

## Directors' report

**The directors present their report together with the audited consolidated financial statements for the Period ended 31 December 2018.**

### Principal activities, review of business and other disclosure

Details of the Group's principal activities and a review of the business are included within the Strategic Report on pages 2 to 32.

### Directors

The following directors hold office as at the date of this report:

Randeesh Sandhu, appointed 10.04.18

Trevor DaCosta, appointed 10.04.18

Rabinder Takhar, appointed 30.04.18

William McKee, appointed 30.04.18

Andrew Baddeley, appointed 30.04.18

Nigel Greenaway, appointed 30.04.18

### Financial risk management

The Group is exposed to market risk (including interest rate risk and real estate market risk), credit risk and liquidity risk. The Group's Chief Risk Officer oversees the management of these risks with senior management, and the Board of directors has overall responsibility for the determination of the Group's risk management objectives and policies and it sets policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out in note 4 and the Principal Risks & Uncertainties section of the Strategic Report.

### Directors' indemnities

The Company has arranged qualifying third party indemnity for all of its directors.

### Directors' interests

The interests of directors who held office at 31 December 2018 are disclosed in the Remuneration Committee Report on pages 41 to 46.

### Dividends

On 21 January 2019, the Company paid a dividend of 0.83p to the holders of its Ordinary Shares. The directors recommend a final dividend of 1.67p.

### Share capital

As at 31 December 2018, the issued share capital of the Company was 165,000,000 Ordinary Shares (including 6,505,870 shares held in treasury).

### Purchase of own shares

On 14 November 2018, the Company purchased 6,505,870 of its Ordinary £0.01 Shares at 80 pence per share. All shares repurchased are held in treasury.

### Voting rights

The Company's Articles of Association provide that a resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

### Articles of Association

The Company's Articles of Association may only be amended by the unanimous approval of the Company's shareholders.

### Shareholders

A register of the Company's major shareholders can be found on the Company's website.

### Annual General Meeting

The AGM will be held at 10am on 2 May 2019 at the offices of MHPC, 6 Agar Street, London WC2N 4HN.

### Significant agreements

The Group has entered into one significant partnership agreement with KKR.

### Auditor

BDO LLP is in office as the Group's auditor.

### Disclosure of information to the Company's auditor

In accordance with the provisions of section 418 of the Companies Act 2006, the directors who held office at the date of this report each confirm that:

- so far as they are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- they have taken all steps required of a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

### Post-balance sheet events

The Group has no post-balance sheet events requiring disclosure.

### Going concern

Having considered the Group's funding position and financial projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

### Political donations

The Group and/or Company did not make any political donations during the period.

### Future developments

Future developments in the business of the Group are set out in the Strategic Report on pages 2 to 32.

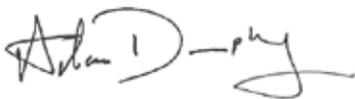
## Directors' report continued

### Directors' authority to buy back shares

The directors believe that the most effective means of minimising any discount to Net Asset Value which may arise on the Group's share price is to deliver strong, consistent performance from the Group's investment portfolio, in both absolute and relative terms. However, the Board recognises that wider market conditions and other considerations will affect the rating of the shares in the short term and the Board may seek to limit the level and volatility of any discount to Net Asset Value at which the shares may trade. The means by which this might be done could include the Group repurchasing shares. Therefore, subject to the requirements of the AIM Rules, the Companies Act 2006, the Articles of Association and other applicable legislation, the Group may purchase shares in the market in order to address any imbalance between the supply of and demand for shares or to enhance the Net Asset Value of shares. In deciding whether to make any such purchases, the directors will have regard to what they believe to be in the best interests of shareholders and in accordance with applicable legislation which requires the directors to be satisfied on reasonable grounds that the Group will, immediately after any such repurchase, satisfy a solvency test prescribed by the Companies Act 2006 and any other requirements in its Memorandum and Articles of Incorporation. The making and timing of any buybacks will be at the absolute discretion of the Board and not at the option of the shareholders. Any such repurchases would only be made through the market for cash at a discount to Net Asset Value. Annually, the Group passes a resolution granting the directors general authority to purchase in the market up to 14.99% of the shares in issue immediately following Admission at a price not exceeding the higher of (i) 5% above the average mid-market values of shares for the five business days before the purchase is made or (ii) the higher of the last independent trade or the highest current independent bid for shares. The directors intend to seek renewal of this authority from the shareholders at the Annual General Meeting.

Pursuant to this authority, and subject to the Companies Act 2006 and the discretion of the directors, the Group may purchase shares in the market on an on-going basis with a view to addressing any imbalance between the supply of and demand for shares. Shares purchased by the Group may be cancelled or held as treasury shares. The Company may borrow and/or realise investments in order to finance such share purchases.

By resolution of the Board



**LGL Secretaries Ltd**  
**Company Secretary**  
2 April 2019

The Annual General Meeting will be held at 10am on 2 May 2019 at the offices of MHPC, 6 Agar Street, London WC2N 4HN.