/(loss) for the year		**19,929,084**	**(26,365,550)**	**(6,436,466)**	**17,493,304**	**(5,091,162)**	**12,402,142**
Other comprehensive income: items that may be reclassified subsequently to profit and loss: Exchange differences on translation of net assets of subsidiary		-	-	(177,559)	-	-	12,378
Total comprehensive (loss)/ income for the year/period		**19,929,084**	**(26,365,550)**	**(6,614,025)**	**17,493,304**	**(5,091,162)**	**12,414,520**

The accompanying notes on pages 62 to 86 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 the guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations.

COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	*1 Jan to 31 Dec 17*			*1 Jan to 31 Dec 16*		
		Revenue	*Capital*	*Total*	*Revenue*	*Capital*	*Total*
Income		*(USD)*	*(USD)*	*(USD)*	*(USD)*	*(USD)*	*(USD)*
Investment income		4,988,423	-	**4,988,423**	2,601,451	-	**2,601,451**
Foreign exchange gain		-	-	**-**	-	299,649	**299,649**
Gain on revaluation of derivative contracts		-	2,184,162	**2,184,162**	-	-	**-**
Dividend and other income		75	**-**	**75**	1,412	**-**	**1,412**
Bank interest income		39	**-**	**39**	42	**-**	**42**
		4,988,537	**2,184,162**	**7,172,699**	**2,602,905**	**299,649**	**2,902,554**
Operating expenditure							
Investment Manager Performance Fees	16,17	(1,822)	15,585	**13,763**	1,387,481	-	**1,387,481**
Investment Management Fees	16,17	3,054,733	-	**3,054,733**	2,521,735	-	**2,521,735**
Foreign exchange loss		-	2,624,171	**2,624,171**	-	-	**-**
Service and premium fees		105,036	-	**105,036**	39,135	-	**39,135**
Provision for default		**-**	155,552	**155,552**	-	68,572	**68,572**
Company secretarial, administration and registrar fees		389,478	-	**389,478**	361,320	-	**361,320**
Impairment loss on investment in subsidiaries		**-**	225,717	**225,717**	-	747,901	**747,901**
Finance costs		1,393,469	-	**1,393,469**	400,609	-	**400,609**
Loss on revaluation of derivative contracts		-	-	**-**	-	707,433	**707,433**
Other expenses		1,071,800	-	**1,071,800**	664,263	-	**664,263**
		6,012,694	**3,021,025**	**9,033,719**	**5,374,543**	**1,523,906**	**6,898,449**
Operating loss		**(1,024,157)**	**(836,863)**	**(1,861,020)**	**(2,771,638)**	**(1,224,257)**	**(3,995,895)**
Income from shares in group undertaking		23,903,821	(26,206,917)	**(2,303,096)**	21,508,379	(5,010,386)	**16,497,993**
Profit before tax		**22,879,664**	**(27,043,780)**	**(4,164,116)**	**18,736,741**	**(6,234,643)**	**12,502,098**
Taxation		**(339,084)**	**419,753**	**80,669**	**262,000**	**(262,000)**	**-**
Profit after tax and total comprehensive income for the year		**22,540,580**	**(26,624,027)**	**(4,083,447)**	**18,998,741**	**(6,496,643)**	**12,502,098**
Basic Earnings Per Ordinary Share - USD	14	1.42	(1.67)	**(0.26)**	1.28	(0.44)	**0.84**
Basic Earnings Per Ordinary Share - GBP	14	1.05	(1.24)	**(0.19)**	1.04	(0.35)	**0.68**
Diluted Earnings Per Ordinary Share - USD	14	1.40	(1.65)	**(0.25)**	1.28	(0.44)	**0.84**
Diluted Earnings Per Ordinary Share - GBP	14	1.03	(1.22)	**(0.19)**	1.04	(0.35)	**0.68**
Basic and Diluted Loss Per C Share - USD	14	-	-	**-**	(0.05)	-	**(0.05)**
Basic and Diluted Loss Per C Share - GBP	14	-	-	**-**	(0.04)	-	**(0.04)**

The accompanying notes on pages 62 to 86 are an integral part of these financial statements.

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

Other comprehensive income

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 2017

	Notes	*Share Capital*	*Share Premium*	*Other Reserves*	*Realised Capital Profits*	*Unrealised Capital Profits/ (Losses)*	*Revenue Reserves*	*Foreign currency translation reserves*	*Total*
Balance at 1 January 2016		228,201	20,989,992	204,225,570	2,573,965	(883,440)	1,710,176	-	**228,844,464**
Issue of C Shares - net	10	199,099	19,356,955	-	-	-	-	-	**19,556,054**
Dividends	11	-	-	-	(3,670,478)	-	(14,125,689)	-	**(17,796,167)**
Reclassification of capital losses		-	-	-	(883,440)	883,440	-	-	**-**
Profit for the year		-	-	-	(4,702,209)	(388,953)	17,493,304		**12,402,142**
Other comprehensive income for the year		-	-	-	-	-	-	12,378	**12,378**
Balance at 31 December 2016		**427,300**	**40,346,947**	**204,225,570**	**(6,682,162)**	**(388,953)**	**5,077,791**	**12,378**	**243,018,871**
Balance at 1 January 2017		427,300	40,346,947	204,225,570	(6,682,162)	(388,953)	5,077,791	12,378	**243,018,871**
Dividends	11	-	-	-	(78,929)	-	(20,476,385)	-	**(20,555,314)**
Reclassification of capital losses		-	-	-	(388,953)	388,953	-	-	**-**
Tax relating to capital contribution		-	-	-	-	-	(45,632)	-	**(45,632)**
Profit for the year		-	-	-	(22,885,064)	(3,480,486)	19,929,084	-	**(6,436,466)**
Other comprehensive income for the year		-	-	-	-	-	-	(177,559)	**(177,559)**
Balance at 31 December 2017		**427,300**	**40,346,947**	**204,225,570**	**(30,035,108)**	**(3,480,486)**	**4,484,858**	**(165,181)**	**215,803,900**

The accompanying notes on pages 62 to 86 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	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 1 January 2016		228,201	20,989,992	204,225,570	2,573,965	(883,532)	1,710,268	**228,844,464**
Issue of C Shares - net	10	199,099	19,356,955	-	-	-	-	**19,556,054**
Dividends	11	-	-	-	(3,670,478)	-	(14,125,689)	**(17,796,167)**
Reclassification of capital losses		-	-	-	(883,532)	883,532	-	**-**
Total comprehensive income for the year		-	-	-	(4,972,737)	(1,523,906)	18,998,741	**12,502,098**
Balance at 31 December 2016		**427,300**	**40,346,947**	**204,225,570**	**(6,952,782)**	**(1,523,906)**	**6,583,320**	**243,106,449**
Balance at 1 January 2017		427,300	40,346,947	204,225,570	(6,952,782)	(1,523,906)	6,583,320	**243,106,449**
Dividends	11	-	-	-	(78,929)	-	(20,476,385)	**(20,555,314)**
Reclassification of capital losses		-	-	-	(1,523,906)	1,523,906	-	**-**
Total comprehensive income for the year		-	-	-	(28,426,920)	1,802,893	22,540,580	**(4,083,447)**
Balance at 31 December 2017		**427,300**	**40,346,947**	**204,225,570**	**(36,982,537)**	**1,802,893**	**8,647,515**	**218,467,689**

The accompanying notes on pages 62 to 86 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 2017

	Notes	*1 Jan to 31 Dec 2017 (USD)*	*1 Jan to 31 Dec 2016 (USD)*
(Loss)/Profit for the year		**(6,436,466)**	12,402,142
Adjustments for:			
Dividend income		**-**	-
Provision for income tax expense		**152,172**	54,328
Tax paid		**(58,163)**	-
Benefit for deferred taxes	12	**(80,669)**	-
Net loss/(gain) on financial assets at fair value through profit or loss	3	**12,558,687**	(125,672)
Investment income		**(26,511,977)**	(21,872,269)
Interest expense on ZDP Shares	9	**3,486,353**	1,024,920
Amortisation of transaction fees – net		**253,554**	73,823
Amortisation of issue costs		**118,177**	32,172
Foreign exchange loss		**2,610,088**	2,469,237
(Gain) / loss on revaluation of derivative financial instruments		**(2,184,162)**	707,433
Loans written off	4,7	**10,730,543**	5,089,881
Provision for/(reversal of) default		**3,638,263**	(5,126,682)
Operating cash flows before movements in working capital		**(1,723,599)**	(5,270,687)
Decrease / (increase) in other current assets and prepaid expenses		**765,817**	(847,710)
(Decrease) / increase in accrued expenses and other liabilities		**(1,080,483)**	728,820
(Increase)/decrease in funds receivable from direct lending platforms – net		**(2,782,353)**	2,082,546
Net cash flows used in operating activities		**(4,820,619)**	(3,307,031)
Investing activities			
Acquisition of financial assets at fair value through profit or loss	3	**(300,000)**	(3,000,000)
Acquisition of loans	4	**(220,006,567)**	(259,863,807)
Principal repayments	4	**199,083,681**	150,024,854
Proceeds from partial redemption of financial assets at fair value through profit or loss	3	**4,767,069**	9,201,900
Investment income received		**24,780,203**	20,582,579
Net settlement on derivative positions		**1,047,170**	(135,642)
Dividend income received		**-**	-
Net cash flows used in investing activities		**9,371,556**	(83,190,116)
Financing activities			
Proceeds on issue of Ordinary Shares	10	**-**	-
Proceeds on issue of C Shares	10	**-**	19,556,054
Proceeds on issue of ZDP Shares	9	**-**	65,070,704
Dividends paid	11	**(20,555,314)**	(17,796,167)
Net cash flows (used in)/from financing activities		**(20,555,314)**	66,830,591
Net change in cash and cash equivalents		**(16,004,377)**	(19,666,556)
Effect of foreign exchange		**883,796**	(838,998)
Cash and cash equivalents at the beginning of the year		**24,820,380**	45,325,934
Cash and cash equivalents at the end of the year	15	**9,699,799**	24,820,380

The accompanying notes on pages 62 to 86 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 2017

	Notes	1 Jan to 31 Dec 2017 (USD)	1 Jan to 31 Dec 2016 (USD)
(Loss)/profit for the year		**(4,083,447)**	12,502,098
Adjustments for:			
Dividend income/income from shares in group undertaking		**2,303,096**	(16,497,993)
Investment income		**(4,988,423)**	(2,601,451)
Foreign exchange gain		**2,396,785**	(205,937)
Impairment loss on investment in subsidiaries	6	**225,717**	747,901
Benefit for deferred taxes	12	**(80,669)**	
Interest expense on loan with subsidiary undertaking	9	**1,393,469**	400,609
(Gain) / loss on revaluation of derivative contracts		**(2,184,162)**	707,433
Provision for default	4,7	**155,552**	68,572
Reversal of origination fees		**-**	332
Operating cash flows before movements in working capital		**(4,862,082)**	(4,878,436)
Decrease/(increase) in other current assets and prepaid expenses, excluding receivable from issuance of management shares		**32,857**	(24,827)
Increase in amounts owed by subsidiary undertaking		**(13,227,729)**	(65,734,646)
(Decrease)/increase in accrued expenses and other liabilities		**(1,726,337)**	525,708
Net cash flows used in operating activities		**(19,783,291)**	(70,112,201)
Investing activities			
Acquisition of loans	4	**(16,473,130)**	(39,053,284)
Acquisition of financial assets at fair value through profit or loss	3	**(300,000)**	-
Principal repayments	4	**5,280,919**	2,592,569
Investments in subsidiary undertaking	6	**(225,717)**	(747,901)
Investment income received		**4,099,890**	2,137,980
Dividend income received		**31,922,326**	24,288,509
Net settlement on derivative positions		**1,047,168**	(135,642)
Net cash flows from/(used in) investing activities		**25,351,456**	(10,917,769)
Financing activities			
Proceeds on issue of shares	10	**-**	19,556,054
Intercompany loan from subsidiary undertaking	16	**-**	68,368,674
Dividends paid	11	**(20,555,314)**	(17,796,167)
Net cash flows (used in)/from financing activities		**(20,555,314)**	70,128,561
Net change in cash and cash equivalents		**(14,987,149)**	(10,901,409)
Effect of foreign exchange		**883,796**	(838,998)
Cash and cash equivalents at the beginning of the year		**15,407,630**	27,148,037
Cash and cash equivalents at the end of the year	15	**1,304,277**	15,407,630

The accompanying notes on pages 62 to 86 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting and preparation

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

Basis of measurement and consolidation

The financial statements have been prepared on a historical cost basis as modified for the revaluation of certain financial assets. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Trust and ZDPco 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 21.

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

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

New Accounting Requirements endorsed for use in the EU

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

The Group is required to adopt IFRS 9 from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 will have on its consolidated financial statements. This is based on available information to date and is summarised below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES continued

New Accounting Requirements endorsed for use in the EU continued

Given the methodology the Company has applied in the past when interpreting IAS 39, the preliminary calculations in implementing the new IFRS 9 standards show that any impact of the new standard will be immaterial for the Company.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i – Classification – Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for loans held at amortised cost and investments in equity securities that are managed on a fair value basis.

ii – Impairment - Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12 month ECL: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES continued

New Accounting Requirements endorsed for use in the EU continued

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

The Group believes that impairment losses are likely to become more volatile for assets in the scope of the IFRS 9 impairment model. Based on the impairment methodology described below, the Group has estimated the application of IFRS 9's impairment requirements at 1 January 2018 results in reduction of impairment losses in loans held at amortised cost of USD 9,263 and a corresponding adjustment to equity with an increase in unrealized capital losses by USD 7,480.

Under IFRS 9, the Group has to classify all financial instruments in scope for impairment into 3 Stages – stage 1, stage 2 or 3, depending on the change in credit quality since initial recognition.

Investments in equity instruments and financial assets at FVTPL are out of scope of the impairment requirement.

Stage 1

This includes loans where there is no significant increase in credit risk since initial recognition or loans that have low credit risk on reporting date. For loans in stage 1, interest is accrued on the gross carrying amount of the loans and a 12-month expected credit loss ("ECL") is factored in the profit and loss ("P&L") calculations.

Stage 2

This consists of loans with significant increase in credit risk since initial recognition but not credit impaired. Interest for loans in stage 2 is accrued on the gross carrying amount, however, a lifetime ECL is factored into the profit and loss calculations.

Stage 3

Includes loans which demonstrate evidence of impairment on the reporting date. Interest is accrued on the net carrying amount of the loans and a lifetime ECL is factored into the profit and loss calculations.

For the Group's loan investments, the assessment is performed on a collective basis per platform as the underlying loans have shared risk characteristics however individual assessment may be performed depending on the magnitude and available information from the platform providers.

For short-term receivables and cash and cash equivalents, the ECL model is not likely to result in a material change of the balance due to their short-term nature therefore the Group will apply the simplified approach for contracts that have a maturity of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES continued

New Accounting Requirements endorsed for use in the EU continued

iii – Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in the OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

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.

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 and in note 4.

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

The determination of fair values based on available market data requires significant judgement by the Group. See note 3 for the fair value estimation.

Functional and presentation currency

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

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

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES continued

Loans and receivables – continued

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

Impairment

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

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

Financial assets held at fair value through profit or loss

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

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

Financial liabilities at amortised cost – Zero Dividend Preference Shares

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

Derivative financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES continued

Taxation

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

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

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

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

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

Investment and other income

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

Dividend income

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

Dividends payable

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

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

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 (including finance costs)

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 associated with financial assets at fair value through profit or loss, which are allocated into capital and revenue in accordance with SORP, all other expenses are charged through revenue.

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial asset at fair value through profit or loss represents its investment in Princeton and in Crowdnetic.

	31 Dec 17	*31 Dec 16*	*31 Dec 17*	*31 Dec 16*
	(Group)	*(Group)*	*(Company)*	*(Company)*
	USD	*USD*	*USD*	*USD*
Opening fair value	**46,647,239**	52,723,467	**-**	-
Purchases	**300,000**	3,000,000	**300,000**	-
Redemptions	**(4,767,069)**	(9,201,900)	**-**	-
Net gain/(loss)				
- net gain allocation	**4,424,451**	8,982,284	**-**	-
- Argon impairment allocation	**(16,983,138)**	(8,856,612)	**-**	-
Closing balance	**29,621,483**	46,647,239	**300,000**	-

Fair value estimation

Princeton

The Group's investment in Princeton is valued on the basis of Statement of Fund Performance received on a monthly basis from Princeton, less a provision for potential defaults of USD 9,768,017 (2016: USD 137,750).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Fair value estimation – continued

Princeton – continued

In previous accounting period, the fair value as at the reporting date was checked for reasonableness by comparing the amount against Princeton's discounted projected future cash flows. Following Argon's bankruptcy as announced by the Company on 22 December 2016, the Investment Manager made various inquiries in respect of the basis on which Princeton's reserve against the Argon portfolio has been made. These inquiries included meetings with Princeton's management, auditor, legal counsel and the Group's auditor. As the Investment Manager has not been provided enough data to make its own determination of the value of this asset, the Investment Manager, as a practical expedient, is relying upon the NAV provided by Princeton as at 31 December 2017, without any adjustment.

In June 2017, the Company announced that, among other claims, it is seeking to enforce redemption and provision of financial information rights against Princeton via the arbitration proceedings. As noted in the Company's announcement on 12 March 2018, Princeton and its General Partner filed voluntary chapter 11 bankruptcy petitions on 9 March 2018 in the United Stated Bankruptcy Court for the District of New Jersey. The Company is therefore seeking to obtain discovery from Princeton, pursuant to the bankruptcy process, relating to the valuation and value of Princeton's assets. It is also, through its legal representatives, actively participating in the bankruptcy cases with a particular focus on, to the extent possible in the circumstances, seeking to protect its capital invested.

The bankruptcy petitions have the effect of staying this first phase of the arbitration as against Princeton and its general partner. As previously reported, the arbitration process includes a second phase consisting of claims against various individuals and entities (including MicroBilt Corporation) who, as specified in the claims, are alleged to have controlled the Princeton funds, and to have acted improperly in connection with its activities, or improperly benefitted from misconduct. Although the bankruptcy filing may stay some of the claims in the second phase, the Company intends to proceed with the second phase claims against the individuals and entities that are not subject to the bankruptcy stay. These claims continue to be conducted by the Company's attorneys on a contingency basis.

FinMkt, Inc. (formerly Crowdnetic Corporation) ("Crowdnetic")

The Group's investment in Crowdnetic, a Cayman SPV, is valued based on the 2nd equity financing in October 2017. The Group held 600,000 fully diluted Series A preferred shares at a price of USD 0.50 per share.

4. LOANS HELD AT AMORTISED COST

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*	*31 Dec 17 (Company) USD*	*31 Dec 16 (Company) USD*
Opening balance	**240,015,255**	130,572,462	**35,757,090**	576,248
Purchases	**220,006,567**	259,863,807	**16,473,130**	39,053,284
Principal repayments	**(199,083,681)**	(150,024,854)	**(5,280,919)**	(2,592,569)
Amortisation of transaction fees	**(253,554)**	(73,823)	**-**	(332)
Accrued interest	**1,731,774**	1,289,690	**888,532**	463,471
Loans written-off	**(10,730,543)**	(5,089,881)	**-**	-
Effect of foreign exchange	**2,945,742**	(1,648,828)	**3,111,060**	(1,674,440)
	254,631,559	234,888,573	**50,948,893**	35,825,662
(Provision for) / utilisation of default allowance - net	**(3,638,263)**	5,126,682	**(155,552)**	(68,572)
Closing balance	**250,993,296**	240,015,255	**50,793,341**	35,757,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

4. LOANS HELD AT AMORTISED COST continued

The Group's loans are accounted for using the effective interest method. The carrying value of such instruments includes assumptions that are based on market conditions existing at each statement of financial position date. Such assumptions include application of default rate and identification of effective interest rate taking into account the credit standing of each borrower as assessed by each direct lending platform. At year end, the Directors estimate that the carrying value approximates the fair value.

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

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
Up to 3 months	**9,710,030**	13,660,557
3 to 6 months	**4,415,793**	7,938,810
Over 6 months	**18,485,476**	459,409
	32,611,299	22,058,776

The movement in the provision for allowance for loan losses is as follows:

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
Balance at the beginning of the year	**660,839**	683,455
Provision for the year	**14,368,806**	5,067,265
Amount written-off during the year	**(10,730,543)**	(5,089,881)
Balance at end of the year	**4,299,102**	660,839

5. ADVANCES TO/FUNDS RECEIVABLE FROM DIRECT LENDING PLATFORMS

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*	*31 Dec 17 (Company) USD*	*31 Dec 16 (Company) USD*
Other direct lending platforms	**3,782,916**	1,000,563	-	-
	3,782,916	1,000,563	-	-

6. INVESTMENT IN SUBSIDIARIES

	31 Dec 17 (Company) USD	*31 Dec 16 (Company) USD*
Investment in subsidiaries	**195,780,355**	195,780,355

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

6. INVESTMENT IN SUBSIDIARIES continued

In the Company's statement of comprehensive income, an impairment loss of USD 225,717 (2016: USD 747,901) was recognised relating to the Company's investment in ZDPco, in respect of expenses paid on behalf of ZDPco. The Company's investment in ZDPco was fully impaired due to ZDPco's Shareholder's deficit position as at reporting date.

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*	*31 Dec 17 (Company) USD*	*31 Dec 16 (Company) USD*
Provision for/(Reversal of) default	**3,073,240**	(36,801)	**155,552**	68,572
Loans written-off	**10,730,543**	5,089,881	**-**	-
Foreign exchange loss/(gain) – net	**2,591,408**	(281,679)	**-**	(299,649)
	16,395,191	4,771,401	**155,552**	(231,077)

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
Audit fees for annual financial statements:		
- RDLF	**129,880**	116,400
- ZDPco	**26,801**	27,148
Additional audit fees in respect of audit for the year ended 31 December 2016	**69,321**	-
Agreed-Upon procedure for C Share conversion	**6,196**	-
Non-audit fees related to corporate financial services charged to Share Premium	**-**	37,837
Non-audit fees related to corporate financial services included as issue costs in note 9	**-**	152,522
Fee for review of half-yearly financial reporting - RDLF	**18,887**	11,005
	251,083	344,912

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*	*31 Dec 17 (Company) USD*	*31 Dec 16 (Company) USD*
Performance fees payable – notes 16 and 17	**-**	1,387,481	**-**	1,387,481
Investment Management fees payable - notes 16 and 17	**853,887**	475,002	**853,887**	475,002
Withholding tax payable	**-**	922,994	**-**	922,994
Other payables	**1,765,699**	914,593	**481,268**	276,015
	2,619,586	3,700,070	**1,335,155**	3,061,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

9. ZERO DIVIDEND PREFERENCE SHARES

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
Opening balance	**66,096,829**	-
Issuance of ZDP Shares	**-**	66,395,370
Issue costs	**-**	(1,324,666)
Amortisation of issue costs during the year	**296,551**	57,819
Amortisation of premium during the year	**(178,374)**	(25,647)
Interest expense during the year	**3,486,353**	1,024,920
Effect of foreign exchange	**6,520,660**	(30,967)
Closing balance	**76,222,019**	66,096,829

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

The ZDP Shares do not carry the right to vote at general meetings of the Company, although they carry the right to vote as a class on certain proposals which would be likely to materially affect their position. Further ZDP Shares (or any shares or securities which rank in priority to or *pari passu* with the ZDP Shares) may be issued without the separate class approval of the ZDP Shareholders provided that the Directors determine that the ZDP Shares would have a Cover of not less than 2.75 times immediately following such issue. The Cover for ZDP Shares as at 31 December 2017 is 3.19 times (2016: 3.70 times).

10. SHARE CAPITAL AND SHARE PREMIUM

The table below shows the total issued share capital as at 31 December 2017 and 31 December 2016:

	Nominal value GBP	*Nominal value USD*	*Number of shares Number*
Ordinary Shares	309,591	427,300	16,122,931

Ordinary Shares

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

10. SHARE CAPITAL AND SHARE PREMIUM continued

C Shares

On 16 December 2016 the Company issued 1,611,041 C Shares pursuant to the Open Offer and Initial Placing at an issue price of GBP 10 per C Share each resulting in a share premium amount of USD 19,356,955 (GBP 15,666,299) net of direct issue costs. The Company's C Shares were subsequently converted into 274,281 Ordinary Shares on 6 April 2017, following full investment of the net proceeds of the issue of the C Shares in accordance with the Company's investment policy.

Rights attaching to the shares

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

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

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

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

Voting Rights

Subject to any rights or restrictions attached to any shares, on a show of hands every Shareholder present in person has one vote and every proxy present who has been duly appointed by a Shareholder entitled to vote has one vote, and on a poll every Shareholder (whether present in person or by proxy) has one vote for every share of which he is the holder. A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register.

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

Variation of Rights and Distribution on Winding Up

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

10. SHARE CAPITAL AND SHARE PREMIUM continued

Variation of Rights and Distribution on Winding Up

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

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

	Nominal value	*Nominal value*	*Number of shares*
	GBP	*USD*	*Number*
Ordinary Shares	309,591	427,300	16,122,931

	Shares in issue at the beginning of the year	*Shares converted*	*Shares in issue at the end of the year*
Ordinary Shares	14,848,650	1,274,281	**16,122,931**
C Shares	1,611,041	(1,611,041)	-

11. DIVIDENDS

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

	Per share	*1 Jan to 31 Dec 2017*	*1 Jan to 31 Dec 2016*
	pence	*USD*	*USD*
Ordinary Shares dividends declared and paid:			
Interim dividends in 2017 (in respect of 30 Sept 2017 results)	21.70	**4,586,363**	-
Interim dividends in 2017 (in respect of 30 Jun 2017 results)	24.62	**5,158,963**	-
Interim dividends in 2017 (in respect of 31 Mar 2017 results)	26.93	**5,534,376**	-
Interim dividends in 2017 (in respect of 31 Dec 2016 results)	28.51	**5,275,612**	-
Interim dividends in 2016 (in respect of 30 Sept 2016 results)	27.67	-	5,102,085
Interim dividends in 2016 (in respect of 30 Jun 2016 results)	26.87	-	5,210,318
Interim dividends in 2016 (in respect of 31 Mar 2016 results)	20.45	-	4,423,133
Interim dividends in 2016 (in respect of 31 Dec 2015 results)	14.62	-	3,060,631
Total dividends paid during the year		**20,555,314**	17,796,167

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends. The Company intends to pay dividends on a quarterly basis with dividends declared in February, May, August and November and paid in April, June, September and December in each year. On 1 March 2018, the Directors declared an interim dividend of 24.14 pence per share for the three month period ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

11. DIVIDENDS continued

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

12. TAXATION

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

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

	31 Dec 17 Revenue USD	*31 Dec 17 Capital USD*	**31 Dec 17 Total USD**
Corporation tax:			
Current year	652,592	(419,751)	**232,841**
Deferred tax	(80,669)	-	**(80,669)**
Tax expense	571,923	(419,751)	**152,172**

	31 Dec 16 Revenue USD	*31 Dec 16 Capital USD*	**31 Dec 16 Total USD**
Corporation tax:	*279,956*	*(225,628)*	**54,328**
Current year	36,372	(36,372)	**-**
Deferred tax	-	-	**-**
Tax expense	316,328	(262,000)	**54,328**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

12. TAXATION continued

The tax reconciliation is as follows:

Profit/(loss) before tax	20,501,007	(26,785,301)	**(6,284,294)**
Tax at the standard UK corporation tax rate of 19.25%	3,946,444	(5,156,170)	**(1,209,727)**
Effects of:			
– Non-deductible expenses	693,872	2,065,630	**2,759,501**
– Interest distributions	(3,984,582)	-	**(3,984,582)**
– Loss brought forward	(419,753)	-	**(419,753)**
– Marginal relief	419,753	(419,753)	**-**
– Foreign exchange difference on consolidation	(3,141)	-	**(3,141)**
– Non-taxable fair value adjustments	-	3,090,542	**3,090,542**
– Deferred tax credit	(80,669)	-	**(80,669)**
Tax expense	571,923	(419,751)	**152,172**
Deferred tax asset	80,669	-	**80,669**

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

As of 31 December 2017 the Company had recognised a deferred tax asset of USD 80,669 (2016: USD nil), based on a prospective corporation tax rate of 17%, in respect of losses of USD 474,526 (2016: USD nil) which are available to be carried forward against future taxable profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

13. DERIVATIVE FINANCIAL INSTRUMENTS

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
Derivative assets	**1,110,329**	531,528
Derivative liabilities	**(545,126)**	(1,103,319)
	565,203	(571,791)

	Notional Amount	*31 Dec 17 (Group) USD*	*31 Dec 16 (Group) USD*
Derivative assets/(liabilities)			-
Forward foreign currency contracts	10,283,485	**(157,109)**	(804,214)
Forward currency swap contracts	56,704,401	**722,312**	232,423
	66,987,886	**565,203**	(571,791)

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

14. BASIC AND DILUTED EARNINGS PER SHARE

The basic earnings per Ordinary Share is based on each of the profit after tax and on 15,910,551 Ordinary Shares, being the weighted average number of ordinary shares in issue through the year (31 December 2016: 14,848,650 Ordinary Shares and 1,611,041 C Shares).

The diluted earnings per Ordinary Share is based on each of the profit after tax and on 16,122,931 Ordinary Shares, being the weighted average number of ordinary shares in issue throughout the year and the potential Ordinary Shares i.e. C Shares that were converted to Ordinary Shares during the year (31 December 2016: 14,848,650 Ordinary Shares and 1,611,041 C Shares).

15. CASH AND CASH EQUIVALENTS

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

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*	*31 Dec 17 (Company) USD*	*31 Dec 16 (Company) USD*
Cash at bank	**9,632,179**	24,758,680	**1,236,657**	15,407,630
Cash equivalents	**67,620**	61,700	**67,620**	-
	9,699,799	24,820,380	**1,304,277**	15,407,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

16. RELATED PARTIES

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

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

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
Chairman	**38,976**	26,421
Other directors	**67,879**	44,495
	106,855	70,916

As at 31 December 2017, USD 27,809 (2016: USD 23,126) was accrued for directors' remuneration.

As at 31 December 2017 Mr Waldron has an interest in the Company, in the form of 3,500 Ordinary Shares representing 0.02% interest in the total voting rights (2016: 500 Ordinary Shares and 583 C Shares, representing 0.0066% interest in the total voting rights). Mr Canon indirectly owns 630 shares, as a limited partner of Ranger Capital Company, representing 0.03% in the voting rights of the Company. 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 2017 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 year amounted to USD 3,054,733 (31 December 2016: USD 2,521,735). As at 31 December 2017, the investment management fees payable were USD 853,887 (31 December 2016: USD 475,002). Further details are disclosed in note 17 below.

During the year, the Investment Manager received a reimbursement amount of USD 94,466 for expenses (31 December 2016: USD 93,400 comprising: issue costs on C Shares amounting to USD 11,457 and other expenses of USD 81,943). Performance fee for the year amounted to USD 13,763 (31 December 2016: USD 1,387,481). As at 31 December 2017, performance fee payable was USD nil (31 December 2016: USD 1,387,481).

As at 31 December 2017, the Investment Manager holds 4,500 Ordinary Shares representing 0.03% of the total interest in voting rights of the Company (31 December 2016: 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 at 31 December 2017, amounts owed by undertaking relating to the Trust's net income was USD 44,712,526 (2016: USD 65,710,219).

The Company incorporated the ZDPco on 23 June 2016 as a public limited company with limited life and granted an undertaking to (among other things) subscribe for such number of ordinary shares in the capital of ZDPco as may be necessary or to otherwise ensure that the ZDPco has sufficient assets to satisfy its obligations to the ZDP Shareholders and pay any operational costs incurred by the ZDPco. During the year, the Company paid ZDPCo's expenses amounting to USD 225,717 (2016: USD 673,851 representing ZDPCo's expenses and Share issue costs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

16. RELATED PARTIES continued

On 25 July 2016, the Company entered into a Loan Agreement with the ZDPCo. Pursuant to the Loan Agreement, the ZDPCo immediately following the admission of its ZDP Shares, on-lent the proceeds to the Company which the latter have applied towards making investments in accordance with its investment policy and working capital purposes. The amount payable to the ZDPCo which is eliminated upon consolidation is USD 73,835,016 (2016: USD 66,049,907).

17. FEES AND EXPENSES

Management fee

The management fee is payable monthly in arrears and is at the rate of 1/12 of 1.0% per month of NAV (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 NAV 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 NAV 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 YEAR ENDED 31 DECEMBER 2017

17. 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.

18. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

Currency risk	**Key controls and mitigating factors**
The risk that exchange rate volatility may have an adverse impact to the Company's financial position and result.	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. The Company has entered into derivative contracts to mitigate the effect of the currency risk (see note 13). The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
United States Dollars	**244,174,487**	270,826,561
Great British Pounds	**(56,629,319)**	(48,320,585)
Canadian Dollars	**12,153,250**	6,957,815
Australian Dollars	**16,105,482**	13,555,080
	215,803,900	243,018,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

18. FINANCIAL RISK MANAGEMENT continued

Currency risk continued

Sensitivity analysis

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
Great British Pounds	**(2,831,466)**	(2,416,029)
Canadian Dollars	**607,663**	347,891
Australian Dollars	**805,274**	677,754
Effect on Revenue return after taxation	**(1,418,529)**	(1,390,384)

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.	The Company finances its operations mainly from the issuance of Ordinary Shares and C Shares. There are no redemption rights for the Shareholders since the Company is closed-ended investment company. The ZDP Shares should have a minimum Cover[11] of 2.75 times. The Administrator and the Investment Manager calculate the Cover each calendar month. 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. The Group does not have any overdraft or other borrowing facilities.

Maturity of financial assets and liabilities

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

	31 Dec 17 Financial Assets USD	*31 Dec 17 Financial Liabilities USD*	*31 Dec 16 Financial Assets USD*	*31 Dec 16 Financial Liabilities USD*
Within one year	**14,785,679**	**3,455,208**	27,310,923	4,857,717
In more than one year but not more than five years	**280,695,448**	**76,222,019**	286,662,494	66,096,829
In more than five years	**-**	**-**	-	-
	295,481,127	**79,677,227**	313,973,417	70,954,546

[11] Cover represents a fraction where the numerator is equal to the NAV of the Group on a consolidated basis adjusted to: (i) add back any liability to ZDP Shareholders; and (ii) deduct the estimated liquidation costs of the ZDPco, and the denominator is equal to the amount which would be paid on the ZDP Shares as a class.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

18. 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.	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. 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.

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 17	*31 Dec 16*
	USD	*USD*
Effect on Revenue return	204,370	116,015

The above changes are considered by the Directors to be reasonable given the observation of prevailing market conditions in the period. The average effective interest income rate during the year is 13.3% (31 December 2016: 17.9%).

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.	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. 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.

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 17	*31 Dec 16*
	(Group)	*(Group)*
	USD	*USD*
Financial assets at fair value through profit or loss	**29,621,483**	46,647,239
Loan principal amount	**246,905,891**	237,694,949
Accrued interest	**4,087,405**	2,320,306
Derivative assets	**1,110,329**	531,528
Advances to/funds receivable from direct lending platforms	**3,782,916**	1,000,563
Prepayments and other receivables	**192,635**	958,452
Cash and cash equivalents	**9,699,799**	24,820,380
	295,400,458	313,973,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

18. FINANCIAL RISK MANAGEMENT continued

Credit and counterparty risk continued

The amounts presented in the Statement of Financial Position are net of default provision. Default provision is made where there is an identified loss event, based on previous experience, as evidence of a reduction in the recoverability of cash flows. The majority of the Group's cash and cash equivalents is with Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. As at 31 December 2017, Bank of America, N.A. has a long-term deposit credit rating of A+ (2016: A+) from Standard & Poor's and Merrill Lynch, Pierce, Fenner & Smith Incorporated has a long-term senior credit rating of A+ (2016: A+) from Standard & Poor's. Given this rating, the Directors do not expect this counterparty to fail to meet its obligations.

Fair value hierarchy

The fair values of the financial assets held at fair value through profit and loss was derived from the NAV of Princeton as at 31 December 2017 and price per share of Crowdnetic as at 31 October 2017. The fair values of the derivative financial instruments have been provided to the Directors by the counterparty, BNP Paribas S.A. and RBC Capital Markets., on whom the Directors rely as expert providers of such valuations.

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

The Directors based the fair value of the ZDP Shares disclosed below on the traded price of GBP 1.019 per share which was observed on the London Stock Exchange on 29 December 2017 (2016: GBP 1.045 per share which was observed on the London Stock Exchange on 29 December 2016) being the last observable traded price before period-end. The fair value for the ZDP Shares of GBP 54,007,000 or USD 73,039,067 (based on an exchange rate of 1.3524) is disclosed in this note for disclosure purposes only under IFRS 13.

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

18. FINANCIAL RISK MANAGEMENT continued

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 17	*Level 1 (USD)*	*Level 2 (USD)*	*Level 3 (USD)*	*Total (USD)*
Financial assets	**-**	**1,110,329**	**29,621,483**	**30,731,812**
Financial liabilities	**-**	**545,126**	**-**	**545,126**

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

There were no transfers between Levels during the year or in the prior period.

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

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

19. OTHER INCOME

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
Factor income	**7,203,352**	3,990,930
Fee income	**850,102**	866,227
Late fee income	**158,541**	53,906
Other income	**1,327**	-
	8,213,322	4,911,063

20. OTHER EXPENSES

	31 Dec 17 (Group) USD	*31 Dec 16 (Group) USD*
Legal fees	**3,043,960**	399,481
Audit fees	**271,828**	162,740
Amortisation of origination fee	**253,554**	73,823
Director fees	**121,827**	73,547
Regulatory fees	**35,400**	19,738
Other expenses	**381,225**	438,509
	4,107,794	1,167,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

21. OPERATING SEGMENTS

Geographical information

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

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

Revenues

The Group's revenues are currently generated from United States of America ("USA"), United Kingdom ("UK") and Canada. The total investment income generated from USA, UK and Canada amounted to USD 21,528,260, USD 3,606,532 and USD 1,377,185, respectively (2016: USA, UK and Canada amounted to USD 19,270,818, USD 2,152,851 and USD 448,599 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.

22. CAPITAL MANAGEMENT

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

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

Leverage

During 2016, the Company incorporated the ZDPco which issued ZDP Shares for trading on the London Stock Exchange's main market for listed securities. The proceeds from the issuance of the ZDP Shares were on-lent to the Company – by way of an intercompany loan agreement.

The Company's leverage limit under its Prospectus is 1.5. The Company has not breached this limit anytime during the year, 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.

23. COMMITMENTS

As at 31 December 2017, the Company had no outstanding commitments (2016: none).

24. ULTIMATE CONTROLLING PARTY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2017

25. SUBSEQUENT EVENTS

On 1 March 2018, the Directors proposed the payment of dividend on the ordinary shares of USD 33.61 cents (GBP 24.14 pence) per Ordinary Share at a total amount of USD 5,419,426. This dividend was paid in April 2018 and charged from revenue reserves.

As noted in the Company's announcement on 12 March 2018, Princeton and its General Partner each filed voluntary chapter 11 bankruptcy petitions on 9 March 2018 in the United Stated Bankruptcy Court for the District of New Jersey. The bankruptcy petitions had the effect of staying this first phase of the arbitration initiated by the Company against Princeton and its General Partner.

Through its legal representatives, the Company has been actively participating in the bankruptcy cases with a particular focus on, to the extent possible in the circumstances, seeking to protect its capital invested.

The bankruptcy court has now announced it ruling that most of the pending counts in the arbitration proceedings, which were substantially completed at the time Princeton and the General Partner filed for bankruptcy, may be completed. After the arbitration proceedings are completed, the Company has a number of legal options, including seeking further relief from the Bankruptcy Court While the actual dates for the continued arbitration proceeding have not be set, the Company will seek the earliest dates available to resume the arbitration proceedings after the Bankruptcy Court has issued its written orders on these matters.

The Company views this as a positive development and, once the arbitration panel has delivered its findings, will continue to seek relief in the bankruptcy court, including its pending request before the bankruptcy court for the appointment of an independent trustee to assume management and control of Princeton (including giving effect to the information and redemption notices previously served).

The arbitration process includes a second phase consisting of claims against various individuals and entities (including MicroBilt Corporation) who, as specified in the claims, are alleged to have controlled the Princeton funds, and to have acted improperly in connection with its activities, or improperly benefitted from Princetons misconduct. Although the bankruptcy filing may stay some of the claims in the second phase, the Company intends to proceed with the second phase claims against the individuals and entities that are not subject to the bankruptcy stay. These claims continue to be conducted by the Company's attorneys on a contingency basis.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURES (UNAUDITED)

Ranger Alternative Management II, L.P. was appointed as the Investment Manage following the Company's Admission. The appointment shall continue in force unless and until terminated by the Company or the Investment Manager giving to the other not less than 12 months' written notice, such notice not to be served before the fourth anniversary of Admission.

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 2017 and 31 December 2017, the proportion of the total remuneration paid or allocated by the Investment Manager to its staff attributable to the Company was USD 1,507,333 (2016: USD 2,746,048). Within this, the proportion of the fixed remuneration of the Investment Manager's staff attributable to the Company was USD 1,502,138 (2016: USD 1,859,189) and the proportion of the variable remuneration of the Investment Manager's staff attributable to the Company was USD 5,195) (2016: USD 886,859).

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 2,086,231 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 2,746,048. 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 2016 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

Directors
Christopher Waldron
Jonathan Schneider
Matthew Mulford
K. Scott Canon

Investment Manager
Ranger Alternative Management II, LP
2828 N. Harwood Street
Suite 1900
Dallas, Texas
United States
info@rangercap.com

Company Secretary
Link Company Matters Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Sponsor, Broker and Placing Agent – Ordinary Shares
Liberum Capital Limited
Level 12, Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY
United Kingdom

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

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

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

English and US Securities Law Legal Adviser
Travers Smith LLP
10 Snow Hill
London EC1A 2AL
United Kingdom

Registered Office
(with effect from 9 October 2017)
6th Floor
65 Gresham Street
London EC2V 7NQ
United Kingdom

Cash Custodian
Merrill Lynch, Pierce, Fenner & Smith
Incorporated