VPC Specialty Lending Investments PLC

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2018

VICTORY PARK CAPITAL

CONTENTS

Company Number 9385218

INTRODUCTION

INTRODUCTION TO THE COMPANY AND THE GROUP

VPC Specialty Lending Investments PLC (the "Company" or "VSL", Company No. 9385218) is a UK listed investment trust investing in opportunities in the specialty lending market through senior secured balance sheet facilities ("Portfolio Companies"). This includes investing in assets originated by Portfolio Companies as well as through floating rate senior secured credit facilities ("Credit Facilities"), equity or other instruments. Investing in VSL gives shareholders access to a diversified portfolio of high-growth financial technology companies, focused on the rapidly developing online lending sector.

The Company's investing activities have been delegated by the Directors to Victory Park Capital Advisors, LLC (the "Investment Manager" or "VPC"). VPC has great expertise in the sector and enables the Company to identify unique investment opportunities to add to the Portfolio. It has made investments and commitments across several financial services Portfolio Companies, spanning multiple geographies, products and structures, and is continuing to deploy capital into existing and new Portfolio Companies.

This annual report for the year to 31 December 2018 (the "Annual Report") includes the results of the Company (also referred to as the "Parent Company") and its consolidated subsidiaries (together the "Group"). The Company was admitted to the premium listing segment of the Official List of the UK Listing Authority (the "Official List") and to trading on the London Stock Exchange's main market for listed securities (the "Main Market") on 17 March 2015, raising £200 million by completing a placing and offer for subscription (the "Issue"). The Company raised a further £183 million via a C Share issue on 2 October 2015. The C Shares were converted into Ordinary Shares and were admitted to the Official List and to trading on the Main Market on 4 March 2016. The Company provides its investors access to an illiquid asset class and is committed to generating attractive risk-adjusted return through a diversified, liquid vehicle traded on the premium segment of the Main Market.

A summary of the principal terms of the Investment Manager's appointment can be found on page 42 and a statement relating to their continuing appointment can be found on pages 38 and 42. The investment policy can be found beginning on page 123 of this Annual Report. Founded in 2007 and headquartered in Chicago, VPC is an SEC-registered investment adviser that has been actively involved in the financial services marketplace since 2010.

INVESTMENT OBJECTIVES

The Company's investment objectives are to:

(i) generate an attractive total return for shareholders consisting of distributable income and capital growth through investments in specialty lending opportunities;

(ii) achieve portfolio diversification across Portfolio Companies, geographies, borrower types, credit quality, loan structures and investment models; and

(iii) enable our shareholders to benefit from equity upside through exposure to equity or equity-linked securities issued by Portfolio Companies.

The Company's Net Asset Value (the "NAV") as at 31 December 2018 was £327.7 million (cum income).

STRATEGIC REPORT

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Strategic Report comprises a review of the Company's performance for the year ended 31 December 2018, the Chairman's Statement, Investment Manager's Report and Strategy and Business Model, including principal risks and disclosures on environmental matters, human rights, employee, social and community issues.

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed in their duty to promote the success of the Company in accordance with section 172 of the Companies Act 2006 (the "Act") by:

- analysing development and performance using appropriate Key Performance Indicators ("KPIs");
- providing a fair and balanced review of the Company and Group's business;
- outlining the principal risks and uncertainties affecting the Company and the Group;
- describing how the Company manages these risks;
- setting out the Company's environmental, social and ethical policy;
- outlining the main trends and factors likely to affect the future development, performance and position of the Company's business; and
- the direction in which the Company and Group are heading.

PERFORMANCE

COMMENTARY

During the year ended 31 December 2018, the Company:

- generated a revenue return of 11.41% and a NAV return per share of 8.96% for the Ordinary Shares;
- increased quarterly dividends to 2.00 pence per Ordinary share for each quarter of 2018 from 1.80 pence per Ordinary Share for the quarter ending 31 December 2017, an 11% increase in the quarterly dividends;
- invested 85% of the Company's NAV as at 31 December 2018 in balance sheet investments compared to 79% as at 31 December 2017; and
- continued the share buyback programme, purchasing 10,077,064 shares during the year at an average price of 79.69 pence per share, accounting for 2.63% of the total issued shares of the Company.

STRATEGIC REPORT continued

CAPITAL STRUCTURE AND NET ASSET VALUE AS AT 31 DECEMBER 2018

	ORDINARY SHARES 31 DECEMBER 2018	ORDINARY SHARES 31 DECEMBER 2017
Total Net Assets attributable to equity shareholders of the Parent Company (on a consolidated basis)	£ 327,733,367	£ 339,401,017
Net Asset Value per share	91.01p	91.68p
Share price	76.80p	78.00p
Discount to Net Asset Value	–15.61%	–14.92%
Total Shareholder Return (based on share price)	8.46%	7.30%
Net return on ordinary activities after taxation	£ 28,952,340	£ 6,569,904
NAV (Cum Income) Return[1]	8.96%	3.07%
Revenue Return on ordinary activities after taxation	£ 37,044,878	£ 28,729,962
Revenue Return	11.41%	8.23%
Dividends per Ordinary Share[2]	8.00p	6.80p
Shares repurchased (in the period)	(10,077,064)	(10,927,718)

All of the terms and alternative performance measures above are defined on pages 126 and 127.

[1] Net of issue costs.

[2] Dividends declared and paid relating to 31 December 2018 include the dividend declared in February 2019 relating to the three-month period ended 31 December 2018. Dividends declared and paid relating to 31 December 2017 include the dividend declared in February 2018 relating to the three-month period ended 31 December 2017.

COMPANY PERFORMANCE

The inception to date total NAV return for the Company, as seen below, has been 16.94% of which income accounted for 28.79% while capital returns were –11.85%.

NAV (Cum Income) Return

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2015	–	–	–0.12%	–0.63%	0.33%	0.81%	0.77%	0.51%	0.63%	0.68%	0.69%	0.77%	5.80%	
2016	0.33%	0.41%	0.41%	0.37%	–0.62%	0.58%	0.60%	0.10%	0.16%	–1.25%	–0.28%	0.04%	0.85%	16.94%
2017	0.51%	0.31%	0.57%	0.06%	–0.68%	0.04%	0.51%	0.26%	0.42%	0.26%	0.55%	0.29%	3.07%	
2018	–0.17%[3]	0.49%	0.62%	0.95%	1.03%	1.38%	1.15%	1.01%	1.03%	0.51%	0.52%	0.46%	8.96%[3]	

Revenue Return

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2015	–	–	–0.10%	0.09%	0.29%	0.65%	0.74%	0.43%	0.72%	0.44%	0.62%	0.35%	4.31%	
2016	0.63%	0.47%	0.23%	0.36%	0.38%	0.27%	1.22%	0.42%	0.40%	0.78%	0.48%	0.49%	6.00%	28.79%
2017	0.48%	0.51%	0.56%	0.58%	0.62%	0.66%	0.76%	0.83%	0.75%	0.85%	0.82%	0.96%	8.23%	
2018	0.99%	0.81%	0.89%	0.86%	0.94%	0.99%	0.93%	0.93%	1.20%	1.41%	0.82%	0.56%	11.41%	

NAV (Ex Income) Return

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2015	–	–	–0.02%	0.54%	0.04%	0.16%	0.03%	0.08%	–0.09%	0.24%	0.07%	0.42%	1.49%	
2016	–0.30%	–0.06%	0.18%	0.01%	–1.00%	0.31%	–0.62%	–0.32%	–0.24%	–2.03%	–0.76%	–0.45%	–5.15%	–11.85%
2017	0.03%	–0.20%	0.01%	–0.52%	–1.30%	–0.62%	–0.25%	–0.57%	–0.33%	–0.59%	–0.27%	–0.67%	–5.17%	
2018	–1.16%[3]	–0.32%	–0.27%	0.09%	0.09%	0.39%	0.22%	0.08%	–0.17%	–0.90%	–0.30%	–0.10%	–2.45%[3]	

Share Price Performance

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2015	–	–	0.50%	0.25%	1.24%	0.00%	1.96%	–2.88%	1.98%	–4.37%	–2.54%	–1.56%	–5.50%	
2016	0.00%	–3.44%	–4.66%	5.46%	–5.45%	–3.17%	–4.76%	1.25%	–1.23%	–0.31%	–10.03%	9.76%	–16.67%	–23.20%
2017	–1.27%	–1.93%	–1.31%	6.64%	2.18%	0.91%	–2.72%	–1.86%	–1.27%	–0.64%	–3.55%	4.35%	–0.95%	
2018	3.85%	–3.70%	–0.51%	0.52%	0.26%	1.02%	5.05%	–4.33%	1.01%	–1.50%	–2.78%	0.00%	–1.54%	

Dividend Per Share

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2015	–	–	–	–	–	–	–	0.90p	–	–	1.89p	–	2.79p	
2016	2.00p	–	–	–	1.50p	–	–	1.50p	–	–	1.50p	–	6.50p	23.59p
2017	–	–	1.50p	–	–	1.50p	–	–	1.70p	–	1.80p	–	6.50p	
2018	–	–	1.80p	–	2.00p	–	–	2.00p	–	–	2.00p	–	7.80p	

All of the alternative performance measures above are defined on pages 126 and 127.

[3] This return excludes the effect of the initial recognition of IFRS 9 disclosed in the Company's Annual Report of 1.11% as at 31 December 2017 which is brought forward through capital as it impacts the inception to date returns.

STRATEGIC REPORT continued

TOP TEN POSITIONS

The table below provides a summary of the top ten positions of the Group, excluding equity exposure, as at 31 December 2018. The summary includes a look-through of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. to illustrate the exposure to underlying Portfolio Companies as it is a requirement of the investment policy (set out on pages 123 to 124) to consider the application of the restrictions in this policy on a look-through basis. All balance sheet investments are disclosed as loans at amortised cost in accordance with the International Financial Reporting Standards within the Statement of Financial Position.

During the year, the Company received full principal paydowns on four of the top ten positions from 2017 and subsequently reinvested the capital into both new and existing balance sheet investments as the Company continued the deliberate and significant shift to balance sheet assets throughout 2018.

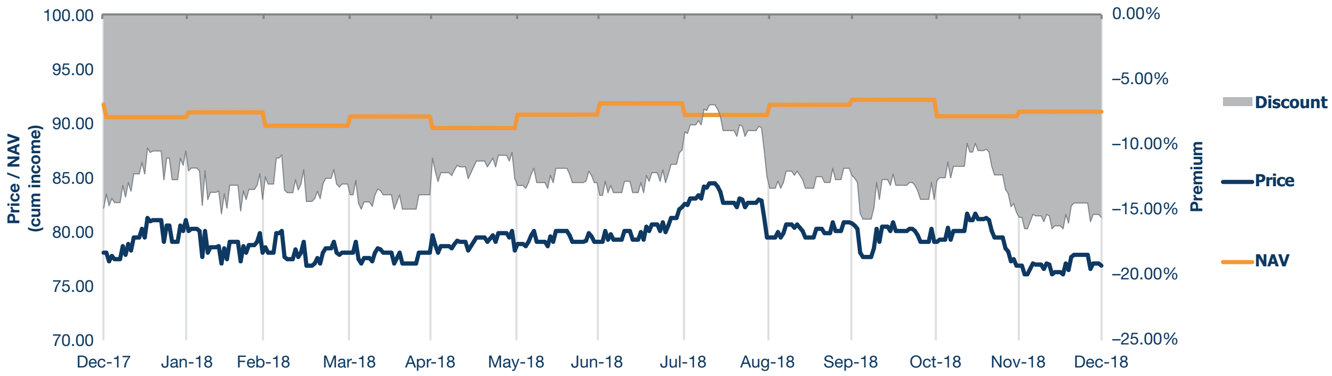
INVESTMENT	COUNTRY	INVESTMENT TYPE	% OF NAV
Elevate Credit, Inc.	United States	Balance Sheet	20.22%
Caribbean Financial Group	Caribbean	Balance Sheet	8.03%
LendUp, Inc.	United States	Balance Sheet	7.33%
Fundbox Ltd.	United States	Balance Sheet	7.24%
Applied Data Finance, LLC	United States	Balance Sheet	6.37%
Oakam Ltd.	United Kingdom	Balance Sheet	5.00%
Borro Ltd.	United Kingdom	Balance Sheet	4.95%
NCP Holdings, LP	United States	Balance Sheet	4.27%
Avant, Inc.	United States	Balance Sheet	3.73%
FastCash	Caribbean	Balance Sheet	3.01%

The table below provides a summary of the top ten positions of the Group, excluding equity exposure, as at 31 December 2017. The summary includes a look-through of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.

INVESTMENT	COUNTRY	INVESTMENT TYPE	% OF NAV
Elevate Credit, Inc.	United States	Balance Sheet	15.04%
Borro Ltd.	United Kingdom	Balance Sheet	8.38%
Applied Data Finance, LLC	United States	Balance Sheet	6.25%
Community Choice Financial, Inc.	United States	Balance Sheet	5.70%
iZettle Capital AB	Sweden	Balance Sheet	5.14%
Wheels Financial Group, LLC	United States	Balance Sheet	5.12%
Avant, Inc.	United States	Balance Sheet	4.30%
Oakam Ltd.	United Kingdom	Balance Sheet	4.18%
LendUp, Inc.	United States	Balance Sheet	4.06%
The Credit Junction, Inc.	United States	Balance Sheet	3.95%

ORDINARY SHARE PERFORMANCE

The Company's discount to its Ordinary Share NAV remained relatively consistent over the year with the discount increasing to 15.61% from 14.92%. The largest discount during the year was 16.49% while the smallest discount was 6.96%. The graph below illustrates the movement between the trading price of the Ordinary Shares and the announced NAV adjusted for dividends declared.



STRATEGIC REPORT continued

CHAIRMAN'S STATEMENT

COMPANY PROPOSITION

The Board believes that your Company offers shareholders a compelling investment proposition, especially in the current investment climate of low yields and volatile markets. The Company offers investors exposure to the specialty lending markets globally, with a concentration in the United States, through an Investment Manager who has a strong investment track record in the sector. The Company takes a platform approach and seeks to partner with industry experts in specialty lending with a focus on providing senior secured credit facilities to help facilitate portfolio growth. The market for specialty lending, particularly technology enabled lending, has expanded significantly since the financial crisis. This is a result of a combination of factors including developments in underwriting technology that allows effective underwriting to be done virtually, and the retrenchment of banks caused by the changes in regulation that followed the crisis.

The Company offers a combination of a strong dividend yield, 10.16%[4] as at 31 December 2018, and low volatility relative to the equity and high yield credit markets. These strong income characteristics are enhanced by strong risk management, including first loss credit protection and excess spread which provide downside protection in the case of increased credit losses. The Company also operates a policy on share price discount management, and as at 31 December 2018, the Company has repurchased 22,504,782 shares at an average discount to NAV (Cum Income) of 13.15%[5]. The combination of these features, the Board believes, makes our Company attractive to investors.

TOTAL NAV RETURN

The total NAV (Cum Income) return for the year was 8.96%, a record for the Company and in line with the target return set at the IPO. The Total Shareholder Return (based on share price)[6] for the year was 8.46%, up from 7.30% in 2017. Comparisons of the returns to the FTSE All Share Index can be found on page 47, and to European and US high yield indices on page 14.

EARNINGS AND DIVIDEND

During the year the total gross revenue return was 13.53% and revenue return was 11.41%, both records for the Company. Capital returns were –2.45% driven by a variety of factors including currency hedging costs. Dividends approved for the year were 8.00 pence per share[7], representing an 8.80%[8] yield on the average NAV (Cum Income) of the Company and a 10.42% yield on the 31 December 2018 market price of 76.80 pence per share. This represents a dividend in line with the target dividend set out in the 2015 Prospectus.

INVESTMENTS

As at 31 December 2018, the portfolio consisted of 85% balance sheet loans, 8% equity investments and 5% marketplace loans and securitisation residuals combined. The balance sheet loan portfolio is comprised of 24 Portfolio Companies that range in position size from 0.27% to 20.22% of the Company's NAV (Cum Income) as at 31 December 2018. The equity portfolio is comprised of 27 investments in Portfolio Companies, many of the investments being warrants and common stock that have come with the Company's balance sheet loan investments. The marketplace loans and securitisation residuals are in runoff and will continue to be amortised down over time.

The vast majority of the balance sheet investments are delayed draw, floating rate senior secured loans that have equity subordination contributed by the individual Portfolio Companies. The balance sheet investments are backed by underlying collateral consisting of consumer loans, small business loans and other types of collateral.

During the year the Company made initial investments in five new balance sheet loans and also had five existing balance sheet loans fully repaid. The exits were via refinancing and primarily in the case where the Company and Investment Manager had the right to match the terms via Rights of First Refusal, but instead chose not to because of the revised terms not being deemed adequate for the risk taken. The exits came with prepayment penalties that added 1.51% to the NAV (Cum Income) return for the year, and the proceeds from the refinancings were reinvested into new and existing deals.

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[4] The trailing twelve-month dividend yield is calculated as the total dividends declared over the last twelve months as at 31 December 2018 divided by the 31 December 2018 closing share price. This is an Alternative Performance Measure as defined on page 127.

[5] The discount to NAV is calculated as the difference in the NAV (Cum Income) as at 31 December 2018 and the average price per share repurchased, divided by the NAV (Cum Income) as at 31 December 2018.

[6] Calculated as the change in the traded share price from 31 December 2018 and 31 December 2017 plus dividends declared during 2018 divided by the traded share price from 31 December 2017.

[7] Includes the dividend for the three months ending 31 December 2018 that was declared and paid in 2019.

[8] This return denotes the average return calculated by the dividends declared for 2018 divided by the average Net Asset Value (Cum Income) of the Company for the year. This is an Alternative Performance Measure as defined on page 126.

The Company's largest new investment during 2018 was in Caribbean Financial Group ("CFG"), which is the largest non-bank consumer lender in the Caribbean Islands. The CFG investment, which was funded in November 2018, consists of debt and equity and comprises 8.03% and 1.51% of NAV, respectively. The investment was made as part of the acquisition of the business with a consortium led by Bay Boston Partners, a private equity firm with significant experience in financial services investing in Latin America.

The Company's debt investment in Elevate grew during the year and as of year-end was the Company's largest investment at 20.22% of NAV. Credit performance at Elevate has remained strong and the position was recently restructured and extended to insure it remains a core position of the Company's investments through 2022. The Investment Manager remains confident in the Elevate management team to execute on their growth plan while simultaneously remaining focused on strong underwriting.

During 2018 the total exposure to Borro was reduced via paydowns of £5.7 million as the Investment Manager continued to explore strategic options to maximise the equity value acquired during the pre-packaged administration in 2017. In late 2018 the decision was made to fully unwind the business and the Investment Manager expects paydowns to accelerate in the coming months as underlying assets are realised via portfolio sales. The year end NAV reflects the estimated liquidation value of the remaining collateral and associated costs.

After year end in February 2019 the London based consumer lender Oakam was placed into administration at the direction of the Investment Manager. Through 26 April 2019, the Company had received pay downs of £2.9 million reducing the exposure by 15.8% in 2019. As of the date of administration the effective loan to value against non-charged loans was 69% and while not without risk the Company is optimistic about recovering full interest and principal recovery during 2019.

I am particularly encouraged by the progress the Investment Manager has made in sourcing and executing on new deals that will drive the returns for the Company in the coming years. The strategy of partnering with entrepreneurs who have the strongest equity backing has continued to pay dividends as the quality of executed deals has remained high. The Company continues to have balance sheet loan investments in 24 Portfolio Companies and VPC has significant unfunded capacity on existing terms, providing attractive investment opportunities for the Company, so I am confident the Company will continue to have ample reinvestment opportunities in the future.

COSTS

The Company's annualised ratio of ongoing charges for the calendar year 2018 stands at 1.49% (1.35% in 2017). After factoring the change in the average NAV over 2018 as compared to 2017, the ratio is fairly similar. Ongoing charges comprises management fees, advisory, legal, professional and other operating costs of the Company. Expenses incurred at any investment fund or special purpose vehicle in which the Company invests in are excluded from the ongoing charges calculation of the Company.

SHARE PRICE DISCOUNT MANAGEMENT POLICY

It is disappointing to report that the Company's shares moved from a discount of 14.92% as at 1 January 2018 to 15.61% as at 31 December 2018 especially given the improved revenue and dividend return of the Company during 2018. During the year, the Company continued to implement the share buyback programme in light of the significant disparity between the Company's share price and its NAV.

During 2018, a total of 10,077,064 shares were bought back, accounting for 2.63% of the total issued shares of the Company. As at 31 December 2018, the Company has repurchased 5.88% of the Company's total issued shares through the share buyback programme. The Investment Manager, with a portion of their monthly management fee, also purchased 906,132 shares during 2018 and has purchased 2,130,189 shares as at 31 December 2018 with proceeds from management fees.

The Board continually monitors the share buyback programme as well as the Company's premium or discount and has the ability to issue or buy back shares to limit the volatility of the share price discount or premium. For more information on the Company's authorities in relation to its share capital, see page 31. Reducing the discount is the key focus for the Board during 2019.

GEARING

The Company's look-through gearing ratio has remained consistent during the year as the transition to balance sheet investments was substantially completed. The look-through gearing ratio was 0.17x as at 1 January 2018 and was 0.16x as at 31 December 2018. During the year, the last gearing facility on the marketplace loans was repaid, removing all gearing from the marketplace loans and securitisations. The Company also closed on a gearing facility with CapitalSource that I expect will enhance returns by modestly increasing the gearing ratio and reducing cash drag associated with the currency hedging program.

STRATEGIC REPORT continued

BOARD COMPOSITION

It is with sadness that we announced Andrew Adcock, Director and, up until recently Chairman of the Company, passed away in January 2019 following a period of illness. Andrew was a man of great integrity and was a valued leader of the Company's board. His contribution to the Company was enormous, and both the Board and the Investment Manager are grateful for the constructive manner in which he chaired the board.

The Board is pleased to announce the appointment of myself as Chairman of the Company, and Clive Peggram as Chairman of the Audit & Valuation Committee. Both Clive and myself had been appointed interim chairmen of the respective committee when Andrew Adcock stood down as Chairman. After reviewing our performance, the Board was pleased to approve the recommendation for our appointment by the Nominations Committee. We look forward to fulfilling our respective leadership roles.

In addition, the Board is delighted to announce that Mark Katzenellenbogen will be joining the board as an independent non-executive director on 1 May 2019. Mark has been involved in financial services for over 35 years. Since 2007 he has been CEO of Auden Capital LLP, a London based corporate finance advisory firm specialising in the investment and wealth management sector. He began his career with S.G Warburg in credit and banking, prior to working for the bank's mergers and acquisitions department. Since 2005 Mark has been a non-executive director of Oldfield, a long-only value equity manager. I will be proposing his election as a Director at the AGM.

ANNUAL GENERAL MEETING

This year's AGM, which will be held on 11 June 2019 at 3.00 p.m. at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH, provides shareholders with an opportunity to receive a presentation from the Manager and to ask any questions they may have of both the Board and the Manager. I look forward to meeting shareholders at the AGM.

IFRS 9

IFRS 9 was adopted by the Group on 1 January 2018 and is implemented in the financial statements for the year ending 31 December 2018. The adoption of IFRS 9 reduced the Group's net assets at 1 January 2018 by 1.11% of the Group's NAV. The impact of the new accounting pronouncement can be found in Note 2 of the financial statements.

SUBSEQUENT EVENTS

Since the year ended 31 December 2018:

- In February 2019, the Company declared a dividend of 2.00 pence per Ordinary Share relating to the three-month period ending 31 December 2018.
- From 1 January 2019 to 26 April 2019 a total of 10,872,029 shares had been repurchased under the buyback programme. The Investment Manager has purchased a total of 215,830 shares at an average price of 75.79 pence per Ordinary Share under the Investment Management Agreement.

MARKET OUTLOOK

The market outlook for technology enabled lenders in the United States, as well as in other geographies, remains positive as it becomes broadly accepted as an institutional asset class and both lending and equity investment volumes continue to grow. Increased awareness amongst consumers and a competitive product offering are driving the demand side of the equation which has allowed the Company's investments to continue to grow without sacrificing credit quality. This growth validates the Investment Manager's thesis that technology will continue to disrupt the financial and lending industries in much the same way it has reshaped other industries over the past 30 years. By providing a better user experience and strong customer satisfaction the industry is filling a hole in the market that banks do not adequately serve I believe the Company and the Investment Manager are playing a pivotal role in this change by providing capital to talented entrepreneurs help them scale their businesses are driving positive change for consumers and small businesses across the world.

Kevin Ingram
Chairman
26 April 2019

INVESTMENT MANAGER'S REPORT

SUMMARY

VPC Specialty Lending Investments PLC ("VSL" or the "Company") finished the year with a total net revenue return of 11.41% and a total NAV (Cum Income) return of 8.96%. Both of these figures are records for the Company and reflect the results of a portfolio fully transitioned into primarily balance sheet investments. Capital returns of –2.45% were driven by a few factors, including the losses early in the year from the remaining marketplace loans and securitisations, from a drop in the stock price of the Company's equity position in Elevate Credit, Inc ("Elevate") (NYSE: ELVT) and from the cost of the hedging program for the Company.

Overall, the portfolio delivered strong credit performance and we do not see signs of a broad-based weakening in credit fundamentals at the underlying portfolio companies in which the Company is invested, despite the market volatility we saw across most asset classes during the fourth quarter of 2018. We are pleased with the results from a NAV return perspective but remain disappointed by the discount that the shares continues to trade to NAV (Cum Income). In order to address this, the Company continued to buy back shares and as of year-end, had purchased a total of 22,504,782 shares. We also continue to use 20% of our management fees to buy shares in the open market and to date, have purchased 2,200,217 shares, making sure our incentives are aligned with the shareholders. The Company's dividend was covered for the year by the revenue returns of the Company and as of year-end, the trailing twelve-month dividend yield was 10.16%[9]. While we prefer to judge the Company on an absolute return basis, as seen below, when compared against other fixed income asset classes, the Company also delivered strong relative value returns.

As a firm Victory Park has continued to invest heavily in both investment and operational resources to support the Company's growth as one of the largest and most active financial technology investors globally. Additionally, we continue to expand our relationships into new products and geographies to help foster innovation and growth in the financial technology ecosystem. We are committed to producing strong risk-adjusted returns by partnering with the best management teams and sponsors in the industry, while at the same time focusing on downside protection from credit losses through rigorous analysis and portfolio monitoring.

In summary, we are pleased with the Company's record NAV (Cum Income) return for 2018. However, we recognise that to close the discount on the Company's stock price, investors expect consistent strong performance and a covered dividend. As such, both the performance and dividend of the Company remain as our primary focus heading into 2019, and we feel strongly about the positive outlook for our existing portfolio.

Finally, while the Company had a record year in performance, we are very sorry to note the passing away of the Company's Chairman, Andrew Adcock. Andrew was a man of great integrity and was a valued leader of the Company's board.

COMPANY PERFORMANCE

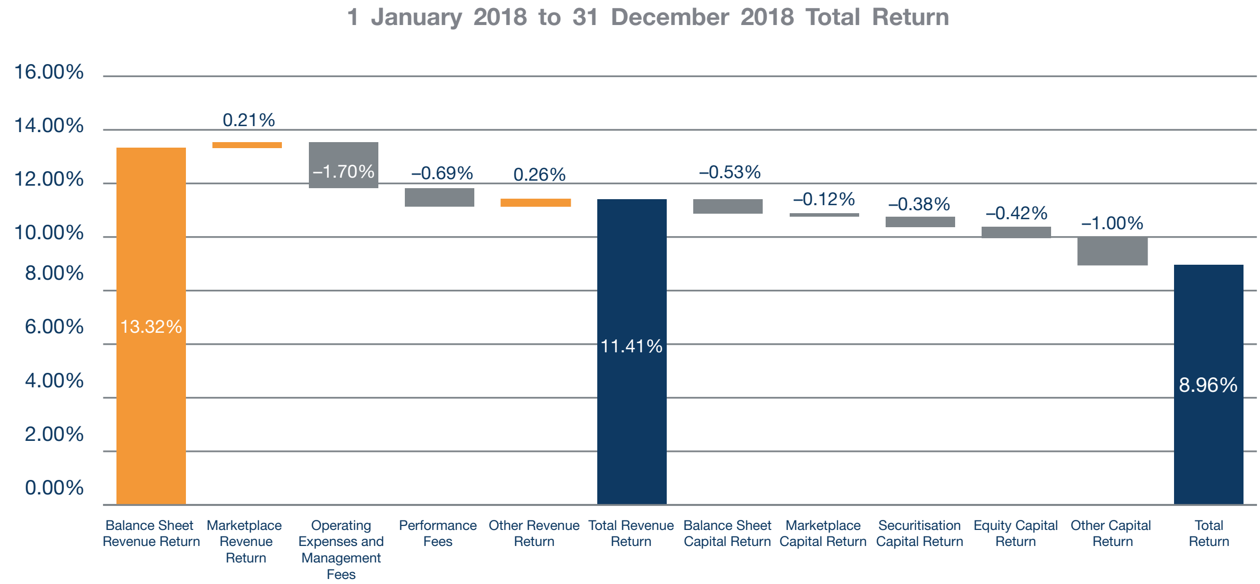
NAV (Cum Income) Return Analysis

During the year, the Company generated a record NAV return of 8.96% for the Ordinary Shares and declared dividends relating to the period totalled 8.00 pence per Ordinary Share (up from 6.80 pence per Ordinary Share in 2017). The NAV per share (Cum Income) at year end 2018 was 91.01 pence per Ordinary Share.

The Company generated gross revenue returns of 13.53% as a percentage of NAV in 2018, a record in performance for the Company, of which 13.22% was derived from balance sheet investments and 0.21% from marketplace investments. Other revenue return of 0.26% comprises of interest earned on the Company's outstanding cash balances. Expenses were –2.39% for a net revenue return of 11.41%. Capital returns contributed –2.45%, comprised of –0.53% from balance sheet IFRS 9 reserves, –0.12% from marketplace investments, –0.38% from securitisation residuals, –0.42% from equity investments and –1.00% from other capital returns primarily relating to the cost of the Company's foreign exchange hedging program, for a net total return of 8.96%.

[9] Calculated as the total dividends declared over the last twelve months, including the current reporting month, divided by the 31 December 2018 closing share price.

STRATEGIC REPORT continued



INVESTMENTS

The Company invests directly and/or indirectly into available opportunities, including investments in funds managed by the Investment Manager. Direct investments include consumer loans, SME loans and advances against corporate trade receivables originated by Portfolio Companies ("Debt Instruments"). Indirect investments include investments in Portfolio Companies (or in structures set up by Portfolio Companies) through the provision of credit facilities ("Credit Facilities"), equity or other instruments.

We allocate capital across different Portfolio Companies to meet the Company's investment objectives within the pre-defined portfolio limits and with a focus on portfolio level diversification. As at 31 December 2018, the Company's investments were diversified across 36 different Portfolio Companies, including companies supporting the financial services market across the US, UK, Caribbean Islands and Europe. Investments were made in 24 Portfolio Companies via balance sheet loans and the Company also had exposure to 27 Portfolio Companies through equity securities or convertible notes as at 31 December 2018.

During 2018, the Company's portfolio of balance sheet investments continued to generate strong risk-adjusted returns. These investments benefit from first loss protection and excess spread, which provides downside protection in the case of increased credit losses. The credit metrics on the underlying loans have continued to show strong performance across the portfolio with no signs of immediate macro weakness. Furthermore, the pipeline of available balance sheet investment opportunities is the strongest since inception.

There has been some turnover in the Company's top ten positions compared to 31 December 2017 as the Company exited several positions throughout the year. We were swiftly able to reinvest the proceeds into new and existing deals. A few highlights are below:

- We continued to increase the Company's balance sheet investment in Elevate as Elevate scales its portfolio, but as previously discussed, we feel comfortable with this position being outsized compared to the Company's other investments because of our longstanding relationship with this company and their long record of outstanding credit performance;
- The Company's position in Borro Ltd. decreased throughout the year as there were partial paydowns with proceeds of both portfolio realisations and asset sales as well as the previously disclosed IFRS 9 reserve on this investment. The investment remains on non-accrual status[10]; and
- As discussed in the Company's November 2018 monthly report, we initiated a new position in both the debt and equity of Caribbean Financial Group. Caribbean Financial Group has a nearly 40-year history of strong credit performance and profitability through multiple credit cycles. At the time of closing, Caribbean Financial Group's Last Twelve Months ("LTM") November 2018 Adjusted EBITDA was $76.2 million. Pro forma for the Company's new capital structure following the acquisition, LTM November 2018 interest coverage was approximately 2.5x.

[10] The Company stopped accruing interest in the accounts for the Borro investment when the initial IFRS 9 provision was made in January 2018.

Structuring Advantage Versus Other Credit Products

The Company's portfolio benefits from its composition of primarily floating rate senior secured loans, backed by pools of loans with short underlying duration and minimal gearing of 0.16x on a look-through basis for the Company. The benefits of this can be seen when comparing the Company's portfolio to other credit products such as Collateralised Loan Obligations ("CLO's"), which saw significantly increased volatility during the fourth quarter of 2018. Most of the 2016-2018 vintage CLO's are made up of primarily covenant-lite loans with a duration of four to five years and up to 15x look-through gearing for the equity holder. In fact, according to JP Morgan, 82% of geared loans originated in 2018 were covenant-lite, up from 12% in 2010[11], even as issuance has exploded from US$157 billion to US$435 billion in 2018[12]. While CLO's have historically exhibited strong underlying performance, their behaviour in the next cycle might look very different than the prior cycle due to the overall weakening of investor protections. It is also worth noting that when you add large amounts of gearing even small changes in performance could have a big effect.

In contrast, VPC has continued to structure investments with tight covenant packages designed for downside protection in a variety of credit environments. VPC is able to do this because we operate in niche markets and do not participate in broadly syndicated deals, allowing us to control the exact make up the Company's portfolio and dictate the terms of investments. These structural protections combined with a disciplined and rigorous credit and diligence process, we believe, is the best form of risk management. We believe that remaining disciplined in our underwriting approach will result in success through multiple credit cycles. We continue to build a strong team, with sourcing and structuring focus, as our investment approach requires a higher touch than simply receiving allocations of broadly syndicated deals.

We believe that the culture and processes that we have developed at VPC are key to generating the positive outcomes for the Company. Our culture promotes teamwork, such that every employee at VPC works as one team, directly benefitting VSL as it is invested alongside our private investment vehicles into our underlying portfolio companies. The collective teamwork of the entire firm produces our results, instead of one or two portfolio managers. This includes not only our investment team, but also our risk management and operations professionals, who are integral to our overall investment process.

Stress Scenario Performance and Wind-down Analysis

Investors frequently ask how the Company's portfolio will perform during a recessionary environment. Our risk management team performs regular analysis to stress test individual company lending performance to determine what a downside scenario could look like at the portfolio level. The biggest risk mitigant in the downside scenarios is the first-loss protections that we structure into the Company's balance sheet investments, which ensures the portfolio company and their equity investors capital would have to be fully impaired before a balance sheet facility loses any interest income or principal invested. In the Company's recourse investments, this means the portfolio companies would also lose the cash and other assets that are outside of the borrowing base to cover the first-loss protections. We pride ourselves on our structural protections, risk management and portfolio monitoring as this is an important area of focus that we are constantly evaluating. Since most of the Company's portfolio companies are private, we are prohibited from sharing this analysis publicly, but there is macro data from the great recession that we would like to highlight below.

The Company is invested in numerous asset classes across the credit spectrum from prime to non-prime lenders including consumer, factoring and small business lending. However, through the Company's exposure to Elevate and other portfolio companies, it has a concentration of exposure in the non-prime consumer sector. While to most investors it seems counterintuitive, during the last recession this segment of consumer credit performed the strongest on a relative value basis.

Geographic Diversification

While a majority of the Company's investments are concentrated within the US, we continue to leverage our extensive sponsor network to build our international exposure and we expect this trend to continue over time. Furthermore, we are evaluating unique opportunities to partner with leading entrepreneurs in emerging markets. In addition to the Company's current exposure to Mexico, Continental Europe, and Kenya, we expanded the Company's investments to include the Caribbean Islands in 2018 with two new balance sheet investments.

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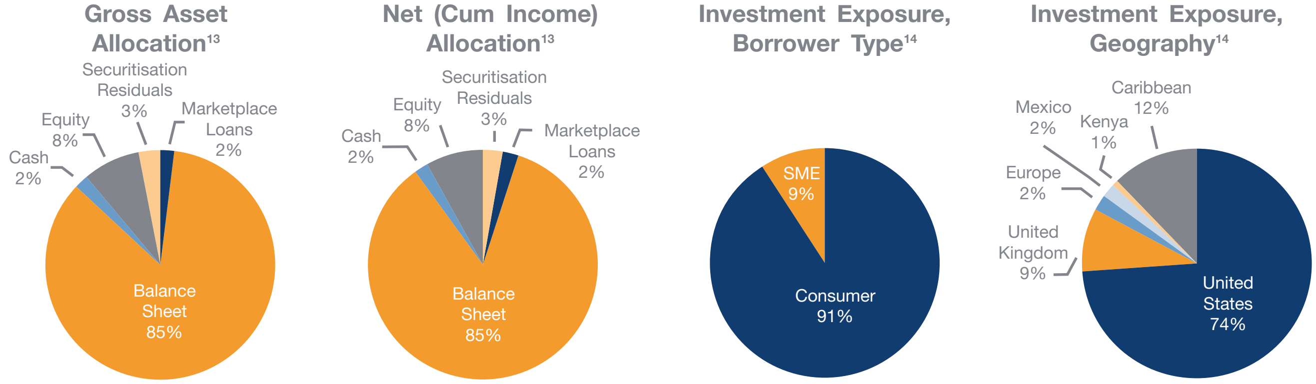
[11] Source: JPMorgan Leveraged Loan Index Cov-Lite Market Weight.
[12] Source: Bank of America Merrill Lynch Cov-Lite Issuance data from S&P LCD.

STRATEGIC REPORT continued

PORTFOLIO COMPOSITION AS AT 31 DECEMBER 2018

We continue to implement our strategy of deploying capital across a broad range of Portfolio Companies with diversity of geographies, borrower types and credit quality. As at 31 December 2018, consumer exposure accounted for 91% of the investment portfolio, while SME exposure accounted for 9%. As referenced above, the Company has investments in the United States, United Kingdom, Europe, Mexico, Kenya and the Caribbean Islands.



GEARING

At the beginning of 2018, the Company had a Look-Through Gearing Ratio of 0.17x and the Company finished the year with a Look-Through Gearing Ratio of 0.16x. The completion of the reallocation of capital into balance sheet investments while the remaining marketplace loans amortise has led to the ratio to remain consistent for a majority of the year.

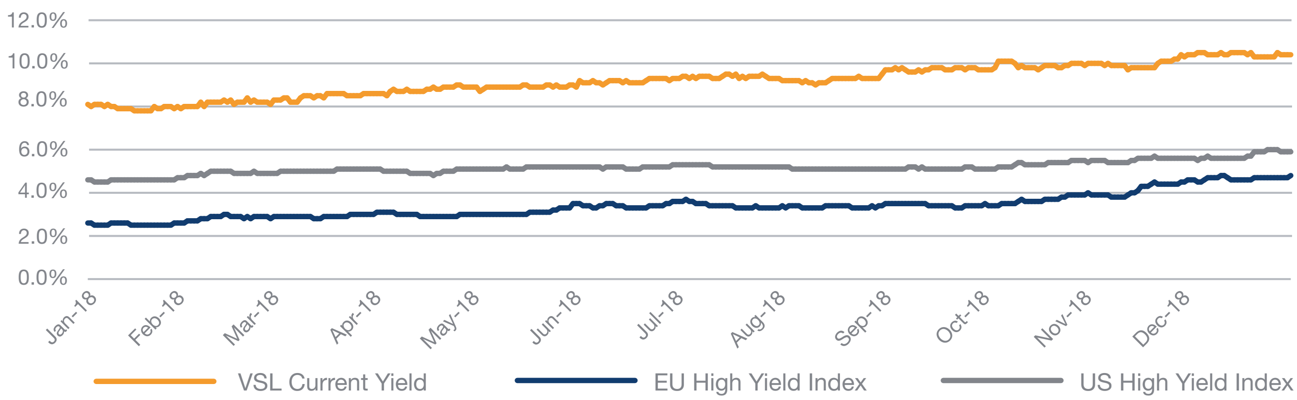
On 30 November 2018, the Company also closed on a USD 75.0 million gearing facility with CapitalSource, a division of Pacific Western Bank. At close, the Company drew USD 25.0 million which was deployed with the initial Caribbean Financial Group funding. The Company had drawn USD 41.5 million under the facility as at 31 December 2018. Going forward, we expect that the facility will enhance returns by modestly increasing the gearing ratio and reducing cash drag associated with the currency hedging program.

MARKET UPDATE

VSL current yield versus high yield bonds

The Company's twelve month trailing current dividend yield was 10.16%[15] at the end of 2018 which compared favourably with returns available elsewhere in the fixed income market such as the European and United States High Yield Index[16], as shown below.

VSL twelve month trailing dividend yield versus EU High Yield Index yield to maturity[16]

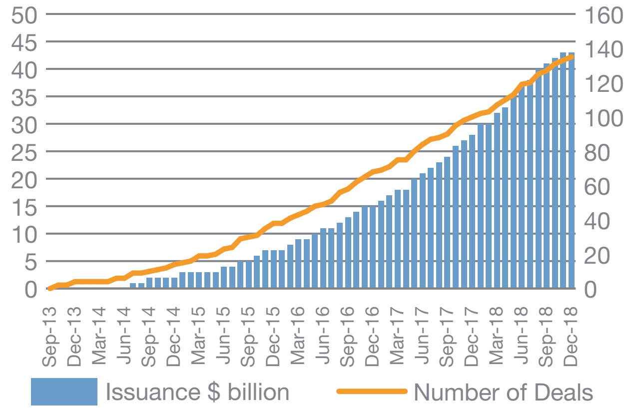


[13] Percentages calculated on a look-through basis to the Company's investee entities and SPVs.
[14] Calculations using gross asset exposure and not reduced for gearing. Excludes cash.
[15] The trailing twelve-month dividend yield is calculated as the total dividends declared over the last twelve months as at 31 December 2018 divided by the 31 December 2018 closing share price. This is an Alternative Performance Measure as defined on pages 126 and 127.
[16] Source: VPC; Bloomberg; ICE Benchmark Administration Limited (IBA), ICE BofAML Euro High Yield Index Effective Yield [BAMLHE00EHYIEY], retrieved from FRED, Federal Reserve Bank of St. Louis; trailing twelve-month average dividend yield (based on ex div dates).

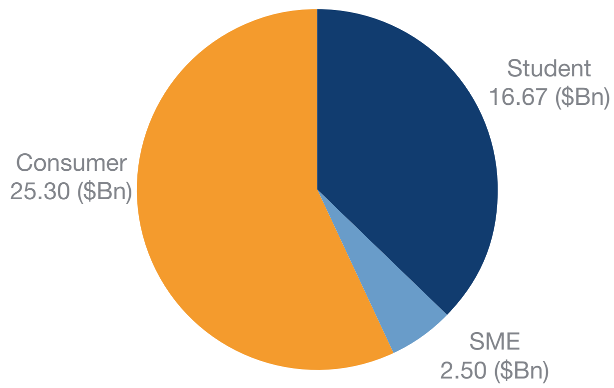
Volume growth

According to research done by PeerIQ the growth of online lending continued throughout 2018 as securitisation volume reached new records. Performance also remained strong as 66 consumer marketplace securitisation tranches were upgraded during the year[18]. The fourth quarter of 2018 saw approximately USD 2.8 billion in new issuances[17], continuing an upward trend that was also seen in previous years.

Marketplace Securitisation Cumulative Issuance[17]



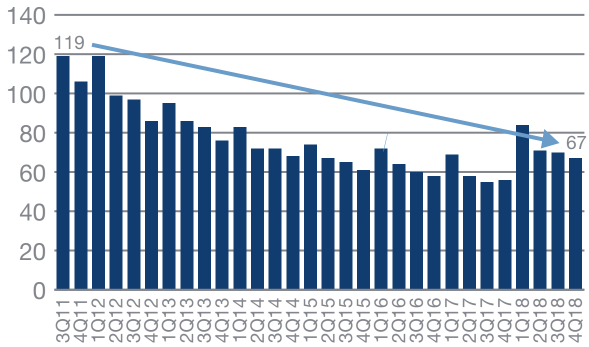
Marketplace Securitisations by Vertical[17]



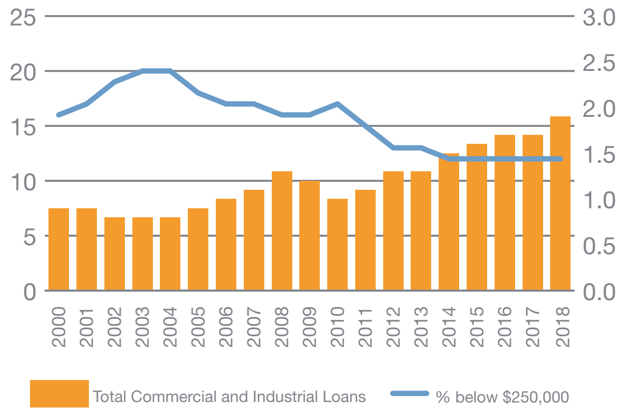
Macro Update

Lending to SMEs has declined over the past few years in the UK, with the total outstanding borrowing facilities from banks to SMEs decreased slightly from £103.7 billion at the end of 2011 to £100 billion as at 31 December 2018[18] but has increased from £91 billion as at December 2017[18].

Number of Loan Facilities Approved for UK SMEs (In Thousands)[19]



Total US Commercial and Industrial Loans, % below $250,000 Outstanding[19]



Overall macro-economic conditions in the US and UK have been favourable for credit quality, with low unemployment and positive economic growth.

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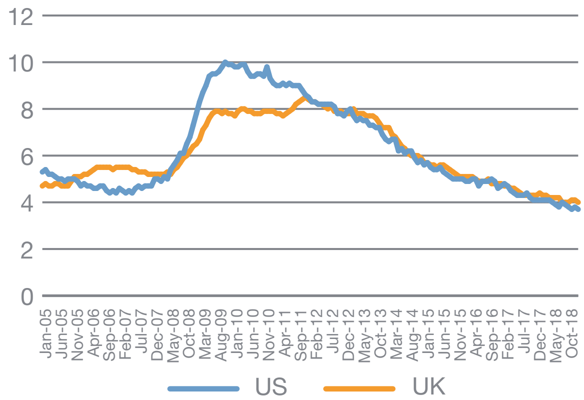
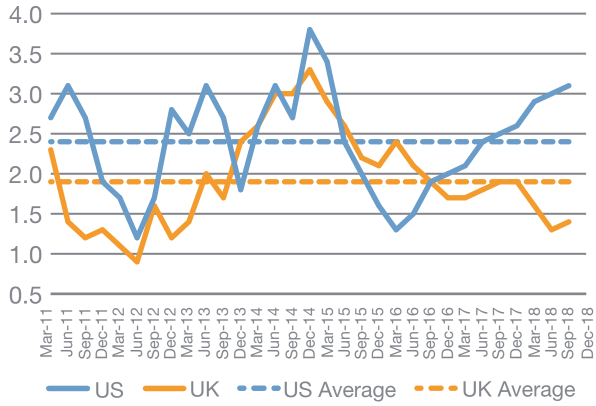
[17] Source: PeerIQ.
[18] Source: UK Finance SME Finance Update (March 2019).
[19] [1]Source: FDIC.

STRATEGIC REPORT continued

Unemployment Rate %
November 2007 through November 2018[20]



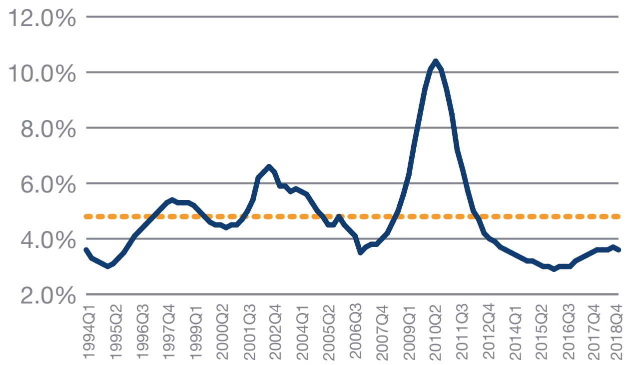
Annualised Real GDP %
March 2011 through September 2018[20]



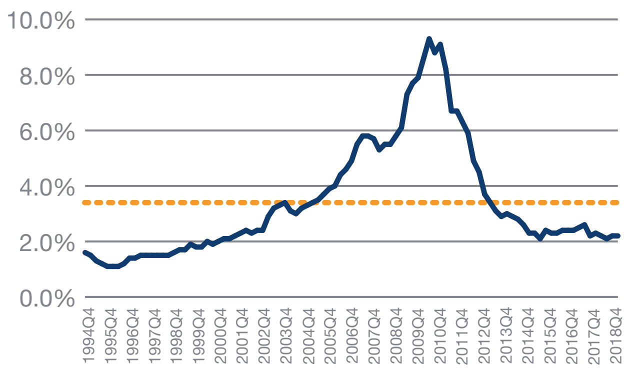
Credit assets have generally performed strongly as might be expected given the favourable underlying economic conditions. By way of illustration, credit card charge-offs are below their long term historical averages in both the US and UK.

The credit performance of the loans financed by the Company's balance sheet positions has been consistent with this generally benign credit environment.

US Credit Card Charge-Offs (Annualised)
March 1994 through December 2018[21]



UK Credit Card Charge-Offs (Annualised)
March 2011 through September 2018[22]



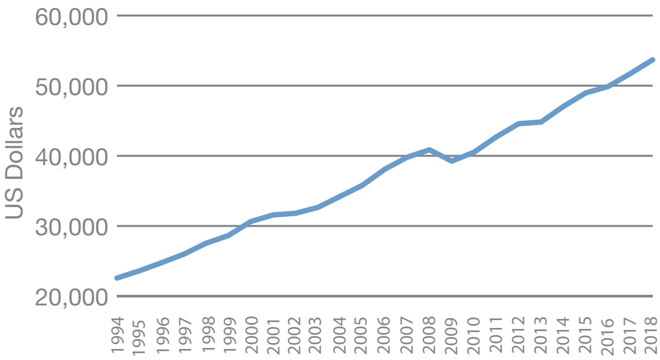
OUTLOOK

Despite a strong 2018 for the US economy we are entering 2019 with a cautious approach amid some early signs of economic softening. Fourth quarter United States GDP growth slowed to 2.6% from 3.4% in the Third Quarter. Consumer spending and wage growth remained strong but a slowdown in housing investment proved a drag on the economy[23].

Consumer confidence is near an 18 year high as unemployment dipped below 4%[23], and personal income hit an all-time high of USD 51.6 thousand[24]. It is also encouraging that consumers continue to use less of their personal income on debt service, the level coming down to 10.2% during the in 2018[24]. The effects of the 2017 US tax cut proved beneficial to economy on an annual basis as 2018 grew at 2.9% versus 2.2% in 2017, but the slowdown in the Fourth Quarter may prove it was a short-term benefit as consumers and businesses adjust to the new rates.

[20] Source: Bloomberg.
[21] Source: Federal Reserve.
[22] Source: Bank of England.
[23] Source: Bloomberg; CNBC: Fourth-quarter GDP increases 2.6%. (https://www.cnbc.com/2019/02/28/gdp-q4-2018.html)
[24] Source: St. Louis Fed; PeerIQ.

US Consumer Personal Income 1994 through 2018[24]



Debt Service Payments as a Percentage of Disposable Personal Income 1994 through 2018[25]

The Fed remained hawkish during the 2018 with four consecutive rate hikes culminating in a December hike to a target range of 2.0% to 2.5%, the ninth rate hike since December 2015. However, amid the market turmoil of the Fourth Quarter the Fed Chairman signalled in January that there they may be a pause in rate hikes, deciding to leave them unchanged and stating that he believes the Fed can afford to be "patient" as inflation remains within the targeted range[25]. Markets have rallied into 2019 on the back of this revised forecast but the ultimate effect on the economy remains unknown.

At the Portfolio Company level, the Investment Manager has seen continued strong credit performance and does not see signs of any broad-based weakening in the consumer or small business market. The Investment Manager has a robust pipeline of unfunded commitments in its current portfolio which allows both the Investment Manager and the Company to take a cautious approach to new deals at this stage.

Market Opportunity

Online lending continued to mature as an asset class as the market has grown and become more institutional. Globally fintech financing volume doubled from 2017 and reached a new all-time high of USD 53.8 billion[27]. The growth was broad based and included both developed and emerging markets as interest in Fintech investment from institutional investors remained strong.

2018 FinTech Financing Activity by Region[26]

Region / Continent	Number of Deals	% of Total # of Deals	Financial Volume ($ in mm)	% of Total $ Volume
Asia	321	20%	$ 25,548	48%
North America	378	49%	$ 24,598	40%
Europe	384	24%	$ 484	9%
South America	27	2%	$ 763	1%
Oceania	32	2%	$ 494	1%
Middle East	27	2%	$ 350	1%
Africa	24	1%	$ 172	<1%

2018 Year in Review[26]

2018 in Review	
Financing	**M&A**
Approximately **$53.8 billion** in financing volume & **1,600+** transactions	Approximately **$121.4 billion** in M&A volume & **865+** transactions
Financing volume in 2018 reached the highest level ever for FinTech sector, doubling 2017 volume and far surpassing the prior record high of $28.7 billion in 2016	Global FinTech M&A volume was the second highest ever, behind only 2015 ($138.3 billion), while the total number of deals was down slightly from 2017, 2016 and 2015

[24] Source: St. Louis Fed; PeerIQ.
[25] Source: Board of Governors of the Federal Reserve System (https://www.federalreserve.gov/newsevents/pressreleases/monetary20190130a.htm).
[26] Source: FT Partners Fintech Industry Research: 2018 Annual Fintech Almanac (March 2019).

STRATEGIC REPORT continued

Regulatory environment

In the US, the Trump administration has continued to promote a favourable regulatory environment for fintech investment and online lending. The two major developments during the year were the issuance of the long-expected US Treasury Report on Fintech, and the OCC beginning to accept applications for its national Fintech Charter which was previously announced in 2016. The OCC Charter would work to streamline the process of innovative Fintech companies being able to provide credit to a broader section of the US economy with the benefit of a national banking charter. The Treasury Report on Fintech was a detailed 222 page report which contained 80 recommendations cantered around four main policy goals:

1. Embrace the efficient and responsible use of consumer financial data and competitive technologies;
2. Streamline the regulatory environment to foster innovation and avoid fragmentation;
3. Modernise regulations for an array of financial products and activities; and
4. Facilitate "regulatory sandboxes" to promote innovation.

Further, in the United States, with the House of Representatives moving to Democratic control, and a slew of candidates already entering the 2020 Presidential race, the more likely outcome is that very little happens legislatively for the next two years. Overall, the deregulatory position of the Trump administration has been a marginal positive for the Company's portfolio, but we are not opposed to intelligent and thoughtful regulation in consumer markets. We strongly believe that we are backing the best and most ethical players in the industry, but there is no doubt that there are bad actors that smart regulation helps eliminate.

Overall, the Investment Manager and the Company feel developments in the US continue to be in line with favourable goal of working to expand access to credit for all consumers and small businesses, which is a positive development for the Fintech ecosystem and for the overall health of the US economy.

In the UK the news obviously continues to be dominated by the ongoing Brexit negotiations. When reviewing the Company's investment portfolio, we feel that it is fairly insulated to the impact of Brexit as the vast majority of the Company's credit exposure lies outside the UK, and most of the Company's risk lies in the margin requirements related to the Company's hedging program. With the closing of the Company's credit facility from CapitalSource, the Company now has a sufficient amount of revolver facility available such that the Company can sustain a further significant drop in the pound without affecting the Company's hedges. The cost of the hedges went up through the year as rates diverged between the US and the UK, but the floating rate nature of the Company's balance sheet deals helped offset a substantial portion of this.

Impact on the Group of rising rates

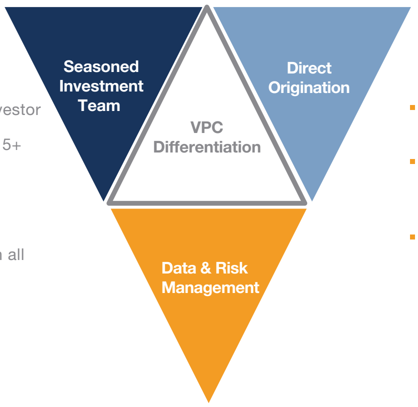
The Group's portfolio remains well positioned for a rising rate environment as substantially all of its balance sheet investments contain a floating rate interest component. The floating rate nature of the Company's balance sheet loans was a positive for the Company's performance during the year as the Federal Reserve continued its policy of normalising interest rates and did so four times during the year. From a starting point of 1.25% to 1.50% the Federal raised its target rate by a full percentage point during the year with the last rate hike in December taking the range to 2.25% to 2.50%. As at 31 December 2018, 85% of NAV was allocated to balance sheet investments. The runoff portion of our portfolio invested in marketplace loan portfolio and securitisation residuals received fixed rate income, and as at 31 December 2018 represented 5% of NAV. The benefit of rising rates in USD was partially offset by increase hedging costs into GBP, which produced capital losses during the year of 1.36% of NAV.

Pipeline and execution

As at 26 April 2019, Victory Park Capital Advisors, LLC, as the Investment Manager, had committed and invested capital across 50 companies in the financial services sector. The Investment Manager's executed deals are primarily delayed draw term loans with only a portion of the capital funded at closing. This unique aspect to our portfolio provides a large pipeline of future funding's under existing deals at current terms, which substantially reduces the reinvestment risk in the portfolio. We are always evaluating new deals and continue to build the pipeline, but even assuming no new deals the unfunded portion of our current portfolio provides a large pipeline of funding's over the next 24 to 36 months. With capacity available from both existing and new Portfolio Companies, we will continue to pursue opportunities that can generate an attractive risk-adjusted return for shareholders and offer further diversification to the portfolio. In particular, the portfolio continued to diversify geographically for the Company during the year and as of year 26% of the Company's investments were located outside the US, up from 21% at the beginning of the year.

STRATEGY AND BUSINESS MODEL

Differentiated proposition



Seasoned Investment Team

- Established, value-oriented private credit investor
- Senior investment team with an average of 15+ years of relevant experience
- Complimentary skill sets and deep industry expertise
- History of generating excess returns through all market cycles
- Extensive restructuring experience

Direct Origination

- Primarily non-sponsored, non-syndicated, self-originated senior secured loans
- Investments are typically structured with overcollateralisation and credit enhancements to minimise risk of loss
- Shorter duration investments provide structural advantages

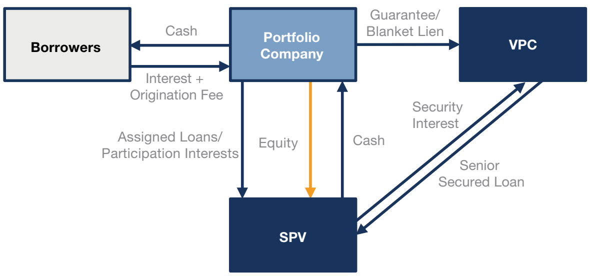
Data & Risk Management

- Dedicated staff comprised of 15 employees involved in operations and risk management on a daily basis
- Supplement traditional risk management approaches with advanced portfolio analytical tools
- Evaluate risk across both portfolio and individual loan data
- Customised monitoring and reporting processes allow for granular analysis across multiple dimensions
- Track loan-level performance throughout the life of the investment
- Explore trends and back-test data to proactively manage loan performance and covenants

During 2018, the Company's strong returns were driven by the success of the Investment Manager's transition of the Company's assets from the marketplace loan model to the "Balance Sheet Model" for providing debt capital to Portfolio Companies (see descriptions below). Under the Balance Sheet Model, the Company provides a floating rate Credit Facility to the Portfolio Company via a Special-Purpose Vehicle ("SPV"), which retains Debt Instruments that are originated by the Portfolio Company. The debt financing is typically arranged in the form of a senior secured facility and the Portfolio Company injects junior capital in the SPV, which provides significant first loss protection to the Company and excess spread, which provides downside protection versus marketplace loans.

Balance Sheet Lending Model

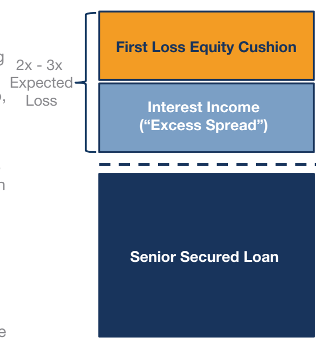
- **Overview:** Loans originated and retained by portfolio company, which will access capital through a combination of equity, mostly from venture investors, and credit facilities from VPC
- **Pricing:** VPC targets unlevered gross returns of 10% to 16% over risk free rate
- **Credit Risks/Mitigants:** Portfolio company is subject to loss of principal on defaulted loans; Lender has exposure if losses increase over historical trends/predetermined covenants
- **Structure:** VPC's investments are typically structured as loans to a SPV, with a guarantee and lien, transparency and control over cash



Structural Protections

- VPC narrowly defines loan eligibility for the borrowing base
- Loans that do not comply are excluded from the borrowing base
- VPC applies a dynamic "borrowing base" concept where the LTV is based on the company's loss ratio, resulting in a typical cushion of 2x to 3x
- The portfolio company contributes an equity tranche to the SPV which serves as first loss protection against any portfolio losses
- VPC is exposed to the default risk of underlying loans only to the extent the realised losses exceed the equity cushion puts in place plus any accumulated profits in the SPV
- In order to ensure downside protection, VPC conducts a periodic wind-down analysis and runs stress scenarios on its investments

Typical Credit Enhancement at Borrower "SPV" level



Examples

AVANT · bread · Elevate · Kabbage · Kreditech · LendUp

STRATEGIC REPORT continued

As a pioneer of financial services lending, VPC has structuring expertise and relationships, enabling it to secure preferential capacity to lock up attractive, long-term economics through structured facility upsizes and rights of first refusal. VPC primarily invests in financial services companies through delayed draw warehouse facilities.

Early adopter advantage

Although financial services lenders have operated successfully for decades, the sector has grown in prominence in the past few years, attracting interest from institutional investors. This has been due to a confluence of regulatory challenges for banks, increased use of technology by Portfolio Companies and a low interest rate environment. The Investment Manager has been an active investor in the sector since 2010 and has made investments and commitments across 50 Portfolio Companies, spanning multiple geographies, products and structures, and is continuing to deploy capital into existing and new Portfolio Companies.

The Investment Manager has experience in direct lending, purchasing marketplace loans and selectively investing in equity or equity-like instruments as well as having extensive knowledge of market participants and the complex regulatory requirements needed to operate within the sector. Having access to other significant pools of capital dedicated to investing in the financial services sector enables the Investment Manager to obtain gearing facilities on attractive terms. These are significant advantages for the Company as it navigates through a rapidly growing sector and it is well positioned to capture new opportunities.

Proprietary sourcing and structuring

The Company has exposure to several proprietary investments in Portfolio Companies with attractive risk/reward characteristics that other investors in the sector are typically unable to access. We believe this is due to the Investment Manager's long experience in the sector as an early participant with an extensive sourcing network, having executed transactions partnering with more than 40 leading financial and venture capital sponsors in the specialty lending sector.

Deal Sourcing & Screening

- Leverage deep network of industry relationships including top-tier Executive Board
- Partner with best-in-class management teams and investment platforms across industries
- Consistent behavior through the market cycle
- "Boots on the ground" in four major cities provide a wide funnel for investment opportunities

Underwriting & Due Diligence

- Repeatable, flexible and scalable, yet grounded in valuation
- Utilise industry reach and domain expertise to underwrite an extensive and robust analysis of the risk-return profile of each investment
- Preliminary vetting conducted by both the deal team and the Investment Committee
- Attractive deals are brought to Investment Committee for initial investment approval

Investment Committee Approval

- Investment Committee meets weekly to review opportunities throughout the investment process
- Consistently reviews internal memoranda which includes investment opportunity, risks, structure, pricing and due diligence plan
- Investment Committee has final approval on all deals
- Over the past three years, VPC has closed on 1% of nearly 2000 deals sourced and reviewed

Risk Management & Monitoring

- Iterative and analytical approach to underwriting and managing investments throughout the entire course of the transaction
- Customised risk management tools offer meaningful, insightful, and actionable data that highlights trends and anomalies
- Team of 15 dedicated risk and operations professionals assist with monitoring investments and work closely with investment professionals to create value and minimise losses

The Investment Manager also leverages its relationships with Portfolio Companies and financial sponsors to secure significant lending capacity and negotiate attractive equity kickers as well as mitigate prepayment and interest rate risks. The rapid growth of capital deployed in this sector since 2010 has also generated positive network effects and helps ensure that the Investment Manager has a first look at opportunities developing in the sector.

Portfolio management

With a strong focus on capital preservation, the Investment Manager structures its investments to minimise risk for the Company and augments this with a comprehensive risk management framework. This involves a rigorous, hands-on approach to post-investment monitoring of portfolio risk and performance. Assessing the balance of expected returns with inherent risks is an integral part of the Investment Manager's investment strategy and drives all aspects of portfolio construction. We believe that this approach and focus are a key driver in meeting the Company's investment objectives, particularly in a potentially more challenging future credit environment.

PREPARED FOR INCREASED MARKET VOLATILITY	RESILIENT DURING ECONOMIC DOWNTURN
▪ Seeks to generate yield while maintaining **capital preservation** through senior secured, asset-backed investments	▪ Economic uncertainty often creates more demand for direct lending investment strategies and VPC believes it is **uniquely positioned as a sophisticated source of capital**
▪ VPC's senior secured direct loans offer strong investment **return diversification** benefits, with **low or negative correlations** to most traditional asset classes	▪ Diversified portfolio with strict structural protections and offers an **all-weather investment vehicle** across multiple credit cycles
▪ Expected quarterly cash distributions provide an innate **ability to hedge against inflation**	▪ **Opportunistic fund size** allows VPC to remain disciplined in its underwriting process and **avoid a shift in investment focus**, differentiating VPC against competitors in the space
▪ Investments are typically **shorter duration** and structured with a **floating rate** based on LIBOR (or equivalent), creating a **natural hedge against rising rates**	▪ VPC's **core competency is as a credit investor** with direct origination and restructuring expertise, who primarily acts as the **sole lender for non-sponsored and non-syndicated investments**

Gearing and capital markets

The Company selectively employs gearing to enhance returns generated by the underlying credit assets. This is structured to limit the borrowings to individual SPVs that hold the assets and the gearing providers have no recourse to the Company. As the online lending industry continues to grow and become more established, the Investment Manager has been approached by multiple large global banks to offer the Company attractive gearing facilities. Given the breadth of the Investment Manager's portfolio, we believe the Company has a distinct competitive advantage in securing these gearing facilities at attractive rates.

During 2018, the Investment Manager and the Company closed on a USD 75.0 million gearing facility with CapitalSource, a division of Pacific Western Bank. It is expected that the gearing facility will enhance returns by modestly increasing the look through gearing ratio and reducing cash drag associated with the Company's currency hedging program.

SUMMARY AND HIGHLIGHTS FOR THE PERIOD

As at 31 December 2018, the Company had deployed 98% of its NAV into Portfolio Companies. During 2018, The Company generated an NAV return of 8.96% for the Ordinary Shares and distributed dividends of 8.00 pence per Ordinary Share relating to the income earned during the year ended 31 December 2018.

The financial and business highlights for the year ended 31 December 2018 are as follows:

- January 2018: announced the Company's balance sheet investments generated, at the time, an all-time monthly gross revenue return high of 1.08%.
- February 2018: announced an initial investment into Konfio, Ltd., a new balance sheet investment, and the repayment of the Company's balance sheet investment in Kreditech.
- March 2018: announced a dividend of 1.80 pence per Ordinary Share for the three-month period to 31 December 2017. Announced an initial investment into Integra Credit, a new balance sheet investment.
- April 2018: announced the Company, at the time, generated an all-time monthly NAV (Cum Income) return of 0.95%.
- May 2018: announced a dividend of 2.00 pence per Ordinary Share for the three-month period to 31 March 2018.
- July 2018: announced the repayment of Wheels Financial Group with the proceeds from the repayment reinvested in current balance sheet investments by the end of the month, along with a reduction of the look-through gearing ratio of the Company.
- August 2018: announced a dividend of 2.00 pence per Ordinary Share for the three-month period to 30 June 2018.
- September 2018: announced the fifth consecutive month of total NAV (Cum Income) returns of greater than 1.00%. Announced the repayment of the Company's balance sheet investments in Community Choice Financial Inc., Curo Financial Technologies Corp, and iZettle Capital AB.

STRATEGIC REPORT continued

- October 2018: announced new disclosures in the monthly reporting to provide specific regions where the Company's investments are held.
- November 2018: announced an initial investment into Caribbean Financial Group, a new balance sheet and equity investment. Announced the closing of a new Company level gearing facility with Capital Source. Announced a dividend of 2.00 pence per share for the three-month period to 30 September 2018.

Victory Park Capital Advisors, LLC
Investment Manager
26 April 2019

PERFORMANCE MANAGEMENT

The Board uses the following KPIs to help assess progress against the Company's objectives. Further comments on these KPIs are contained in the Chairman's Statement and Investment Manager's Report sections of the Strategic Report respectively.

NAV AND TOTAL RETURN

The Directors regard the Company's NAV return as a key component to delivering value to shareholders over the long term. Furthermore, the Board believes that in accordance with the Company's objective, total return (which includes dividends) is the best measure for long term shareholder value.

At each meeting, the Board receives reports detailing the Company's NAV and total return performance, portfolio composition and related analyses. A full description of performance and the investments is contained in the Investment Manager's Report, commencing on page 11.

DIVIDEND YIELD

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends. Including the distribution made in April 2019, which related to the three-month period ended 31 December 2018 the Company has distributed 85% of its distributable income earned through the year ended 31 December 2018.

GEARING RATIO

As at 31 December 2018, the look-through gearing ratio was 0.16x for the Company. As disclosed in the investment policy starting on page 123, the aggregate gearing of the Company and any investee entity (on a look-through basis, including borrowing through securitisation using SPVs) shall not exceed 1.5 times its NAV (1.5x). The Board and Investment Manager monitor the look-through gearing ratio to ensure it is in line with the investment policy.

SHARE PRICE PREMIUM/DISCOUNT

As a closed-ended listed investment trust, the Company's share price can and does deviate from its NAV. This results in either a premium or a discount, which is another component of the long-term shareholder return. The Board continually monitors the Company's premium or discount and has the ability to issue or buy back shares to limit the volatility of the share price discount or premium. For more information on the Company's authorities in relation to its share capital, see page 31.

During the trading period, the Ordinary Shares moved in a discount range of 6.96% to 16.49%, which was a lower discount range than the trading in 2017. During the year, the Company continued the buyback programme in light of the significant disparity between the Company's share price and its NAV. During 2018 a total of 10,077,064 shares were bought back at an average price of 79.69 pence per share.

EXPENSES

The Board is conscious of the impact of expenses on returns and seeks to minimise expenses while ensuring that the Company receives strong service. The industry-wide measure for investment trusts is the ongoing charges ratio, which seeks to quantify the ongoing costs of running the Company. The ongoing charges ratio for 2018 was 1.49%, which is considered consistent with 1.35% in 2017, after factoring in the change in the average NAV over 2018 as compared to 2017, as referenced on page 9. This measures the annual normal ongoing costs of an investment trust, excluding performance fees, one-off expenses and dealing costs, as a percentage of the average shareholders' funds.

STRATEGIC REPORT continued

PRINCIPAL RISKS

Given that the Company operates globally, it is exposed to risks that are monitored and actively managed to meet its investment objectives. These include market risks related to interest rates, currencies and general availability of financing as well as credit and liquidity risks given the nature of the instruments in which the Company invests. In addition, the underlying Portfolio Companies are exposed to operational and regulatory risks as the financial services sector remains relatively nascent.

The Directors are ultimately responsible for identifying and controlling risks. Day-to-day management of the risks arising from the financial instruments held by the Group has been delegated to the Investment Manager of the Company.

The Investment Manager regularly reviews the investment portfolio and industry developments to ensure that any events impacting the Group are identified and considered. This also ensures that any risks affecting the investment portfolio are identified and mitigated to the fullest extent possible.

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Valuation Committee on an ongoing basis.

This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. Both the principal risks and the monitoring system are subject to a robust assessment at least annually. The last review by the Board took place in February 2019.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

A summary of the principal risks and uncertainties faced by the Company (also known as the "Parent Company") and its consolidated subsidiaries (together the "Group"), which have remained unchanged throughout the year, and actions taken by the Board and, where appropriate, its Committees, to manage and mitigate these risks and uncertainties, is set out below:

RISK	MITIGATION
CREDIT RISK	
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risks arise principally through exposures to loans acquired by the Group, which are subject to risk of borrower default. The ability of the Group to earn revenue is completely dependent upon payments being made by the borrower of the loan acquired by the Group through a Portfolio Company. The Group (as a lender member) will receive payments under any loans it acquires through a Portfolio Company only if the corresponding borrower through that Portfolio Company (borrower member) makes payments on the loan. Consumer loans are unsecured obligations of borrower members. They are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. The Portfolio Companies and their designated third-party collection agencies may be limited in their ability to collect on loans. Small business loans are typically secured by either a blanket lien on business assets, specific collateral and/or a personal guarantee from the proprietor. The Portfolio Companies and their designated third-party collection agencies have various channels of recourse against the relevant collateral which will depend on the specific circumstance of the loan.	There is inherent credit risk in the Group's investments in credit assets. However, this is typically mitigated by the significant first loss protection provided by the Portfolio Company under the Balance Sheet Model and the excess spread generated by the underlying assets under both models. The Investment Manager performs a robust analysis during the underwriting process for all new investments of the Group and monitors the eligibility of the collateral at least monthly of the current assets in the Group's portfolio. This process also includes due diligence performed by a third-party reviewer during the underwriting process and subsequent reviews at least once per year for the Group's Portfolio Companies. The Group will invest across several Portfolio Companies, asset classes, geographies (primarily the US and Europe) and credit bands to ensure diversification and to seek to mitigate concentration risks. Beginning in October 2018, the Investment Manager expanded the monthly investment exposure geography chart to replace the "Other" category with the specific regions to provide a more detailed analysis of the geographies within the investment portfolio. The Board and the Investment Manager review the investment portfolio to ensure it is in line with the investment policy, including restrictions, as outlined on pages 123 and 124. The Investment Manager monitors performance and underwriting on an ongoing basis.

RISK	MITIGATION
FINANCING RISK	
Financing risk is the risk that whilst the use of borrowings by the Group should enhance the net asset value of an investment when the value of an investment's underlying assets is rising, it will, however, have the opposite effect where the underlying asset value is falling. In addition, if an investment's income falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Group's investment and accordingly will have an adverse effect on the ability of the investment to make distributions to the Group. The Group uses gearing to enhance returns generated by the underlying credit assets and is exposed to the availability of financing at acceptable terms as well as interest rate expenses and other related costs.	This risk is mitigated by limiting borrowings to ring-fenced SPVs without recourse to the Group and employing gearing in a disciplined manner. The Group has maintained a reduced level of gearing through the year as the Group is now primarily invested in the Balance Sheet Model. The CapitalSource gearing facility will modestly increase the Parent Company's look through gearing ratio. Including this facility, the gearing was 0.16x as at 31 December 2018 compared to 0.17x as at 31 December 2017. The Board and the Investment Manager review the investment portfolio to ensure it is in line with the investment policy, including restrictions, as outlined on pages 123 and 124.
LIQUIDITY RISK	
Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price. The Group may invest in the listed or unlisted equity of any Portfolio Company. Investments in unlisted equity, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed securities and therefore may be more difficult to realise. In the event of adverse economic conditions in which it would be preferable for the Group to sell certain of its assets, the Group may not be able to sell a sufficient proportion of its portfolio as a result of liquidity constraints. In such circumstances, the overall returns to the Group from its investments may be adversely affected. The Group is also exposed to liquidity risk with respect to the requirement to pay margin cash to collateralise forward foreign exchange contracts used for currency hedging purposes.	The Investment Manager manages the Group's liquidity risk by investing primarily in a diverse portfolio of assets. At 31 December 2018, 20% of the loans have a stated maturity date of less than a year. The Group has no loans with a maturity date of more than five years. In general, the weighted average maturity profile of the Group's assets is lower than or equal to the term of the Group's corresponding debt facilities which reduces liquidity risk. Refer to Note 6 of the financial statements for the maturity profile of the Group's assets and liabilities. The Board and the Investment Manager review the investment portfolio to ensure it is in line with the investment policy, including restrictions, as outlined on pages 123 and 124. The Board reviews cash flow forecasts to insure the group can meet its liabilities as they fall due. The Group continuously monitors for fluctuations in currency rates. The Group performs stress tests and liquidity projections to determine how much cash should be held back to meet potential future to obligations to settle margin calls arising from foreign exchange hedging. The CapitalSource gearing facility will help the Group reduce cash drag associated with the currency hedging portfolio while also allowing the Group to meet its liabilities as they fall due.

STRATEGIC REPORT continued

RISK	MITIGATION
MARKET RISK	
Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity prices and interest rates. The Group is exposed to market risk primarily through its Financial Instruments. The Group is exposed to price risk arising from the investments held by the Group for which prices in the future are uncertain. The investments in funds are exposed to market price risk. Refer to Note 3 in the Financial Statements for further details on the sensitivity of the Group's Level 3 investments to price risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Currency risk is the risk that the value of net assets will fluctuate due to changes in foreign exchange rates. Relevant risk variables are generally movements in the exchange rates of non-functional currencies in which the Group holds financial assets and liabilities.	The Group has a diversified investment portfolio which significantly reduces the exposure to individual asset price risk. Detailed portfolio valuations and exposure analysis are prepared monthly and form the basis for the ongoing risk management and investment decisions. In addition, regular scenario analysis is undertaken to assess likely downside risks and sensitivity to broad market changes, as well as assessing the underlying correlations amongst the separate asset classes. Exposure to interest risk is limited as the underlying credit assets are typically fully amortising with a maximum maturity of five years. Furthermore, generally the Group's Credit Facilities include a floating interest rate component to the Portfolio Companies to account for an increase in interest rate risk and they also have a set floor in the instance that interest rates were to drop. The Group mitigates its exposure to currency risk by hedging exposure between Pound Sterling and any other currencies in which a significant portion of the Group's assets may be denominated. The Board reviews the price, interest and currency risk with the Investment Manager to ensure that exposure to these risks are appropriately mitigated.
PORTFOLIO COMPANY RISK	
The current market in which the Group participates is competitive and rapidly changing. There is a risk that the Group will not be able to deploy its capital, re-invest capital and interest of the proceeds of any future capital raisings in a timely or efficient manner given the increased demand for suitable investments. The Group may face increasing competition for access to investments as the alternative finance industry continues to evolve. The Group may face competition from other institutional lenders such as fund vehicles and commercial banks that are substantially larger and have considerably greater financial, technical and marketing resources than the Group. Other institutional sources of capital may enter the market in both the UK, US and other geographies.	VPC has negotiated a significant number of proprietary capital deployment agreements with its existing balance sheet partners each of which typically ensures the ability to deploy capital on attractive terms for several years. In addition, VPC is one of the largest investors in the specialty lending sector and therefore enjoys timely information and good access to emerging Portfolio Company opportunities. VPC has a team of 45 investment and operational professionals which ensures that deployment opportunities with new and existing Portfolio Companies can be executed rapidly while minimising operational risk. VPC's pipeline of deployment opportunities remains strong with both existing and new balance sheet lending Portfolio Companies.

RISK	MITIGATION
REGULATORY RISK As an investment trust, the Parent Company's operations are subject to wide ranging regulations. The financial services sector continues to experience significant regulatory change at national and international levels. Failure to act in accordance with these regulations could cause fines, censure or other losses including taxation or reputational loss. In order to continue to qualify as an investment trust, the Parent Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010.	The Parent Company provides debt capital to Portfolio Companies, which typically must comply with various state and national level regulations. This includes some operating under interim permission and some now regulated from the FCA in the UK as well as consumer lending and collections licenses in some US states. This risk is limited via detailed upfront due diligence of Portfolio Companies' regulatory environments performed by the Investment Manager on behalf of the Board. The Parent Company has procedures to monitor the status of its compliance with the relevant requirements to maintain its Investment Trust status, including receiving and reviewing information and reporting from the Company Secretary and other service providers as appropriate.

The Directors have also considered Brexit's current and potential impact on the Group. Whilst the portfolio of the Group may not be facing any significant risk, the Group itself faces some uncertainty leading up to Brexit with regards to potential regulatory or tax changes. 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 or the Group.

Discussion on the Group's risk management and internal controls is on page 44.

ENVIRONMENT, HUMAN RIGHTS, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES

The Board recognises the requirement of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to provide details about environmental matters, employees, human rights, social and community issues, including information about any policies it has in relation to these matters and the effectiveness of these polices. As an investment trust, the Company does not have any employees, and most of its activities are performed by other outside organisations. In light of this, the Board considers that the Company does not have a direct impact on the community or environment and, as a result, does not maintain specific policies in relation to these matters. However, in carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

GENDER DIVERSITY

During 2018, the Board of Directors of the Company comprised of four male Directors and one female Director. Further information in relation to the Board's policy on diversity can be found on pages 36 and 41.

The Strategic Report was approved by the Board of Directors on 26 April 2019 and signed on its behalf by:

Kevin Ingram
Chairman

26 April 2019

GOVERNANCE

BOARD OF DIRECTORS

This section forms part of the Directors' Report.

All the Directors are Non-Executive and three are considered as independent.

KEVIN INGRAM, CHAIRMAN

Appointed 19 February 2015[27,28,29,30]
Appointed Chairman 26 April 2019
Independent Non-Executive Director

Kevin Ingram was an audit partner of PricewaterhouseCoopers LLP. He specialised in the audit of financial services businesses and the audit of investment products including investment trusts, open-ended funds, hedge funds and private equity funds. He headed PricewaterhouseCoopers LLP's UK investment funds audit practice from 2000 to 2007. He retired from PricewaterhouseCoopers LLP in 2009. Kevin was formerly Senior Independent Director of Aberdeen Diversified Income and Growth Trust plc from April 2017 until he retired in February 2019. He was previously the chairman of the Board of Aberdeen UK Tracker Trust Plc and was the Chairman of the Audit Committee of that Trust from March 2010 until he was appointed Chairman of the Board in April 2013. He is a Chartered Accountant and member of the Institute of Chartered Accountants in England and Wales. He is also the Chairman of the Audit Committee of the Westminster Catholic Diocesan Trust.

RICHARD LEVY

Appointed 15 June 2016
Non-Independent Non-Executive Director

Richard Levy is the Chief Executive Officer and Founder of VPC, the Company's Investment Manager. He oversees VPC's investment and operational activities. He is also the Chairman of VPC's management and investment committees. He serves as Chairman of the board of directors of five VPC portfolio companies and is also a member of the board of directors of three VPC portfolio companies. Mr. Levy will be subject to annual re-election due to his position within VPC.

Previously, Richard Levy served as Head of the Small Cap Structured Products Group and Co-Head of the Solutions Group at Magnetar Capital. He also Co-Founded and served as Managing Partner at Crestview Capital Partners. He received a B.A. in political science from The Ohio State University, an MBA from the Illinois Institute of Technology's Stuart School of Business and a J.D. from Chicago-Kent College of Law. He is a member of the Illinois bar (inactive). He is also Chairman of the board of non-profit, Gardeneers and an active board member of non-profits, Illinois Institute of Technology, College Bound Opportunities and Camp Kesem.

ELIZABETH PASSEY

Appointed 19 February 2015[27,28,29,30*]
Independent Non-Executive Director

Elizabeth Passey is a Senior Adviser to J Stern Co Private Investment Office, Member of the Board of the National Lottery Community Fund and Chairman of the Rural Payments Agency. She is a past Managing Director of Morgan Stanley and past Chairman of the Board of Morgan Stanley International Foundation as well as a past Managing Director of Investec Asset Management. She is the Convener of Court of The University of Glasgow.

CLIVE PEGGRAM

Appointed 19 February 2015[27*,28*,29,30]
Independent Non-Executive Director

Clive Peggram has over 35 years' experience working in the asset management industry from private equity through to structured finance. He is currently CEO of Apex2100, a performance facility based in France. Prior to this appointment, he was Deputy Group CEO of Financial Risk Management, a US $10 billion institutionally focused asset manager. He was formerly Managing Director of Banque AIG for 10 years where he was responsible for establishing and running its investment management team. Previously he worked in several different roles, gaining considerable experience in the developing derivative markets at Swiss Bank Corporation.

Clive is a NED of several asset management companies. He is also a Trustee of the British Ski & Snowboard National Foundation and the Apex2100 Foundation.

[27] Management Engagement Committee; *Chairman of Committee.
[28] Audit and Valuation Committee; *Chairman of Committee.
[29] Nomination Committee; *Chairman of Committee.
[30] Disclosure Committee; *Chairman of Committee.

GOVERNANCE continued

DIRECTORS' REPORT

The Directors of the Company are pleased to present the Annual Report for the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

The Corporate Governance Statement, Audit and Valuation Committee Report and the Directors' Remuneration Report are included in this Directors' Report.

RESULTS AND DIVIDENDS

The interim dividends paid by the Company are set out in Note 15 of the Financial Statements. A summary of the Company's performance during the year is set out in the Strategic Report on pages 3 to 27.

DIRECTORS

Directors' Appointments

As at 31 December 2018 the Board consisted of five Non-Executive Directors, four of whom were considered by the Board to be independent. Andrew Adcock sadly passed away in January 2019 and as at the date of this report the Board consisted of four Non-Executive Directors, three of which were independent. Biographies of these Directors are set out on page 29 and demonstrate the range of skills and experience each Director brings to the Board.

The appointment and replacement of Directors is governed by the Company's Articles of Association (the "Articles"), the Companies Act 2006, related legislation and Listing Rules. The Articles may be amended by a special resolution of the shareholders.

Directors' Interests

None of the three Independent Directors, or any persons connected with them, had a material interest in the transactions and arrangements of, or an agreement with, the Investment Manager during the period. Mr. Levy is the Chief Executive Officer and Founder of Victory Park Capital Advisors, LLC ("VPC"), the Company's Investment Manager. Mr. Levy oversees VPC's investment and operational activities. He is also the chairman of VPC's management and investment committees. Mr. Levy serves as chairman of the board of directors of five VPC portfolio companies and is also a member of the board of directors of three other VPC portfolio companies. The Group is not invested in any of the portfolio companies previously mentioned. The remuneration of the Directors and their beneficial interests in the Company's securities are set out in the Directors' Remuneration Report on pages 46 to 48.

Directors' Indemnity and Compensation for Loss of Office

Save for such indemnity provisions in the Articles and in Directors' letters of appointment, there are no qualifying third party indemnity provisions in force. The Board has agreed to a procedure by which Directors may seek independent professional advice if necessary and at the Company's expense. The Company has also arranged for the appropriate provision of Directors' and Officers' Liability Insurance. The Company does not have any arrangements in place with any Director that would provide compensation for loss of office.

Directors' Share Dealings

On 3 July 2016, the EU's Market Abuse Regulation ("MAR") became effective following which the Board adopted a MAR compliant Share Dealing Code. Details of the Directors' shareholdings are set out in the Directors' Remuneration Report on page 48.

Conflicts of Interest

The Articles 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 potential new conflicts before the start of each Board meeting. The Directors are satisfied that this procedure is adequate. The only actual or potential conflict of interest authorised by the Board to the date of this Report was Mr. Levy's position as the Chief Executive Officer and Founder of VPC, the Company's Investment Manager. Mr. Levy serves as chairman of the board of directors of five VPC portfolio companies and is also a member of the board of directors of three other VPC portfolio companies.

SHARES AND SHAREHOLDERS

Share Capital

The share capital as at 31 December 2018 and rights attaching to the Shares are set out in Note 14 to the financial statements. As at the date of this report, the Company's issued share capital consisted of 360,110,883 Ordinary Shares of £0.01 each with voting rights. In addition, 22,504,782 shares were held in Treasury.

At the Company's Annual General Meeting ("AGM") on 12 June 2018, the shareholders of the Company passed certain resolutions in relation to the allotment and buyback of its equity securities which remained valid at the 31 December 2018. In summary, these resolutions were:

- An ordinary resolution, to issue shares other than pursuant to the Share Issuance Programme up to an aggregate nominal amount of £382,615, representing approximately 10% of the issued Ordinary Share capital at the date of the Notice of AGM. The Board has authority to continue to allot shares following the exhaustion of the Share Issuance Programme up until the conclusion of the Company's next Annual General Meeting.
- A special resolution authorising the Directors to disapply the pre-emption rights of existing Shareholders in relation to issues of Ordinary Shares (being in respect of Ordinary Shares up to an aggregate nominal amount of £382,615 representing up to 10% of the Company's issued Ordinary Share capital as at the date of the Notice). This authority shall expire at the conclusion of the Company's next Annual General Meeting.
- A special resolution authorising market purchases of Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased is up to 54,985,852 ordinary shares, representing 14.99% of the issued Ordinary Shares. This authority shall expire at the conclusion of the Company's next Annual General Meeting.

The Shares allotted by the Company during the year are set out in Note 14 to the financial statements. During the year the Company bought back a total of 10,077,064 Ordinary Shares to be held in Treasury, representing 2.633% of the issued share capital as at 31 December 2018, with an aggregate nominal value of £100,770.64. The total amount paid for these shares was £8,030,232.41 at an average price of £0.7969 per share. Since the year end, 10,872,029 shares have been bought back and at the date of this report there were 382,615,665 shares in issue of which 33,376,811 were held in treasury. The total amount paid for these shares from the year end until 26 April 2019 was £8,254,043 at an average price of £0.7592 per share.

At the Company's AGM in 2019, the Board will seek authority to issue Shares and to renew its authority to purchase Ordinary Shares.

Shares bought back and held in Treasury will not be sold out of Treasury at a discount wider than the discount at which the Shares were initially bought back by the Company. The authority to allot new Ordinary Shares, disapply pre-emption rights or for the Company to purchase its own Shares will only be used if the Directors believe it is in the best interests of the Company. Proposals for these and other authorities sought at the AGM, including their restrictions, are set out in the Notice of AGM.

Except as set out in the Company's Articles, there are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities; 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.

GOVERNANCE continued

Substantial Shareholdings

The Company has been informed of the following notifiable interests as at 31 December 2018 in the Company's voting rights under DTR 5:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF VOTING RIGHTS
Invesco Limited (through Invesco Asset Management Limited)	101,916,335	28.26%
Woodford Investment Management LLP*	65,947.500	18.03%
Premier Fund Managers Limited	21,400,000	5.59%
Old Mutual Plc	18,732,407	4.99%
City Financial Investment Company Limited***	18,898,788	4.97%
Newton Investment Management Limited**	18,825,699	4.92%

*The Company has been informed that Woodford Investment Management LLP held 57,857,500 representing 16.45% of the Company's voting rights as at 20 March 2019.

**The Company has been informed that Newton Investment Management Limited held 18,812,979 representing 5.27% of the Company's voting rights as at 12 February 2019.

***The Company notes that while it has not been informed by City Financial Investment Company Limited, the most recent share register notes that no shares are held by this investor.

Articles of Association

Any amendments to the Articles of Association must be made by special resolution.

The Annual General Meeting

The Company's AGM will be held on 11 June 2019 and explanations of the business proposed at the AGM will be contained in the Notice of that Meeting.

AUDITORS AND FINANCIAL STATEMENTS

Independent Auditors

The auditors to the Company, PricewaterhouseCoopers LLP ("PwC" or the "Auditors"), were appointed in February 2015. They have indicated their willingness to continue in office as Auditors of the Company.

The Audit and Valuation Committee has the responsibility for making a recommendation to the Board on the reappointment of the external auditors. After careful consideration and a review of their effectiveness as external auditors, the Audit and Valuation Committee has recommended that PwC be reappointed as the Company's Auditors. Resolutions will therefore be proposed at the forthcoming Annual General Meeting to re-appoint PwC as Auditors and for the Audit and Valuation Committee to determine PwC's remuneration. For more information refer to the Audit and Valuation Committee Report on pages 43 to 45.

Audit Information

The Directors who held office at the date of this Annual Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information. This confirmation is given in accordance with the provisions of Section 418 of the Companies Act 2006.

Financial Risk Management

The principal financial risks and the Group's policies for managing these risks are set out on pages 24 to 27.

Subsequent Events

The important subsequent events are included on page 10.

Responsibility for Financial Statements and Going Concern Statement

As discussed in Note 2 to the financial statements, the Directors have reviewed the financial projections of the Group from the date of this report, which shows that the Group 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. The Group also has detailed policies and processes for managing those risks on pages 24 to 27.

Viability Statement

In accordance with provision C2.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in April 2016, and as part of an ongoing programme of risk assessment, the Directors have assessed the prospects of the Company, to the extent that they are able, over a three-year period. This period is appropriate since the Company is a long-term investor, the Directors have chosen a three-year period as this is viewed as sufficiently long term to provide shareholders with a meaningful view, without extending the period so far into the future as to undermine the exercise.

Whilst the Company's Articles of Association (the "Articles") require an ordinary resolution for continuation of the Company to be proposed at the Company's Annual General Meeting in 2020 the Directors have a reasonable expectation that the continuation vote will be supported by shareholders, and thus have considered a three-year period from the date of this report, subject to shareholder approval in 2020, appropriate for the analysis instead of a one-year period up to the continuation vote.

The Directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due over the next three years. In making this assessment, the Directors have taken into consideration each of the principal risks and uncertainties on pages 24 to 27, their mitigants and the impact these might have on the business model, future performance, solvency and liquidity. In addition, the Directors considered the Company's current financial position and prospects, the composition of the investment portfolio, the level of outstanding capital commitments, the term structure and availability of borrowings and the ongoing costs of the business. As part of the approach, due consideration has been given to the uncertainty inherent in financial forecasts and, where applicable, reasonable sensitivities have been applied to the investment portfolio in stress situations.

The main risk to the Company's continuation is shareholder dissatisfaction through failure to meet the Company's investment objective, through poor investment performance or through the investment policy not being appropriate in prevailing market conditions.

The Board has given this particular consideration when assessing the longer-term viability of the Company. Performance and demand for the Company's shares are not things that can be forecast.

Based on the foregoing analysis, the Directors have 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 of their assessment.

ADDITIONAL DISCLOSURES

Political Donations

The Company made no political donations during the period to organisations either within or outside of the EU. (Period to 31 December 2017: nil).

Greenhouse Gas Emissions

The Company has no employees or property and it does not combust any fuel or operate any facility. It does not, therefore, have any 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.

Modern Slavery Act

The Company is not within the scope of the Modern Slavery Act 2015 because it has insufficient turnover and is therefore not obliged to make a human trafficking statement.

This Report was approved by the Board of Directors on 26 April 2019 and signed on its behalf by

Link Company Matters Limited
Company Secretary

26 April 2019

GOVERNANCE continued

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement forms part of the Directors' Report and includes the Audit and Valuation Committee Report and Directors' Remuneration Report.

STATEMENT OF COMPLIANCE

The Board has considered the principles and already defined recommendations of the 2016 AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment trust as endorsed by the Financial Reporting Council (the "FRC"). The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and AIC Guide fully meet their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules of the UKLA. A copy of the AIC Code and the AIC Guide can be found at www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

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 Code), will provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below:

- the separation of the roles of the Chief Executive and Chairman as all the Directors are Non-Executive;
- the need for an internal audit function as the Investment Manager, overseen by the Board, is responsible for monitoring all accounting and control operations, whether outsourced or otherwise;
- due to the structure of the Board it is considered unnecessary to identify a Senior Independent Director;
- the Company does not provide a complete portfolio listing, although relevant information is disclosed on page 6. The Board has determined that providing a listing of investments which are outside the top ten of the Parent Company is not meaningful;
- the Chairman of the Company is a member of the Audit and Valuation Committee but does not chair the Committee. His membership of the Committee is considered appropriate due to the Board's small size, the lack of perceived conflict and because the other Directors believe he continues to be independent; and
- the Board considers that, as it is comprised of wholly Non-Executive Directors, it is not necessary to establish a separate Remuneration Committee.

For the reasons set out in the AIC Guide the Board considers these provisions are not relevant to the position of the Company, being an externally-managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations.

The AIC published its updated Code of Corporate Governance in February 2019 (the "2019 Code"). The 2019 Code is applicable to the Company's accounting period beginning on 1 January 2019. The Company will report fully on its compliance with the 2019 Code in its 2019 Annual Report.

The tables set out on pages 34 to 39 below provide an explanation of the Company's compliance with the AIC Code during the year.

AIC CODE	PRINCIPLE	EVIDENCE OF COMPLIANCE AND/OR EXPLANATION OF DEPARTURE FROM THE CODE
1	The Chairman should be independent.	Andrew Adcock, the Chairman for the majority of the 2018 financial year, sadly passed away in January 2019 following a period of illness. The Company announced various changes to Director responsibilities in December 2018. Kevin Ingram was appointed Interim Chairman on 14 December 2018 and Chairman on 26 April 2019. Andrew Adcock was independent on appointment and the Company's Independent Directors (excluding Mr Adcock) discussed his performance and continuing independence and determined he remained independent during his period of tenure. The Company's Independent Directors (excluding the Chairman) are satisfied Kevin Ingram was independent on appointment and continues to remain independent. The other Directors have reviewed, and are satisfied, that the Chairman remains capable of devoting sufficient time to the effective running of the Company.

AIC CODE	PRINCIPLE	EVIDENCE OF COMPLIANCE AND/OR EXPLANATION OF DEPARTURE FROM THE CODE
2	A majority of the Board should be independent of the manager.	During 2018 the Board consisted of five Non-Executive Directors (four independent and one non-independent) and, having considered the independence of each Director as part of its annual evaluation (see Principle 7 disclosure), the Board has determined each Independent Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect their judgement or impair their independence. The names and biographies of each of the Directors may be found on page 29.
3	Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	In accordance with good governance, the Board has decided that all Directors will retire and stand for re-election at each AGM. The Board, following formal performance evaluation and a recommendation from the Nominations Committee, confirms that the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to their role and the long-term sustainable success of the Company. Therefore, the Board believes that it is in the best interests of the shareholders that these Directors be re-elected.
4	The Board should have a policy on tenure, which is disclosed in the annual report.	Each Director has a signed letter of appointment that formalises the terms of their engagement as a Director of the Company. These letters detail an initial three-year appointment, but each Director may be invited by the Board to serve for an additional period, if both the individual Director and the Board believes this is in the interest of the Company, having taken into account the independence of the Director. The Nomination Committee considers, inter alia, the structure and composition of the Board and has an established policy on tenure. The Committee, noting the AIC Code on Corporate Governance, recognises that a director of an investment company may be viewed as independent, notwithstanding service which could be considerably more than nine years. Notwithstanding this, the Committee recommended to the Board that it explains to shareholders, should it be necessary to do so, the reasons why any Director, who it proposes should serve for more than nine years, continues to be independent.
5	There should be full disclosure of information about the Board.	The Board, at the date of the report, is profiled on page 29. Their biographies demonstrate the wide range of skills and experience that they bring to the Board. Details of the Board's Committees and their composition are set out on pages 40 and 41 of this Report. The Audit and Valuation Committee membership comprises all of the Independent Directors, with Richard Levy attending meetings by invitation. The Chairman of the Company is a member of the Audit and Valuation Committee but does not chair it. The other Directors consider that it was appropriate for the Chairman to be a member of, but not chair, the Audit and Valuation Committee due to the Board's small size, lack of perceived conflict and because the other Directors believe he continues to be independent. The Audit and Valuation Committee Report is set out on pages 43 to 45. The Board considers that, as it is comprised of wholly non-executive Directors, it is not necessary to establish a separate Remuneration Committee. Whilst the whole Board considers Directors' remuneration, the interim Chairman will absent himself from the discussion on his remuneration. The Directors' Remuneration Report is on pages 46 to 48. The Board meets at least five times a year and more often if required. During 2018 the Board met nine times to review various transactions and to discuss certain regulatory changes impacting the sector. Directors' attendance at Board and Committee meetings held during the year to 31 December 2018 is set out on page 40.

GOVERNANCE continued

AIC CODE	PRINCIPLE	EVIDENCE OF COMPLIANCE AND/OR EXPLANATION OF DEPARTURE FROM THE CODE
6	The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company.	The profiles of each of the Directors are set out on page 29 and highlight their range of skills, experience, length of service and knowledge. The Nomination Committee, in its review of Board composition, has agreed that the benefits of diversity, including gender, will be taken into account in Board appointments.
7	The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.	The Board carried out an evaluation of its performance during 2018 at which time Andrew Adcock was Chairman. Detailed questionnaires specifically designed to assess the performance and independence of the Board and each of the Committees were completed by each Director. In addition, during the year, Andrew Adcock reviewed individually with each of the Directors the effectiveness of the Board. The result of these meetings was to confirm that the Board and its Committees were working well and carrying out their roles more than satisfactorily. Additionally, led by Ms. Passey, the other Non-Executive Directors met without Andrew Adcock being present to conduct a review of the Chairman's effectiveness. They agreed that they considered the Board to be carrying out its duties in an appropriate manner, and it was agreed that the Chairman facilitated an appropriate governance structure and led the Board's engagement with the Investment Manager in a manner appropriate for such an organisation.
8	Director remuneration should reflect their duties, responsibilities and the value of their time spent.	Details of the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Report on page 46. Shareholders approved the Directors' Remuneration Policy at the AGM in 2016. The Board's policy is that the remuneration of the Directors should be sufficient to attract Directors of the quality required to run the Company successfully. The remuneration should also reflect the nature of the Directors duties, responsibilities, the value of their time spent and be fair and comparable to that of other investment trusts with a similar size, capital structure and investment objective. During the year, the Board reviewed the level of the fees paid to Directors, in accordance with the Remuneration Policy and agreed that there should be an increase in Directors' fees with effect from 1 January 2019. As all the Directors are Non-Executive, the Board considers that it is acceptable for the Chairman of the Company to chair meetings when discussing Directors' fees. The Chairman's remuneration is determined by the Board in his absence. All Directors own shares in the Company. These interests are set out on page 48.
9	The independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report.	The Nomination Committee, which is comprised entirely of independent Directors, is responsible for overseeing the recruitment of new Directors. The Nomination Committee meets at least once a year, or more often if required, and is now chaired by Kevin Ingram, having been chaired by Andrew Adcock for the majority of 2018. The Nomination Committee is responsible for considering the structure, size and composition of the Board. The Committee considers recommendations to shareholders concerning the re-election of the Directors and is also responsible for considering succession planning.

AIC CODE	PRINCIPLE	EVIDENCE OF COMPLIANCE AND/OR EXPLANATION OF DEPARTURE FROM THE CODE
10	Directors should be offered relevant training and induction.	Upon appointment, each Director received information on the Company's regulatory and statutory requirements including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees and the Company's corporate governance practices and procedures; they also receive updates on these as they arise. In addition, the Investment Manager provided presentations and information on the investment portfolio. Any new Director will receive an induction pack covering the above. The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties. The Annual Board Evaluation is used to review and identify any training and development needs.
11	The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.	Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.
12	Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets regularly throughout the year and representatives of the Investment Manager attend each meeting of the Board, in addition to Mr. Levy, and at most Committee meetings. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants. Interaction between the Board and the Investment Manager is not restricted to these meetings. Between meetings the Investment Manager continuously updates the Board on developments and responds to queries and requests from Directors as they arise. Informal meetings take place regularly between the Directors and the Investment Manager and Investment Manager's team.
13	The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Board, at its regular meetings, undertakes reviews of key investment and financial data, portfolio analyses including updates on key risks and monitoring, transactions and performance comparisons, share price and net asset value performance, peer group information and industry issues. The Audit and Valuation Committee and Management Engagement Committee of the Board respectively review the Company's risk matrix and the performance and cost of the Company's third-party service providers. The Board has agreed arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense. The Company has appointed a Public Relations adviser, MHP Communications to help with the ongoing development of its shareholder communication strategies. The Board continues to monitor the share price performance and during 2018 continued the share buyback programme to address any disparity between the Company's share price and its Net Asset Value (NAV) per share. The Board also continues its commitment to an active discount management policy and that it would buy-back the Company's issued shares opportunistically where it believes such a purchase would be accretive to shareholder value relative to making additional investments in the portfolio and it is in the best interest of all shareholders to do so.

GOVERNANCE continued

AIC CODE	PRINCIPLE	EVIDENCE OF COMPLIANCE AND/OR EXPLANATION OF DEPARTURE FROM THE CODE
14	Boards should give sufficient attention to overall strategy.	The Board has held a separate annual strategy session, to discuss a number of strategic issues. The Board plans to continue to hold a separate annual strategy in future years.
15	The Board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed fund).	The Management Engagement Committee is principally responsible for reasonably satisfying itself that the investment management agreement ("IMA") is fair and its terms remain appropriate, relevant, competitive and sensible. It also reviews the systems put in place by the Investment Manager, including those relating to compliance. It annually reviews the performance and fees of the Investment Manager in order to make a recommendation to the Board regarding its appointment. In addition, it reviews and considers the appointment and remuneration of providers of services to the Company. During the period, the Management Engagement Committee met once to consider the performance of the service providers and Investment Manager. Following the recommendation from the Management Engagement Committee, the Board agreed that the continuing appointment of the Investment Manager on the current terms (as summarised on page 42) was in the interest of the shareholders as a whole. This is primarily driven by the Investment Manager's extensive experience in the specialty lending sector.
16	The Board should agree policies with the manager covering key operational issues.	Under the terms of a management agreement, the Board has delegated the management of the investment portfolio to the Investment Manager. The IMA sets out the matters over which the Investment Manager has authority and the limits above which Board approval must be sought. The Company's investment policy, including restrictions, is outlined on pages 123 and 124. The Board has considered the need for a policy to be established in relation to the Investment Manager's stewardship and voting policies and has determined that the Company does not currently have any holdings in listed or unlisted securities in its portfolio which would warrant such a policy. The Board undertakes periodic review of the arrangements with and the services provided by independent third parties, to ensure that the safeguarding of the Company's assets and the shareholders' investment in the Company is being maintained. The Audit and Valuation Committee and Management Engagement Committees of the Board respectively review the Company's risk matrix and the performance and cost of the Company's third-party service providers.
17	Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board considers the discount or premium to NAV of the Company's share price at each Board meeting and reviews the changes in the level of discount or premium and in the share price since the previous Board meeting. They also receive reports on peer group companies in their Board meetings. As stated above in relation to Principle 13, the Board continues to monitor the share price performance and in December 2016 commenced a share buyback programme to address the disparity at the time between the Company's share price and its Net Asset Value (NAV) per share. At the same time, the Board announced its commitment to an active discount management policy and that it would buy-back the Company's issued shares opportunistically where it believes such a purchase would be accretive to shareholder value relative to making additional investments in the portfolio and it is in the best interest of all shareholders to do so.

AIC CODE	PRINCIPLE	EVIDENCE OF COMPLIANCE AND/OR EXPLANATION OF DEPARTURE FROM THE CODE
18	The Board should monitor and evaluate other service providers.	The Management Engagement Committee reviews, at least annually, the performance of all of the Company's third-party service providers, including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of shareholders. The Audit and Valuation Committee reviews and approves in advance the non-audit services by the Auditors, taking into account the requirements of the Financial Reporting Council's Ethical Standards for Auditors, and does not believe there was any impediment to the Auditors' objectivity and independence from doing this work during the period.
19	The Board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views for communicating the Board's view to shareholders.	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. The section of this report, entitled "Shareholder Information" which can be found on pages 123 to 128, is intended to provide information which would be useful to shareholders. A detailed analysis of the substantial shareholders of the Company is provided to the Directors regularly and reports on investor sentiment and industry issues from the Company's brokers are provided regularly to the Board. The Company encourages two-way communication with all its investors and intends to respond quickly to queries raised. The Directors are available to meet shareholders and shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the Registered Office. All shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chairman, the Board and representatives of the Investment Manager. The Directors welcome the views of all shareholders and place considerable importance on communications with them.
20	The Board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from the Investment Manager, the Auditors, legal advisers, brokers and Company Secretary.
21	The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.	The Board aims to provide shareholders with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative Annual and Half Year reports. This is supplemented by the monthly publication, through the London Stock Exchange, of the net asset value of the Company's shares and the publication by the Investment Manager of a monthly and quarterly factsheet. The Annual Report provides information on the Investment Manager's investment performance, portfolio risk and operational and compliance issues. Further details on the risk/reward balance are set out in the Strategic Report under Principal Risks on pages 24 to 27, and in Note 6 to the financial statements. The Company does not provide a complete portfolio listing, although relevant information is disclosed on page 6. The Board has determined that to provide a complete listing would not be in the interest of the Company. The Company's website is regularly updated with monthly factsheets and provides useful information about the Company including the Company's Financial Reports and Announcements.

GOVERNANCE continued

OPERATION OF THE BOARD

The Board has at least five scheduled meetings a year and more often if required. Directors' attendance at Board and Committee meetings held during the year to 31 December 2018 is set out in the below table:

DIRECTOR	BOARD[31]	AUDIT AND VALUATION COMMITTEE[31]	MANAGEMENT ENGAGEMENT COMMITTEE[31]	NOMINATION COMMITTEE[31]
Andrew Adcock	7 (9)	5 (6)	0 (1)	0 (1)
Clive Peggram	9 (9)	6 (6)	1 (1)	1 (1)
Elizabeth Passey	9 (9)	6 (6)	1 (1)	1 (1)
Kevin Ingram	9 (9)	6 (6)	1 (1)	1 (1)
Richard Levy	9 (9)	N/A	N/A	N/A

The Board has determined a schedule of matters reserved for Board decision. Where certain matters have been delegated to Board committees and those matters require a Board decision, the recommendations of the relevant committee will be considered.

BOARD COMMITTEES

The Board has delegated certain responsibilities to its Audit and Valuation, Nomination, and Management Engagement Committees. All independent Directors are members of each of the Committees, as this was deemed appropriate given the size and nature of the Board. The Board determined that Mr. Levy will not be considered to be independent and will not be a member of any of the existing Board Committees' although he does attend Board Committee meetings where it is deemed appropriate to do so. Each of the Committees has formal terms of reference established by the Board, which are available on the Company's website.

Unless invited to attend by the Committee's Chairman or members, only members of the Committees are entitled to be present at Committee meetings. An outline of the remit of each of the Committees and their activities during the period are set out below.

Audit and Valuation Committee

The Company's Audit and Valuation Committee meets at least two times during the year and was chaired for the majority of the financial year by Kevin Ingram. Following changes to Director responsibilities announced in December 2018, the Audit and Valuation Committee is chaired by Clive Peggram.

The main responsibilities of the Audit and Valuation Committee are set out below. The Company's Audit and Valuation Committee Report is on pages 43 to 45.

The Audit and Valuation Committee is responsible for monitoring the integrity of the financial statements of the Company and any other formal announcements in relation to its financial performance. On an annual basis, it reviews the adequacy and effectiveness of the Company's financial reporting and internal control policies. The Committee reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor and makes recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's Auditors.

Management Engagement Committee

The Management Engagement Committee is chaired by Clive Peggram and meets at least once a year, or more often if required.

The Management Engagement Committee is principally responsible for reasonably satisfying itself that the IMA is fair, and its terms remain appropriate, relevant, competitive and sensible.

[31] The number in brackets denotes the number of meetings each Director was entitled to attend. In addition, during the course of the year the Board has delegated to a number of sub-committees specific remits for consideration and recommendation but the final responsibility in these areas remains with the Board.

It also reviews the systems put in place by the Investment Manager, including those relating to compliance. It annually reviews the performance and fees of the Investment Manager in order to make a recommendation to the Board regarding its continued appointment. In addition, it reviews and considers the appointment and remuneration of providers of services to the Company.

During the year, the Management Engagement Committee met once to consider the performance of the service providers and Investment Manager. Following the recommendation from the Management Engagement Committee, the Board agreed that the continuing appointment of the Investment Manager on the current terms (as summarised on page 42) was in the interest of the shareholders as a whole. This is primarily driven by the Investment Manager's extensive experience and impressive track record in the specialty lending sector.

Nomination Committee

The Nomination Committee meets at least once a year, or more often if required, and is currently chaired by Kevin Ingram having been chaired by Andrew Adcock for the majority of 2018, except when considering matters relating to the appointment of a successor to the chairmanship. The Nomination Committee is responsible for considering the structure, size and composition of the Board. The Nomination Committee considers recommendations to shareholders concerning the (re)election of the Directors and is also responsible for considering succession planning.

During the period, the Nomination Committee met once and reviewed the composition of the Board and its committees, which it deemed appropriate given the current nature of the Company, and the submission of Directors for re-election at the Company's 2019 AGM. It also considered the Board evaluation process and approach to policy on tenure, as disclosed elsewhere in this report. The Nomination Committee also considered the benefits of diversity in relation to Board composition. It was agreed that, while the benefits of diversity, including gender, would be taken into account in Board appointments, the overriding priority should be appointment on merit, therefore, no measurable targets in relation to Board diversity would currently be set.

Disclosure Committee

In response to the Market Abuse Regulation, the Board has established a Disclosure Committee. The principal role of the Committee is to monitor the implementation of procedures for identifying inside information when it arises and ensuring the Company complies with its disclosure and other obligations in respect of such inside information.

The Committee is chaired by Elizabeth Passey. The other members are any one of the other independent non-executive directors and a senior executive of the investment manager. The performance of the Investment Manager in its submissions to the Disclosure Committee forms part of the overall review of the performance of the Investment Manager by the Management Engagement Committee.

The Disclosure Committee did not meet during 2018. However, the Investment Manager regularly provided papers and updated the Board on items as they related to the Market Abuse Regulation.

BOARD RESPONSIBILITIES AND RELATIONSHIP WITH INVESTMENT MANAGER

The Board has overall responsibility for the Company's activities, including the review of investment activity and performance and the control and supervision of all suppliers of services to the Company including the Investment Manager. It is also responsible for the determination of the Company's investment policy and strategy and the Company's system of internal and financial controls, including ensuring that commercial risks and financing needs are properly considered and that the obligations of a public limited company are adhered to.

To assist the Board in the day-to-day operations of the Company, arrangements have been put in place to delegate authority for the performance of day-to-day operations of the Company to the Investment Manager and other third-party service providers. The Board has appointed the Investment Manager to manage the Company's investment portfolio within guidelines set by the Board. The Investment Manager has been actively involved in the specialty lending marketplace and has made investments and commitments across 50 Portfolio Companies, multiple geographies (US, UK, Australia and Europe), products (consumer and business) and structures (whole loans and senior credit facilities).

The Investment Manager is in frequent contact with the Board and supplies the Directors with regular updates on the Company's activities and detailed reports at each Board meeting.

GOVERNANCE continued

Summary of Investment Management Agreement

Under the IMA dated 26 February 2015 between the Company and the Investment Manager, the Investment Manager is appointed to act as investment manager and Alternative Investment Fund Manager ("AIFM") of the Company with responsibility for portfolio management and risk management of the Company's investments.

Under the terms of the IMA, the Investment Manager is entitled to a management fee together with reimbursement of all reasonable costs and expenses incurred by it in the performance of its duties. The Investment Manager is also entitled to a performance fee in certain circumstances (see further below). Further documentation of the fees are included in Note 10 of the financial statements on pages 108 and 109.

The IMA shall continue in force until and unless terminated by any party giving to the other not less than six months' notice in writing to terminate the same. The Management Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency or material breach of agreement.

If the IMA is terminated (other than for cause) prior to the date falling on the third anniversary from Admission, the Investment Manager shall be entitled to receive from the Company a one-off payment representing an amount equal to 3% of the Company's Net Asset Value as of the last Business Day of the calendar month immediately prior to the calendar month in which such termination occurs and such payment shall be payable in cash to the Investment Manager within 30 calendar days of the date of such termination.

The Company has given an indemnity in favour of the Investment Manager in respect of the Investment Manager's potential losses in carrying on its responsibilities under the IMA.

In 2016, the Company and the Investment Manager agreed on an amendment to the IMA. Under the revised agreement, the Investment Manager agreed to invest 20% of its monthly management fee received from the Company into shares in the Company at the prevailing market price on an ongoing basis, provided that the shares are trading at a discount to the prevailing net asset value and the Investment Manager does not hold more than 10% of the voting rights of the Company.

In 2017, the Company and Investment Manager agreed to the introduction of a performance hurdle in respect of the performance fees payable to the Investment Manager. With effect from 1 May 2017, the payment of any performance fees to the Investment Manager is be conditional on the Company achieving at least a 5.0% per annum total return for shareholders relative to a 30 April 2017 High Water Mark.

Continuing appointment of the Investment Manager

It is considered that the Investment Manager has executed the Company's investment strategy according to the Board's expectations. Accordingly, the Directors believe that the continuing appointment of Victory Park Capital Advisors, LLC as the Investment Manager of the Company, on the terms agreed, is in the best interests of the Company and its shareholders as a whole.

This statement was approved by the Board of Directors and signed on its behalf by:

Link Company Matters Limited
Company Secretary

26 April 2019

AUDIT AND VALUATION COMMITTEE REPORT

MEMBERSHIP OF THE COMMITTEE

The Audit and Valuation Committee (the "Committee") meets at least two times a year and met six times during 2018. All the independent Directors are members of the Committee. Kevin Ingram, a Chartered Accountant and member of the Institute of Chartered Accountants in England and Wales, was Chairman of the Committee up to 14 December 2018 when the Company announced changes to Director Responsibilities and Clive Peggram then became the Interim Chairman of the Audit and Valuation Committee. Clive Peggram was appointed Chairman of the Audit and Valuation Committee on 26 April 2019. Representatives of the Auditors also attend and present at meetings of the Committee. The other Directors considered that it was appropriate for Andrew Adcock who was Chairman of the Board for the majority of 2018 and also consider that it remains appropriate for Kevin Ingram (as Chairman of the Board) to be a member of, but not chair, the Committee, due to the Board's small size, the lack of perceived conflict of interest, and because the other Directors believe that Kevin Ingram continues to be independent. Mr. Levy also attends meetings of the Committee by invitation along with other members of the Investment Manager's management team.

THE ROLE OF THE AUDIT AND VALUATION COMMITTEE

The responsibilities of the Committee are set out in the AIC Code, Disclosure Guidance and Transparency Rule 7.1 and the Committee's terms of reference. These include that it shall:

- monitor the integrity of the financial statements of the Company and any other formal announcements relating to its financial performance;
- review and challenge, where necessary, the Company's financial statements;
- review annually the adequacy and effectiveness of the Company's financial reporting and internal control policies and procedures, including related reporting;
- review the Investment Manager's whistleblowing procedures, adequacy and effectiveness of the compliance function and its financial viability, when required;
- review the adequacy and security of the Company's arrangements for its contractors to raise concerns, the Company's service providers' procedures for detecting fraud, the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- review all reports on the Company from the Investment Manager's operational control function and consider annually whether there is a need for an internal audit function;
- oversee the relationship with the external auditor, including considering and making recommendations to the Board in relation to their appointment, reappointment and removal, including in relation to any tender for the audit service including approval of audit fees and non-audit services and fees;
- recommend valuations of the Company's investments to the Board and monitor the integrity of the recommended valuations made by the Investment Manager;
- review the content of the annual report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

MATTERS CONSIDERED IN THE YEAR

The principal matters considered by the Committee were as follows:

- the internal controls, including cyber security, and risk management of the Group and Investment Manager;
- the Auditors' fees;
- the timetable for the approval, announcement and distribution of dividends;
- the valuation of loans and equity, including valuation policy;
- the plan for the audit of the Group's Annual Financial Statements;
- the Company's half-year financial statements and Annual Financial Statements;
- making recommendations to the Board regarding interim dividend payments;
- key risks in relation to the Company's financial statements (see page 45 for more details).
- the Company's loan-loss reserving policy;
- the Company's non-audit services policy;
- the impact of IFRS 9 – Financial Instruments;
- the Viability and Going Concern statements; and
- its performance and terms of reference.

GOVERNANCE continued

INTERNAL AUDIT

The Board has considered the need for an internal audit function and it has decided that the systems and procedures employed by the Investment Manager and the other third-party providers in relation to the Group give sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained. An internal audit function specific to the Group is therefore considered unnecessary. The requirement, however, will be re-visited on an annual basis in accordance with the Committee's terms of reference.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee is responsible for satisfying itself that the accounting and internal control systems of the Company, the Investment Manager and other service providers are appropriate and adequate. The Committee has received reports from the Investment Manager for the purpose of reviewing the control mechanisms in place and the Committee is satisfied that the relevant legal and regulatory requirements have been met. The Committee is also responsible for ensuring that compliance is under proper review and is provided with an update and reports from the Investment Manager at regular Board meetings.

Risk is inherent in the Company's activities and accordingly, the Company has established a risk map consisting of the key risks and controls in place to mitigate those risks. The risk map provides a basis for the Committee and the Board to monitor the effective operation of the controls and to update the matrix when new risks are identified.

The Investment Manager is responsible for operating the Company's internal system of control and for initially reviewing its effectiveness. Such systems are however designed to minimise risk rather than eliminate risk; they can provide only reasonable and not absolute assurance against material misstatement of loss. The Management Engagement Committee carries out reviews at least annually of the performance of the Investment Manager as well as the other service providers appointed by the Company.

The following are the key components which the Company has in place to provide effective internal control:

- The Board has agreed clearly defined investment criteria and platform restrictions, which specify levels of authority and exposure limits. The Investment Manager regularly reports to the Audit and Valuation Committee on compliance with these criteria.
- The Board has a procedure to ensure that the Company can continue to be approved as an investment company by complying with sections 1158/1159 of the Corporation Tax Act 2010.
- The Investment Manager and Administrator prepare forecasts and management accounts, covering investment activities and financial matters, which allow the Committee to assess the Company's activities and review its performance.
- Contractual arrangements with the Investment Manager and other third-party service providers are in place which specifically define their roles and responsibilities to the Company.
- The services and controls of the Investment Manager and other third-party service providers are subject to review by the Management Engagement Committee on an ongoing basis. Regular reports are provided to the Board by the Administrator and the Depositary.

The Investment Manager's operations and compliance departments continually review the Investment Manager's operations and report to the Committee. The Investment Manager works with the Committee to comply in all material respects with rules and requirements of governmental authorities (as modified or re-enacted from time to time) applicable to it, and obtain appropriate advice with a view to assisting the Company in its compliance with the laws, rules and regulations (including, without limit, those relating to environmental matters) prevailing in each jurisdiction in which the Company may invest.

The Committee recognises that these control systems can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

Discussion of the Company's principal risks is on pages 24 to 27.

EXTERNAL AUDIT

The Company's Auditors, PwC, were appointed in 2015. The Committee monitors the Company's relationship with the Auditors and has discussed and considered their independence and objectivity. The Auditors also provides confirmation that they are independent within the meaning of all regulatory and professional requirements and that objectivity of the audit is not impaired. The Committee is, therefore, satisfied that PwC was independent, especially considering the term of appointment to date, and will continue to monitor this position. Under the Financial Reporting Council's regulations, the Company is required to re-tender, at the latest, by 2025. The Committee intends to retender within this timeframe. The current lead audit partner, Richard McGuire, has been in place for four years. PwC generally require the rotation of the lead auditor partner every five years for a listed client. Therefore, we expect a new lead audit partner to be selected for the 2020 audit.

The Auditors are invited to attend Committee meetings and meet with the Committee and its Chairman without the presence of the Investment Manager. After the external audit has been completed, the Committee obtains feedback on the conduct of the audit.

Following the completion of the audit, the Committee reviewed PwC's effectiveness by:

- discussing the overall risk-based audit process and the audit procedures taken to address the identified significant 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 and Valuation Committee has considered the significant risks identified by the audit team during the audit of the 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 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 Committee has recommended to the Board that PwC be re-appointed as Auditors at the forthcoming AGM. PwC has confirmed its willingness to continue in office.

AUDIT FEES AND NON-AUDIT SERVICES

The breakdown of fees between audit services and non-audit services for the period are provided in Note 10 of the financial statements. There were no non-audit services rendered during the year.

The Committee reviews and approves in advance the provision of non-audit services during the year by the Auditors, taking into account the recommendations of the Financial Reporting Council, and does not believe there was any impediment to the Auditors' objectivity and independence from doing this work during the period.

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT AND VALUATION COMMITTEE

After discussion with the Investment Manager and the Auditors, the Committee determined that the significant issues considered by the Committee in the context of the Group's financial statements were:

SIGNIFICANT AREA	HOW ADDRESSED
Valuation of unquoted investments reported at fair value through profit or loss.	Investments that are unlisted or not actively traded are valued using a variety of techniques to determine a fair value, as set out in the accounting policies note on beginning on page 73, and all such valuations are carefully reviewed by the Investment Manager's valuation committee as well as the Committee. Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors.
Valuation of loan investments reported at amortised cost less provisions for impairment.	The Investment Manager utilises a third-party specialist to value the loans at amortised cost and monitors the performance and repayment of the loans to assess whether any impairment exists, as set out in the accounting policies note beginning on page 73. The valuation approach has been reviewed by the Investment Manager's valuation committee as well as the Committee.
Fraud in income recognition	The Investment Manager recognises income as revenue return provided that the underlying assets of the investments comprise solely income generating loans, or investments in lending Portfolio Companies which themselves generate net interest income. The Committee has reviewed income recognition with the Investment Manager and has inquired with the Auditors regarding the testing performed over income recognition and the conclusions reached.

These issues were discussed with the Investment Manager and the Auditors at the time the Committee reviewed and agreed to the Audit plan for the year. After full consideration, the Committee was also content with the judgements made by the Investment Manager in respect of the key risks.

For and on behalf of the Audit and Valuation Committee:

Clive Peggram
Audit and Valuation Committee, Chairman

26 April 2019

GOVERNANCE continued

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT FROM THE CHAIRMAN

This Directors' Remuneration Report for the year ended 31 December 2018 has been prepared in accordance with Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and, alongside this Annual Statement, comprises two separate parts: the Annual Report on Remuneration and the Directors' Remuneration Policy.

The Annual Report on Remuneration sets out payments made to the Directors during the period. This report, including this Annual Statement, is subject to an advisory vote by Ordinary Resolution at the Company's forthcoming AGM. The Directors' Remuneration Policy is forward-looking and was approved by shareholders at the Company's first AGM in June 2016. As it is the third year since the Directors' Remuneration Policy was last approved by shareholders an Ordinary Resolution will be proposed at the forthcoming AGM to approve the Directors' Remuneration Policy. The resolution at the 2016 AGM to approve the Directors' Remuneration Policy was passed with 100.0% of votes 'for'. The resolution at the 2018 AGM to approve the Director's Remuneration Report was also passed with 100.0% of the votes 'for'. The current shareholder approved policy governs the remuneration of the directors for a period of three years expiring at the AGM in 2019. Any views expressed by shareholders on the remuneration being paid to Directors will be taken into consideration by the Board.

During the year, the Directors reviewed the need for the Company to have a separate Remuneration Committee. Due to the nature and structure of the Company, it was agreed that the role and duties of a Remuneration Committee can continue to be fulfilled by the Board.

The Directors of the Company are all Non-Executive and, with the exception of Mr. Levy, who has agreed to waive his fee, receive a fee per annum which for the year ended 31 December 2018 was £50,000 for the Chairman and £30,000 for the other Directors. The Chairman is entitled to a higher fee to reflect the additional work required to carry out the role. The Chairman of the Audit and Valuation Committee receives an additional fee of £5,000 per annum for taking on this responsibility.

DIRECTORS' REMUNERATION POLICY

The components of the remuneration package for the Company's Non-Executive Directors, which comprise the Directors' Remuneration Policy, are set out below:

REMUNERATION TYPE	DESCRIPTION AND APPROACH TO DETERMINATION
Fixed fees	Annual fees are set for each of the Directors, taking into account the wider industry and individual skills, time commitment and experience. These fees shall not exceed £500,000 per annum, divided between the Directors as they may determine. Directors do not participate in discussions relating to their own fee.
Additional fees	If any Director, being willing and having been called upon to do so, shall render or perform extra or special services of any kind, including services on any Committee of the Board, or shall travel or reside abroad for any business or purposes of the Company, he or she shall be entitled to receive such sum as the Board may think fit for expenses, and also such remuneration as the Board may think fit, either as a fixed sum or as a percentage of profits or otherwise, and such remuneration may, as the Board shall determine, be either in addition to or in substitution for any other remuneration he or she may be entitled to receive.
Expenses	The Directors shall be entitled to be paid all expenses properly incurred by them in attending General Meetings or separate meetings of the holders of any class of shares or meetings of the Board or Committees of the Board or otherwise in or with a view to the performance of their duties.
Other	Directors are not eligible for bonuses, share options or long-term incentives schemes or other performance-related benefits. There are no pension arrangements in place for the Directors of the Company.

The Directors hold their office in accordance with the Articles and their appointment letters. No Director has a service contract with the Company and there are no notice periods. On termination of their appointment, Directors should only be entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred to that date.

Fees of any new Director appointed will be on the above basis and are likely to be in-line with the fees of existing Directors. Fees payable in respect of subsequent periods will be determined following an annual review. The Company has no employees other than its Directors who are all Non-Executive. When considering the level of fees, the Board will evaluate the contribution and responsibilities of each Director and the time spent on the Company's affairs. Following approval of the Directors' Remuneration Policy by Shareholders at the first AGM in June 2016, the Company believes the remuneration of Directors to be appropriate given the nature of the Company and will review the Directors' fees against remuneration of other investment companies of similar size in future years. The current fees are also within the limits set out in the Company's Articles of Association, which prohibit the total aggregate annual fees payable to the Directors in respect of any financial period to exceed £500,000 per annum. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

ANNUAL REPORT ON REMUNERATION

Service Contracts Obligations and Payment on Loss of Office

No Director has a service contract with the Company and as such is not entitled to compensation payments upon termination of their appointment or loss of office.

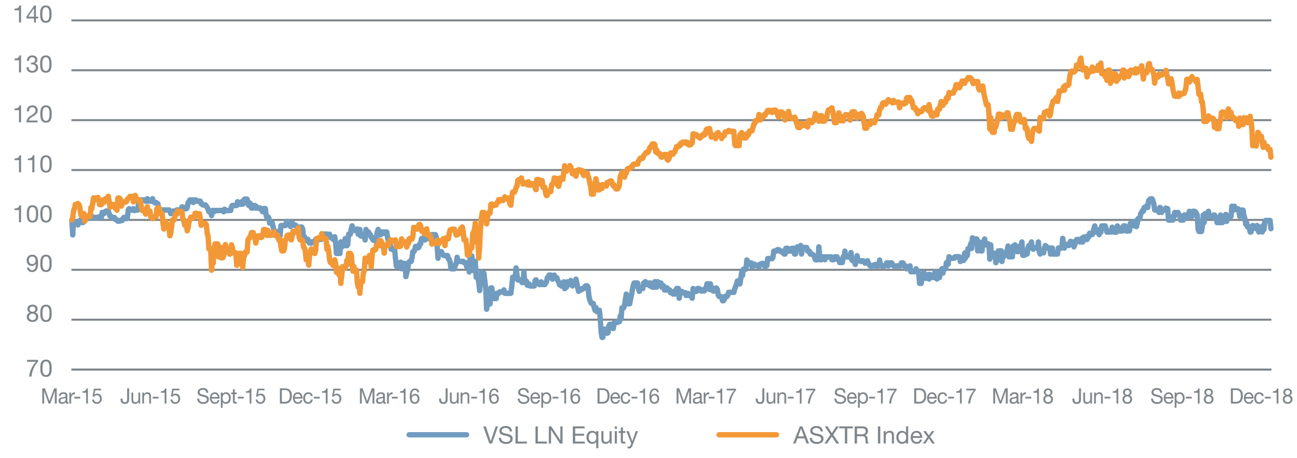
Total Remuneration Paid to Each Director (Audited)

DIRECTORS' REMUNERATION	TOTAL REMUNERATION 2018 £	TOTAL REMUNERATION 2017 £
Andrew Adcock	50,000	50,000
Kevin Ingram	35,000	35,000
Richard Levy	nil	nil
Elizabeth Passey	30,000	30,000
Clive Peggram	30,000	30,000
Total	145,000	145,000

No Director is eligible for any pension entitlements.

Share Price Total Return

The graph below compares the shareholder return on the Company's Shares compared to that of the FTSE All-Share Total Return Index ("ASX Total Return Index") from 16 March 2015 to 31 December 2018. The Board has adopted as this measure for the Company's performance as there is no widely used comparative benchmark for the underlying credit assets that the Company invests in.



Source: Bloomberg.

This graph assumes that on the respective placing dates, £100 was invested in the Ordinary Shares and the FTSE All-Share Total Return Index. The graphs also assume the reinvestment of all cash dividends received prior to any tax effect at the closing share price on the day the dividend was paid.

GOVERNANCE continued

Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on pay.

	2018 £	2017 £
Total Directors' Remuneration	145,000	145,000
Total Share Buyback	8,030,232	8,572,071
Total Dividend Payments	28,959,333	25,344,794

The 2018 total dividend payments above includes the fourth quarter dividend that was paid in the second quarter of 2019. The 2017 total dividend payments above includes the fourth quarter dividend that was declared and paid in the second quarter of 2018. Refer to Note 15 on page 113 for further disclosures on the total dividend payments.

Remuneration Advisors

The Board has not sought the advice or service by any outside person in respect of its consideration of the Directors' remuneration.

Directors' Interests (Audited)

There is no 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 at the end of the period under review were as follows:

DIRECTOR		31 DECEMBER 2018	31 DECEMBER 2017
Andrew Adcock	Ordinary Shares	50,000	50,000
Kevin Ingram	Ordinary Shares	64,968	34,968
Richard Levy	Ordinary Shares	3,571,028	2,664,896
Elizabeth Passey	Ordinary Shares	10,000	10,000
Clive Peggram	Ordinary Shares	258,240	194,740

As at 31 December 2018 and 31 December 2017, Mr Levy's beneficial interests included 2,271,028 and 1,364,896 shares held by Victory Park Capital Advisors LLC ("VPC"), respectively, deemed a person closely associated with Richard Levy under the EU Market Abuse Regulation (MAR). From 1 January 2019 to 26 April 2019 VPC have purchased a further 215,830 shares.

Implementation of Policy in the Next Year

The Board undertook a review of fees against its peer group and agreed that with effect from 1 January 2019 fees would be increased. There has not been an increase in fees since the Company's IPO. From 1 January 2019 the fee payable to the Chairman will be £55,000 per annum and £33,000 per annum for the other Directors (with the exception of Mr Levy who does not receive a fee). The additional fee payable to the Chairman of the Audit and Valuation Committee will remain at £5,000 per annum. Other than the increase in Directors' fees, there are no significant changes to the remuneration policy for the upcoming financial year. The Board may continue to review fees against peer companies and in light of the time commitment and skills of the Directors.

This report was approved by the Board of Directors on 26 April 2019 and signed on its behalf by:

Kevin Ingram
Chairman

26 April 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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 Parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, about the group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that 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 and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

For and on behalf of the Board:

Kevin Ingram
Chairman

26 April 2019

GOVERNANCE continued

REGULATORY DISCLOSURES

AIFMD DISCLOSURES

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company is an Alternative Investment Fund ("AIF") and has appointed Victory Park Capital Advisors, LLC as its Alternative Investment Fund Manager (the "AIFM") to provide portfolio management and risk management services to the Company in accordance with the IMA.

The Company is categorised as an externally managed European Economic Area ("EEA") domiciled AIF for the purposes of the AIFMD. Since the Investment Manager is a non-EEA AIFM, the Investment Manager is only subject to the AIFMD to the extent that it markets an EEA AIF in the EEA. Accordingly, the Investment Manager is required to make only certain financial and non-financial disclosures.

REPORT ON REMUNERATION

AIFMs are obliged to publish certain information for investors and prospective investors and that information may be found either in this annual report or on the Company's website. Any information on remuneration not already disclosed in the remuneration report will be provided to investors on request.

RISK DISCLOSURES

The financial risk disclosures relating to risk framework, gearing and liquidity risk as required in accordance with the AIFMD are set out on pages 24 to 27 and in Note 6 of the financial statements.

PRE-INVESTMENT DISCLOSURES

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. The Company's prospectus, which sets out information on the Company's investment strategy and policies, gearing, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website. There have been no material changes to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

INFORMATION TO BE DISCLOSED IN ACCORDANCE WITH LISTING RULE 9.8.4R

The following table provides cross-references to where the relevant required information by Listing Rule 9.8.4R for the Period is disclosed.

SECTION	LISTING RULE REQUIREMENT	LOCATION
9.8.4 (1)	A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
9.8.4 (2)	Information required in relation to the publication of unaudited financial information.	Not applicable
9.8.4 (3)	This provision has been deleted.	Not applicable
9.8.4 (4)	Details of any long-term incentive schemes.	Not applicable
9.8.4 (5), (6)	Details of any arrangements under which a director has waived emoluments, or agreed to waive any future emoluments, from the company.	Page 46
9.8.4 (7)	Details of any non pre-emptive issues of equity for cash.	Not applicable
9.8.4 (8)	Details of any non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	Not applicable
9.8.4 (9)	Details of parent participation in a placing by a listed subsidiary.	Not applicable
9.8.4 (10)	Details of any contract of significance with the Company (or one of its subsidiaries) with respect to which a director or controlling shareholder is material interested.	Not applicable
9.8.4 (11)	Details of any contract of significance for the provision of services to the Company (or one of its subsidiaries) by a controlling shareholder.	Not applicable
9.8.4 (12), (13)	Details of waiver of dividends by a shareholder.	Not applicable
9.8.4 (14)	Board statement in respect of relationship agreement with the controlling shareholder.	Not applicable

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VPC SPECIALTY LENDING INVESTMENTS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, VPC Specialty Lending Investments PLC's Group financial statements and Parent Company financial statements (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 2018 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the Consolidated and Parent Company Statements of Financial Position as at 31 December 2018; the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows, and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Valuation Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We have provided no non-audit services to the Group or the Parent Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

- Overall Group materiality: £3.2 million (2017: £3.4 million), based on 1% of total equity attributable to shareholders of the Parent Company.
- Overall Parent Company materiality: £3.1 million (2017: £3.4 million), based on 1% of total net assets.

- The Group and Parent Company engages Victory Park Capital Advisors, LLC (the "Investment Manager") to manage its assets.
- The Group invests in opportunities in the financial services market through senior secured balance sheet facilities to financial technology businesses globally and other related opportunities. This includes investing in assets originated by Portfolio Companies as well as through floating rate senior secured credit facilities, equity or other instruments.
- The Group consolidates entities where it determines it has control and consists of 15 legal entities operating in the United Kingdom and United States of America.
- We tailored the scope of our audit taking into account the types of investments within the Group, the involvement of the Investment Manager, the accounting processes and controls, and the industry in which the Group operates.

- Valuation of investments reported at fair value/through profit or loss (Group and Parent Company).
- Valuation of loans reported at amortised cost (Group).
- Income recognition (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK regulatory principles, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and section 1158 of the Corporation Tax Act 2010. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase income or reduce operating expenses, and bias in accounting estimates. Audit procedures performed by the group engagement team included:

- Discussing with the Directors and Investment Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating the controls designed by the Investment Manager and Administrator to prevent and detect irregularities, and obtaining third party due diligence reports for applicable Portfolio Companies to obtain an understanding of the financial reporting related control environments in place;
- Challenging assumptions and judgements made by the Directors and the Investment Manager in their significant accounting estimates and judgements, in particular in relation to the valuation of unlisted equities at fair value and valuation of loan investments reported at amortised cost (see related key audit matters below);
- Identifying and testing of selected journal entries, in particular any involving what we considered to be unusual account combinations, unusual words, or for unusual amounts;
- Testing the Parent Company's compliance with s1158 of the Corporation Tax Act 2010 in the current year; and
- Reviewing of financial statement disclosures to underlying supporting documentation.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

INDEPENDENT AUDITORS' REPORT continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of investment assets designated at fair value through profit or loss (Group and Parent Company) Refer to page 45 (Report of the Audit and Valuation Committee), pages 84, 85 and 88 (Accounting policies) and pages 89 to 94 (Notes to the consolidated financial statements). Investment assets designated at fair value through profit or loss comprised of investments in funds, investments in securitisations and other unquoted investments valued at £66.6m (Group) and £27.9m (Company). The valuation of these investments requires estimates and significant judgements to be applied by the Directors such that changes to key inputs to the estimates, assumptions and/or the judgements made can result, either on an individual investment or in aggregate, in a material change to the valuation.	We understood and evaluated the valuation methodology applied, by reference to accounting standards and industry practice, and tested the techniques used to determine the fair value of investment assets designated at fair value through profit or loss. On a sampling basis, our testing included: ❖ obtaining and reading copies of audited financial statements of the investments made in funds; ❖ utilising our valuation experts to determine an independently derived range of appropriate values for investments in securitsation interests and comparing the Group's valuation to this range; and ❖ performing substantive procedures to corroborate the accuracy of inputs used in valuations for other unquoted investments, including recent transaction prices. We also read the valuation reports prepared by the Investment Manager used in Investment Committee meetings where the valuations of the investments were discussed and agreed with the Directors. This, together with the work outlined above and our knowledge of the underlying investments enabled us to assess the appropriateness of the methodology and key inputs used, and the valuations themselves. We found that the valuation of investments reported at fair value through profit or loss were consistent with the Group's accounting policies, IFRSs as adopted by the European Union, and that the assumptions used were supportable based on the investee's actual and expected financial performance.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of loans reported at amortised cost less provisions for impairment (Group) Refer to page 45 (Report of the Audit and Valuation Committee), pages 80 to 82 and 86 to 88 (Accounting policies) and pages 106 to 108 (Notes to the consolidated financial statements). Loans reported at amortised cost represented a material balance in the financial statements and the impairment assessment requires estimates and significant judgements to be applied by the Directors such that changes to key inputs to the estimates and/or the judgements made can result, either on an individual loan or in aggregate, in a material change to the valuation. The Group adopted IFRS 9 on 1 January 2018 and introduced significant changes to the estimation of impairment as losses are now recognised on an expected, forward looking basis, reflecting the Group's view of potential future economic events. As a result, the Group adopted a new methodology incorporating a number of estimates that are required to determine impairment provisions under IFRS 9. The assumptions and estimates of most significance include the following: ❖ The application of Portfolio Company cumulative loss rates, ❖ The 'staging' thresholds selected by the Investment Manager to determine a significant increase in credit risk, and hence whether a 12 month or lifetime expected credit loss provision is recorded; and ❖ The application of forward looking economic assumptions used in the models, including the Investment Manager's assumptions for a downside scenario.	We understood and evaluated the expected credit loss methodology applied, by reference to accounting standards and industry practice, and tested the techniques used, in determining the amortised cost amount and recognition of any impairment loss. Our testing included: ❖ updating our understanding of Investment Manager's impairment methodology used under IFRS 9; ❖ conducting a review of the Investment Manager's methodology, including key assumptions and parameters to ensure it is in line with IFRS 9 and appropriate given our understanding of the portfolio; ❖ testing the modelling methodology on a sample basis using our modelling specialists; ❖ assessing the appropriateness of staging criteria assumptions and adherence to IFRS 9 requirements; ❖ evaluating the reasonableness of economic scenarios applied; ❖ testing on a sample basis the integrity of the data used in the models; ❖ testing the collateral coverage of the balance sheet loans and reviewed related loan covenants at the Portfolio Company level; and ❖ testing the Investment Manager's controls over the accuracy of Portfolio Company loan reporting, adherence to loan risk criteria and their review of operational strength of the Portfolio Companies. We found that the valuation of loans reported at amortised cost was supportable.
Income recognition (Group) Refer to page 45 (Report of the Audit and Valuation Committee), page 78 (Accounting policies) and page 97 (Notes to the consolidated financial statements). There is a risk of fraud in income recognition because of the pressure management may feel to achieve the targeted revenue yield in line with the objective of the Group. We focused on the recognition policy adopted by the Group, and on the accuracy and completeness of interest income from loans, and its presentation in the Consolidated Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate income could have a material impact on the Group's net asset value and dividend.	We assessed the accounting policy for income recognition and determined that it was in compliance with IFRSs as adopted by the European Union and the AIC SORP. We tested that income had been recognised in accordance with the accounting policy and noted no exceptions. We understood and evaluated the design and implementation of controls surrounding income recognition. We performed sample testing on loan interest income, agreeing interest rates and maturities to supporting documentation, including loan agreements. We tested the allocation and presentation of income between the income and capital return columns of the Consolidated Statement of Comprehensive Income in line with the requirements set out in the AIC SORP. We found that the income recognised by Group was supportable based on the audit evidence obtained.

INDEPENDENT AUDITORS' REPORT continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Parent Company financial statements
Overall materiality	£3.2 million (2017: £3.4 million).	£3.1 million (2017: £3.4 million).
How we determined it	1% of total equity attributable to shareholders of the Parent Company.	
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for Investment Trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate basis for our audit.	

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £163,000 (Group audit) (2017: £170,000) and £156,000 (Parent company audit) (2017: £169,830) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

REPORTING OBLIGATION	OUTCOME
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (*(CA06)*

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement on pages 29 to 43 about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. *(CA06)*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement on pages 29 to 43 with respect to the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. *(CA06)*

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company. *(CA06)*

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 24 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 33 of the Annual Report 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 have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. *(Listing Rules)*

INDEPENDENT AUDITORS' REPORT continued

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 49, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- The section of the Annual Report on page 43 describing the work of the Audit and Valuation Committee does not appropriately address matters communicated by us to the Audit and Valuation Committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 49, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the Directors on 24 July 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2015 to 31 December 2018.

Richard McGuire *(Senior Statutory Auditor)*
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 April 2019

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTES	31 DECEMBER 2018 £	31 DECEMBER 2017 £
Assets			
Cash and cash equivalents	7	3,269,332	18,353,574
Cash posted as collateral	7	2,282,428	4,427,301
Derivative financial assets	3,4	1,241,936	3,297,847
Interest receivable		3,476,653	3,576,027
Dividend and distribution receivable		619,040	530,826
Other assets and prepaid expenses		772,749	798,169
Loans at amortised cost	3,9	306,781,153	306,446,357
Investment assets designated as held at fair value through profit or loss	3	66,644,557	59,583,265
Total assets		**385,087,848**	**397,013,366**
Liabilities			
Management fee payable	10	153,301	420,339
Performance fee payable	10	2,277,215	–
Securities sold under agreements to repurchase		1,341,981	8,941,557
Derivative financial liabilities	3,4	471,607	–
Unsettled share buyback payable		–	194,682
Deferred income		544,585	776,514
Other liabilities and accrued expenses		989,615	2,138,315
Notes payable	8	51,329,831	44,298,421
Total liabilities		**57,108,135**	**56,769,828**
Total assets less total liabilities		**327,979,713**	**340,243,538**

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

AS AT 31 DECEMBER 2018

	NOTES	31 DECEMBER 2018 £	31 DECEMBER 2017 £
Capital and reserves			
Called-up share capital		20,300,000	20,300,000
Share premium account		161,040,000	161,040,000
Other distributable reserve	14	171,731,558	179,761,790
Capital reserve		(47,783,336)	(35,643,747)
Revenue reserve		21,196,678	12,661,243
Currency translation reserve		1,248,467	1,281,731
Total equity attributable to shareholders of the Parent Company		**327,733,367**	**339,401,017**
Non-controlling interests	18	246,346	842,521
Total equity		**327,979,713**	**340,243,538**
Net Asset Value per Ordinary Share	12	91.01p	91.68p

Signed on behalf of the Board of Directors by:

Kevin Ingram
Chairman

26 April 2019

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	REVENUE £	CAPITAL £	TOTAL £
Revenue				
Net gain (loss) on investments	5	–	(2,237,867)	(2,237,867)
Foreign exchange gain (loss)		–	(3,690,284)	(3,690,284)
Interest income	5	45,018,101	818,323	45,836,424
Other income	5	3,020,243	–	3,020,243
Total return		48,038,344	(5,109,828)	42,928,516
Expenses				
Management fee	10	3,424,009	74,322	3,498,331
Performance fee	10	2,277,215	–	2,277,215
Credit impairment losses	9	–	2,566,435	2,566,435
Other expenses	10	2,540,943	292,783	2,833,726
Total operating expenses		8,242,167	2,933,540	11,175,707
Finance costs		2,751,299	49,170	2,800,469
Net return on ordinary activities before taxation		37,044,878	(8,092,538)	28,952,340
Taxation on ordinary activities	11	–	–	–
Net return on ordinary activities after taxation		37,044,878	(8,092,538)	28,952,340
Attributable to:				
Equity shareholders		37,044,878	(8,428,961)	28,615,917
Non-controlling interests	18	–	336,423	336,423
Return per Ordinary Share (basic and diluted)	13	10.13p	-2.31p	7.83p
Other comprehensive income				
Currency translation differences		–	27,823	27,823
Total comprehensive income		37,044,878	(8,064,715)	28,980,163
Attributable to:				
Equity shareholders		37,044,878	(8,462,225)	28,582,653
Non-controlling interests	18	–	397,510	397,510

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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. Amounts in Other comprehensive income may be reclassified to profit or loss in future periods.

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

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

	NOTES	REVENUE £	CAPITAL £	TOTAL £
Revenue				
Net gain (loss) on investments	5	–	(18,623,131)	(18,623,131)
Foreign exchange gain (loss)		–	(2,201,214)	(2,201,214)
Interest income	5	35,751,011	23,695,267	59,446,278
Other income	5	2,173,830	–	2,173,830
Total return		37,924,841	2,870,922	40,795,763
Expenses				
Management fee	10	3,445,583	1,122,733	4,568,316
Performance fee	10	844,773	–	844,773
Impairment charge	9	–	15,462,723	15,462,723
Other expenses	10	2,085,488	3,556,054	5,641,542
Total operating expenses		6,375,844	20,141,510	26,517,354
Finance costs		2,819,035	4,889,470	7,708,505
Net return on ordinary activities before taxation		28,729,962	(22,160,058)	6,569,904
Taxation on ordinary activities	11	–	–	–
Net return on ordinary activities after taxation		28,729,962	(22,160,058)	6,569,904
Attributable to:				
Equity shareholders		28,729,962	(19,548,346)	9,181,616
Non-controlling interests	18	–	(2,611,712)	(2,611,712)
Return per Ordinary Share (basic and diluted)	13	7.76p	-5.28p	2.48p
Other comprehensive income				
Currency translation differences		–	2,852,356)	(2,852,356)
Total comprehensive income		28,729,962	(25,012,414)	3,717,548
Attributable to:				
Equity shareholders		28,729,962	(19,344,206)	9,385,756
Non-controlling interests	18	–	(5,668,208)	(5,668,208)

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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. Amounts in Other comprehensive income may be reclassified to profit or loss in future periods.

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	CALLED UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	CURRENCY TRANSLATION RESERVE £	TOTAL SHARE-HOLDERS' EQUITY £	NON-CONTROLLING INTERESTS £	TOTAL EQUITY £
Opening balance at 1 January 2018	20,300,000	161,040,000	179,761,790	(35,643,747)	12,661,243	1,281,731	339,401,017	842,521	340,243,538
Changes on initial application of IFRS 9 (See Note 2)	–	–	–	(3,710,628)	–	–	(3,710,628)	(62,402)	(3,773,030)
Restated balance at 1 January 2018	20,300,000	161,040,000	179,761,790	(39,354,375)	12,661,243	1,281,731	335,690,389	780,119	336,470,508
Amounts paid on buyback of Ordinary Shares	–	–	(8,030,232)	–	–	–	(8,030,232)	–	(8,030,232)
Contributions by non-controlling interests	–	–	–	–	–	–	–	–	–
Distributions to non-controlling interests	–	–	–	–	–	–	–	(931,283)	(931,283)
Return on ordinary activities after taxation	–	–	–	(8,428,961)	37,044,878	–	28,615,917	336,423	28,952,340
Dividends declared and paid	–	–	–	–	(28,509,443)	–	(28,509,443)	–	(28,509,443)
Other comprehensive income									
Currency translation differences	–	–	–	–	–	(33,264)	(33,264)	61,087	27,823
Closing balance at 31 December 2018	20,300,000	161,040,000	171,731,558	(47,783,336)	21,196,678	1,248,467	327,733,367	246,346	327,979,713

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	CALLED UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	CURRENCY TRANSLATION RESERVE £	TOTAL SHARE-HOLDERS' EQUITY £	NON-CONTROLLING INTERESTS £	TOTAL EQUITY £
Opening balance at 1 January 2017	20,300,000	161,040,000	188,394,286	(16,095,401)	8,340,831	1,077,591	363,057,307	34,910,616	397,967,923
Amounts paid on buyback of Ordinary Shares	–	–	(8,632,496)	–	–	–	(8,632,496)	–	(8,632,496)
Contributions by non-controlling interests	–	–	–	–	–	–	–	–	–
Distributions to non-controlling interests	–	–	–	–	–	–	–	(28,399,887)	(28,399,887)
Return on ordinary activities after taxation	–	–	–	(19,548,346)	28,729,962	–	9,181,616	(2,611,712)	6,569,904
Dividends declared and paid	–	–	–	–	(24,409,550)	–	(24,409,550)	–	(24,409,550)
Other comprehensive income									
Currency translation differences	–	–	–	–	–	204,140	204,140	(3,056,496)	(2,852,356)
Closing balance at 31 December 2017	20,300,000	161,040,000	179,761,790	(35,643,747)	12,661,243	1,281,731	339,401,017	842,521	340,243,538

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	31 DECEMBER 2018 £	31 DECEMBER 2017 £
Cash flows from operating activities:			
Total comprehensive income		28,980,163	3,717,548
Adjustments for:			
– Interest income		(45,836,424)	(58,070,136)
– Dividend and distribution income	5	(3,020,243)	(2,173,830)
– Finance costs		2,800,469	7,708,505
– Exchange (gains) losses		3,690,284	2,852,356
Total		(13,385,751)	(45,965,557)
Unrealised (appreciation) depreciation on investment assets designated as held at fair value through profit or loss		(3,742,589)	11,670,257
Unrealised (appreciation) depreciation on derivative financial assets		2,055,911	(3,297,847)
Unrealised appreciation (depreciation) on derivative financial liabilities		471,607	(6,932,184)
Decrease in other assets and prepaid expenses		25,420	2,146,183
Decrease in management fee payable		(267,038)	(420,787)
Increase (decrease) in performance fee payable		2,277,215	(459,410)
Decrease in dividend withholding tax payable		–	(1,018,889)
Increase (decrease) in deferred income		(231,929)	3,005
Decrease in accrued expenses and other liabilities		(1,398,061)	(1,038,942)
Impairment of loans		2,566,435	15,462,723
Net cash inflow (outflow) from operating activities		(11,628,780)	(29,851,448)
Cash flows from investing activities:			
Interest received		45,935,798	59,834,325
Dividends received		2,932,029	2,450,333
Purchase of investment assets designated as held at fair value through profit or loss		(15,969,370)	(22,767,340)
Sale of investment assets designated as held at fair value through profit or loss		9,644,595	13,150,939
Purchase of loans		(155,249,273)	(192,846,433)
Redemption or sale of loans		148,575,012	340,893,872
Reduction of cash posted as collateral		2,144,873	6,279,109
Net cash inflow (outflow) from investing activities		38,013,664	206,994,805

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF CASH FLOWS continued

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	31 DECEMBER 2018 £	31 DECEMBER 2017 £
Cash flows from financing activities:			
Dividends distributed		(28,509,443)	(24,409,550)
Treasury shares repurchased		(8,224,914)	(9,604,680)
Distributions to non-controlling interests		(931,283)	(28,399,887)
Increase (decrease) in amounts payable under agreements to repurchase		(7,773,133)	(869,515)
Increase (decrease) in note payable		6,065,331	(141,570,290)
Finance costs paid		(2,551,108)	(7,386,132)
Net cash inflow (outflow) from financing activities		(41,924,550)	(212,240,054)
Net change in cash and cash equivalents		(15,539,666)	(35,096,697)
Exchange gains (losses) on cash and cash equivalents		455,424	(2,852,356)
Cash and cash equivalents at the beginning of the period		18,353,574	56,302,627
Cash and cash at the end of the period	7	3,269,332	18,353,574

See notes to the consolidated financial statements

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	NOTES	31 DECEMBER 2018 £	31 DECEMBER 2017 £
Assets			
Cash and cash equivalents	7	1,804,063	16,137,420
Cash pledged as collateral	7	2,282,428	4,427,301
Derivative financial assets	3,4	1,241,936	3,297,847
Interest receivable		3,804,526	3,769,894
Other current assets and prepaid expenses		446,506	535,361
Investments in subsidiaries	17	280,381,196	286,614,455
Investment assets designated as held at fair value through profit or loss	3	27,922,819	26,962,134
Total assets		317,883,474	341,744,412
Liabilities			
Derivative financial liabilities	3,4	471,607	–
Performance fee payable	10	2,277,215	–
Management fee payable	10	153,301	377,252
Unsettled share buyback payable		–	194,682
Deferred income		544,585	776,514
Other liabilities and accrued expenses		490,343	736,822
Total liabilities		3,937,051	2,085,270
Total assets less total liabilities		313,946,423	339,659,142
Equity attributable to Shareholders of the Company			
Called-up share capital	14	20,300,000	20,300,000
Share premium account	14	161,040,000	161,040,000
Other distributable reserve	14	171,731,558	179,761,790
Capital reserve		(60,321,814)	(34,103,892)
Revenue reserve		21,196,679	12,661,244
Total equity		313,946,423	339,659,142
Net return on ordinary activities after taxation		10,826,956	40,902,993

Signed on behalf of the Board of Directors by:

Kevin Ingram
Chairman

26 April 2019

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	CALLED-UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	TOTAL £
Opening balance at 1 January 2018	20,300,000	161,040,000	179,761,790	(34,103,892)	12,661,244	339,659,142
Amounts paid on repurchase of Ordinary Shares	–	–	(8,030,232)	–	–	(8,030,232)
Return on ordinary activities after taxation	–	–	–	(26,217,922)	37,044,878	10,826,956
Dividends declared and paid	–	–	–	–	(28,509,443)	(28,509,443)
Closing balance at 31 December 2018	20,300,000	161,040,000	171,731,558	(60,321,814)	21,196,679	313,946,423

See notes to the consolidated financial statements

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	CALLED-UP SHARE CAPITAL £	SHARE PREMIUM £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	TOTAL £
Opening balance at 1 January 2017	20,300,000	161,040,000	188,394,286	(46,276,922)	8,340,831	331,798,195
Amounts paid on repurchase of Ordinary Shares	–	–	(8,632,496)	–	–	(8,632,496)
Return on ordinary activities after taxation	–	–	–	12,173,030	28,729,963	40,902,993
Dividends declared and paid	–	–	–	–	(24,409,550)	(24,409,550)
Closing balance at 31 December 2017	20,300,000	161,040,000	179,761,790	(34,103,892)	12,661,244	339,659,142

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	31 DECEMBER 2018 £	31 DECEMBER 2017 £
Cash flows from operating activities:			
Net return on ordinary activities after taxation		10,826,956	40,902,993
Adjustments for:			
-- Interest income		(37,216,928)	(32,861,333)
-- Exchange (gains) losses		17,735,354	(3,896,049)
Total		(8,654,618)	4,145,611
Unrealised appreciation (depreciation) on investment assets designated as held at fair value through profit or loss		(1,403,469)	4,535,009
Unrealised appreciation/(depreciation) on investments in subsidiaries		(10,087,294)	1,989,449
Unrealised (appreciation) depreciation on derivative financial assets		2,055,911	(10,230,031)
Unrealised appreciation on derivative financial liabilities		471,607	–
Decrease in other assets and prepaid expenses		88,855	1,063,334
Decrease in management fee payable		(223,951)	(191,736)
Increase (decrease) in performance fee payable		2,277,215	(459,410)
Decrease in dividend withholding tax payable		–	(1,018,889)
Increase (decrease) in deferred income		(231,929)	3,005
Increase (decrease) in accrued expenses and other liabilities		(246,479)	263,685
Net cash inflow (outflow) from operating activities		(15,954,152)	100,027
Cash flows from investing activities:			
Interest received		37,182,296	31,762,742
Purchase of investment assets designated as held at fair value through profit or loss		(3,172,672)	(3,871,909)
Sale of investment assets designated as held at fair value through profit or loss		3,615,456	3,673,097
Purchase of investments in subsidiaries		(127,996,180)	(196,067,355)
Sales of investment in subsidiaries		126,125,955	166,226,619
Cash posted as collateral		2,144,873	6,279,109
Net cash inflow (outflow) from investing activities		37,899,728	8,002,303
Cash flows from financing activities			
Treasury Shares repurchased		(8,224,914)	(9,604,680)
Dividends paid		(28,509,443)	(24,409,550)
Net cash inflow (outflow) from financing activities		(36,734,357)	(34,014,230)
Net change in cash and cash equivalents		(14,788,781)	(25,911,900)
Exchange gains (losses) on cash and cash equivalents		455,424	3,896,049
Cash and cash equivalents as the beginning of the period		16,137,420	38,153,271
Cash and cash equivalents at the end of the period	7	1,804,063	16,137,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

The investment objective of VPC Specialty Lending Investments PLC (the "Parent Company") with its subsidiaries (together "the Group") is to generate an attractive total return for shareholders consisting of distributable income and capital growth through investments in specialty lending opportunities. The Parent Company was incorporated in England and Wales on 12 January 2015 with the registered number 9385218. The Parent Company commenced its operations on 17 March 2015 and intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Group's investment manager is Victory Park Capital Advisors, LLC (the "Investment Manager"), a US Securities and Exchange Commission registered investment adviser. The Investment Manager also acts as the Alternative Investment Fund Manager of the Group under the Alternative Investment Fund Managers Directive ("AIFMD"). The Parent Company is defined as an Alternative Investment Fund and is subject to the relevant articles of the AIFMD.

The Group will invest directly or indirectly into available opportunities, including by making investments in, or acquiring interests held by, third party funds (including those managed by the Investment Manager or its affiliates). Direct investments may include consumer loans, SME loans, advances against corporate trade receivables and/or purchases of corporate trade receivables ("Debt Instruments") originated by platforms which engage with and directly lend to borrowers ("Portfolio Companies"). Such Debt Instruments may be subordinated in nature, or may be second lien, mezzanine or unsecured loans. Indirect investments may include investments in Portfolio Companies (or in structures set up by Portfolio Companies) through the provision of credit facilities ("Credit Facilities"), equity or other instruments. Additionally, the Group's investments in Debt Instruments and Credit Facilities may be made through subsidiaries of the Parent Company or through partnerships or other structures. The Group may also invest in other specialty lending related opportunities through any combination of debt facilities, equity or other instruments.

As at 31 December 2018, the Parent Company held equity in the form of 382,615,665 Ordinary Shares, 360,110,883 Ordinary Shares in issue and 22,504,782 Ordinary Shares in Treasury (31 December 2017: 382,615,665 Ordinary Shares, 370,187,947 Ordinary Shares in issue and 12,427,718 Ordinary Shares in Treasury). The Ordinary Shares are listed on the premium segment of the Official List of the UK Listing Authority and trade on the London Stock Exchange's main market for listed securities.

Northern Trust Hedge Fund Services LLC (the "Administrator") has been appointed as the administrator of the Group. The Administrator is responsible for the Group's general administrative functions, such as the calculation and publication of the Net Asset Value ("NAV") and maintenance of the Group's accounting records.

For any terms not herein defined, refer to Part X of the IPO Prospectus. The Parent Company's IPO Prospectus dated 26 February 2015 is available on the Parent Company's website, http://vpcspecialtylending.com.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are set out below:

Basis of preparation

The consolidated financial statements present the financial performance of the Group for the year ended 31 December 2018. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). They comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Committee, interpretations approved by the International Accounting Standard Committee that remain in effect, to the extent they have been adopted by the European Union. The financial statements are also in compliance with relevant provisions of the Companies Act 2006 as applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the valuation of investments and derivative financial instruments at fair value. Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The principal accounting policies adopted are set out below.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in November 2014 and updated in January 2017 and February 2018 with consequential amendments is consistent with the requirements of IFRS, the Directors have sought to prepare the consolidated financial statements on a basis compliant with the recommendations of the SORP.

The Parent Company and Group's presentational currency is Pound Sterling (£). Pound Sterling is also the functional currency because it is the currency of the Parent Company's share capital and the currency which is most relevant to the majority of the Parent Company's Shareholders. The Group enters into forward currency Pound Sterling hedges where operating activity is transacted in a currency other than the functional currency.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The Parent Company controls an entity when the Parent Company is exposed to, or has rights to, variable returns from its investment and has the ability to affect those returns through its power over the entity. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The accounting policies of the subsidiaries have been applied on a consistent basis to ensure consistency with the policies adopted by the Parent Company. The period ends for the subsidiaries are consistent with the Parent Company.

Subsidiaries of the Parent Company, where applicable, have been consolidated on a line by line basis as the Parent Company does not meet the definition of an investment entity under IFRS 10 because it does not measure and evaluate the performance of all of its investments on the fair value basis of accounting.

Changes in accounting policies

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The Group has also elected to continue to apply the hedge accounting requirements of IAS 30 on adoption of IFRS 9.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

Adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail below.

Classification and measurement of financial instruments

The Group has applied IFRS 9 which includes three principal classification categories for financial assets which must be designated at initial recognition. Financial assets are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortised cost based on the nature of the cash flows of the assets and an entity's business model. These categories replace the existing IAS 39 classifications of fair value through profit and loss ("FVTPL"), available for sale ("AFS"), loans and receivables, and held-to-maturity.

For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9.

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39 MEASUREMENT CATEGORY	IAS 39 CARRYING AMOUNT	IFRS 9 MEASUREMENT CATEGORY	IFRS 9 CARRYING AMOUNT
Financial Assets				
Loans at amortised cost	Amortised cost (Held-to-maturity)	306,446,357	Amortised Cost	302,673,327
Investment assets designated as held at fair value through profit or loss	FVPL (Held for trading)	59,583,265	FVTPL	59,583,265
Cash and cash equivalents	Amortised cost (Loans and receivables)	18,353,574	Amortised Cost	18,353,574
Cash posted as collateral	Amortised cost (Loans and receivables)	4,427,301	Amortised Cost	4,427,301
Derivative financial assets	FVPL (Held for trading)	3,297,847	FVTPL	3,297,847
Interest receivable	Amortised cost (Loans and receivables)	3,576,027	Amortised Cost	3,576,027
Dividend and distribution receivable	Amortised cost (Loans and receivables)	530,826	Amortised Cost	530,826
Other assets and prepaid expenses	Amortised cost (Loans and receivables)	798,169	Amortised Cost	798,169
Total assets		397,013,366		393,240,336

The introduction of IFRS 9 has had no impact on the classification of financial instruments, with no portfolios previously held at amortised cost failing the cashflow or business model tests. Movements in carrying values are driven by changes in impairment policy.

There were no changes to the classification and measurement of financial liabilities.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The total remeasurement of £3,773,030 was recognised in opening reserves at 1 January 2018. The remeasurement relates to the changes due to the new expected credit loss ("ECL") model.

The incurred loss model under IAS 39 is replaced with a new expected loss model. Impairment provisions are driven by changes in the credit risk of instruments, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial recognition. Risk of default and expected credit losses must incorporate forward-looking and macroeconomic information.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The following table reconciles the Group's carrying amounts of financial assets at amortised cost, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	31 DECEMBER 2017 IAS 39 CARRYING AMOUNT £	RECLASSIFICATION £	REMEASUREMENTS £	1 JANUARY 2018 IFRS 9 CARRYING AMOUNT £
Loans at amortised cost				
Opening balance under IAS 39	308,789,378	–	–	308,789,378
Reclassification	–	–	–	–
ECL or equivalent	(2,343,021)	–	(3,773,030)	(6,116,051)
Closing balance under IFRS 9				302,673,327

The total remeasurement loss of £3,773,030 was recognised in opening reserves at 1 January 2018. There were no changes due to reclassification.

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The new requirements of IFRS 9 have been applied by adjusting the Statement of Financial Position on 1 January 2018, the date of initial application. The Company has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to financial information.

Under IFRS 9, no impairment loss is recognised on equity investments. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12 month expected credit loss ("ECL"), or lifetime ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument, whereas 12-month ECLs are the portion of the ECL that result from default events that are possible within 12 months after the reporting date.

Under IFRS 9, credit loss allowances will be measured on each reporting date according with a three-stage ECL impairment model:

Stage 1 – from initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.

Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.

Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses will be recognised. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Under IFRS 9, the population of financial assets and corresponding allowances disclosed as Stage 3 will not necessarily correspond to the amounts of financial assets currently disclosed as impaired in accordance with IAS 39. Consistent with IAS 39, loans are written off when there is no realistic probability of recovery.

Given that all financial assets within the scope of the IFRS 9 impairment model will be assessed for at least 12-months of expected credit losses, and the population of financial assets to which full lifetime expected credit losses applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with IAS 39, loss allowances will be higher under IFRS 9 relative to IAS 39.

Changes in the required credit loss allowance, including the impact of movements between Stage 1 and Stage 2, will be recorded in the Consolidated Statement of Comprehensive Income. The impact of moving between 12 months and lifetime expected credit losses and the application of forward looking information, means provisions may be more volatile under IFRS 9 than IAS 39.

The following tables reconcile the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new ECL allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018.

ECL allowance measured in accordance with IFRS 9 as at 1 January 2018:

INTERNAL GRADE	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	IFRS 9 TOTAL IMPAIRMENT OF LOANS RESERVED AGAINST
A – 1	–	–	–	–	–
A – 2	760,741	19,224	–	661,604	1,441,569
B	179,272	977,688	–	3,083,442	4,240,402
C	49,532	54,578	–	329,970	434,080
Totals	989,545	1,051,490	–	4,075,016	6,116,051

Impairment of loans reserved against in accordance with IAS 39 as at 31 December 2017:

INTERNAL GRADE	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	IAS 39 TOTAL IMPAIRMENT OF LOANS RESERVED AGAINST
A – 1	–	–	–	–	–
A – 2	61,786	18,726	–	419,819	500,331
B	97,254	154,981	–	1,276,351	1,528,586
C	14,612	53,164	–	246,328	314,104
Totals	173,652	226,871	–	1,942,498	2,343,021

INTERNAL GRADE	DEFINITION
A – 1	Balance sheet loans structured with credit enhancement and strong operating liquidity positions
A – 2	High credit quality borrowers or balance sheet loans structured with credit enhancement
B	High credit quality borrowers with some indicators of credit risk or balance sheet loans with limited structural credit enhancement
C	Borrowers with elevated levels of credit risk

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment. The Parent Company assesses at each balance sheet date whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that investments in subsidiaries are impaired. Investments in subsidiaries are non-monetary items and therefore the costs of investment in currencies other than Pound Sterling are translated to at the rate of exchange ruling on the date the investment is made.

The total net asset value shown on the Parent Company Statement of Financial Position is therefore lower than the consolidated net asset value shown for the Group by £13,786,944 as at 31 December 2018 (31 December 2017: greater than by £258,125).

Presentation of Consolidated Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with the guidance set out by the AIC, supplementary information which analyses the Consolidated Statement of Comprehensive Income between items of revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income.

The Directors have taken advantage of the exemption under Section 408 of the Companies Act 2006 and accordingly have not presented a separate Parent Company statement of comprehensive income. The net return on ordinary activities after taxation of the Parent Company was £10,826,956 (31 December 2017: £40,902,993).

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Income

For financial instruments measured at amortised cost, the effective interest rate method is used to measure the carrying value of a financial asset or liability and to allocate associated interest income or expense in the revenue account over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees received and paid, costs borne that are an integral part of the effective interest rate and all other premiums or discounts above or below market rates.

Dividend income from investments is taken to the revenue account on an ex-dividend basis. Bank interest and other income receivable is accounted for on an effective interest basis. Dividend income from investments is reflected in Other income on the Statement of Comprehensive Income beginning in 2018 as a result of the new IFRS 9 standard updating the disclosure requirements of IAS 1. Further disclosure can be found in Note 5.

Distributions from investments in funds are accounted for on an accrual basis as of the date the Group is entitled to the distribution. The income is treated as revenue return provided that the underlying assets of the investments comprise solely income generating loans, or investments in lending platforms which themselves generate net interest income. Distributions from investments in funds is reflected in Other income on the Statement of Comprehensive Income beginning in 2018 as a result of the new IFRS 9 standard updating the disclosure requirements of IAS 1. Further disclosure can be found in Note 5.

Interest income from Investment assets designated as held at fair value through profit or loss are reflected in Other income on the Statement of Comprehensive Income beginning in 2018 as a result of the new IFRS 9 standard updating the disclosure requirements of IAS 1. Further disclosure can be found in Note 5.

Finance costs

Finance costs are recognised using the effective interest rate method. The Group currently charges all finance costs to either revenue or capital based on retained earnings of the investment that generates the fees from the prospective of the Parent Company.

Expenses

Expenses not directly attributable to generating a financial instrument are recognised as services are received, or on the performance of a significant act which means the Group has become contractually obligated to settle those amounts.

The Group currently charges all expenses, including investment management fees and performance fees, to either revenue or capital based on the retained earnings of the investment that generates the fees from the prospective of the Parent Company. All operating expenses of the Parent Company are charged to revenue as the current expectation is that the majority of the Group and Parent Company's return will be generated through revenue rather than capital gains on investments.

At 31 December 2018, management fees of £74,322 (31 December 2017: £1,122,733) have been charged to the capital return of the Group. No management or performance fees were charged to capital at the Parent Company. Refer to Note 10 for further details of the management and performance fees.

All expenses are accounted for on an accruals basis.

Dividends payable to Shareholders

Dividends payable to Shareholders are recognised in the Consolidated Statement of Changes in Equity when they are paid or have been approved by Shareholders in the case of a final dividend and become a liability to the Parent Company.

Taxation

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

In line with the recommendations of SORP for investment trusts issued by the AIC, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Consolidated Statement of Comprehensive Income is the "marginal basis".

Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Consolidated Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Investment trusts which have approval as such under section 1158 of the Corporation Taxes Act 2010 are not liable for taxation on capital gains.

Financial assets and financial liabilities

The Group classifies its financial assets and financial liabilities in one of the following categories below. The classification depends on the purpose for which the financial assets and liabilities were acquired. The classification of financial assets and liabilities are determined at initial recognition.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 introduces a principal-based approach and applies one classification approach for all types of financial assets. For Debt Instruments, two criteria are used to determine how financial assets should be classified and measured:

- The entity's business model (i.e. how an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both); and
- The contractual cash flow characteristics of the financial asset (i.e. whether the contractual cash flows are solely payments of principal and interest).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described further in this note.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through the Other Comprehensive Income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the investments amortised cost which is recognised in the Consolidated Statement of Comprehensive Income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the Consolidated Statement of Comprehensive Income and recognised in Income. Interest income from these financial assets in included in Income using the EIRM.

Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to the Consolidated Statement of Comprehensive Income. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. All equity positions are measured at FVTPL. Financial assets measured at FVTPL are recognised in the balance sheet at their fair value. Fair value gains and losses together with interest coupons and dividend income are recognised in the income statement within net trading income in the period in which they occur. The fair values of assets and liabilities traded in active markets are based on current bid and offer prices respectively. If the market is not active the Group establishes a fair value by using valuation techniques. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9.

Business model assessment

The Group will assess the objective of the business model in which a financial asset is held at a portfolio level in order to generate cash flows because this best reflects the way the business is managed, and information is provided to the Investment Manager. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable, then the financial assets are classified as part of the other business model and measured at FVTPL.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The information that will be considered by the Group in determining the business model includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, including whether the strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- Past experience on how the cash flows for these assets were collected;
- How the performance of the portfolio is evaluated and reported to the Investment Manager;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Investment Manager's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument will be considered to see if the contractual cash flows are consistent with a basic lending arrangement. In making the assessment, the following features will be considered:

- Contingent events that would change the amount and timing of cash flows;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money, e.g. periodic reset of interest rates.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification that has taken place forms the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Expected Credit loss allowance for financial assets measured at amortised cost

IFRS 9 changes the basis of recognition of impairment on financial assets from an incurred loss to an expected credit loss (ECL) approach for amortised cost and FVOCI financial assets. This introduces a number of new concepts and changes to the approach to provisioning compared with the previous methodology under IAS 39.

The Credit impairment losses in the income statement includes the change in expected credit losses which are recognised for loans and advances to customers, other financial assets held at amortised cost and certain loan commitments.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"), taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate ("EIR").

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12M EAD") or over the remaining lifetime ("Lifetime EAD"). For example, for a revolving commitment, the Group includes

the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The estimated credit loss ("ECL") is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

General expectations with regards to expected losses on loans at a given level of delinquency are assessed based on (a) an analysis of loan collateral and credit enhancement (for collateralised balance sheet investments), and (b) historical roll rates on the marketplace loans (marketplace loans). Impairments are recognised once a loan is deemed to have a non-trivial likelihood of facing a material loss. The expected credit loss allowance reflects the increasing likelihood of loss as (a) collateral and credit enhancement become diminished or impaired (for collateralised balance sheet investments), or (b) loans progress to more advanced stages of delinquency (marketplace loans) as more payments are missed and are calculated based on historical performance of similar loans within the Group's investment portfolio. As loans progress through the levels of delinquency, the Group applies a greater amount of expected credit loss allowance on the loan balance.

Unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. The Group does not rebut the presumption in IFRS 9 that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk. The assessment as to when a financial asset has experienced a significant increase in the probability of default requires the application of management judgement.

In addition, the Group considers a financial instrument to have experienced a significant increase in credit risk when one of the following have occurred:

- Significant increase in credit spread;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value which is expected to increase the risk of default; or
- Early signs of cashflow or liquidity problems.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39. Assets can move in both directions through the stages of the impairment model.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due which the Group does not rebut. For both collateralised balance sheet loans and marketplace loans, if a loan is delinquent for more than 90 days, has four missed payments or considered by management as unlikely to pay their obligations in full without realisation of collateral, the Group reserves at least 85% of the balance of the delinquent loan. A loan is normally written off, either partially or in full, when there is no realistic prospect of recovery (as a result of the customer's insolvency, ceasing to trade or other reason) and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded. The Company assesses at each reporting date whether there is objective evidence that a loan or group of loans is impaired. In performing such analysis, the Company assesses the probability of default based on the level of collateral and credit enhancement (collateralised balance sheet loans) and on the number of days past due, using recent historical rates of default on loan portfolios with credit risk characteristics similar to those of the Company or past history if sufficient data is available to demonstrate a reliable loss profile (marketplace loans).

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Under IFRS 9, when determining whether the credit risk (i.e. the risk of default) on a financial instrument has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on historical experience, credit assessment and forward-looking information is used.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forward-looking information. A "base case" view of the future direction of relevant economic variables and a representative range of other possible forecasts scenarios. The process will involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case will represent a most likely outcome and be aligned with information used for other purposes, such as strategic planning and budgeting. The number of scenarios used and their attributes are reassessed at each reporting date by investment. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

The estimation and application of forward-looking information requires significant judgement. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances, are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Collateral and other credit enhancements

The Group employs a range of policies to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies of the acceptability of specific classes of collateral or credit risk mitigation.

Modification of financial assets

The Group sometimes modifies the terms or loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practice are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original assets. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2.

Modification of terms not an indicator of a change in risk.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;

- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses if the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amounts are also recognised in the Consolidated Statement of Comprehensive Income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the Consolidated Statement of Comprehensive Income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Financial assets and financial liabilities designated as held at fair value through profit or loss

This category consists of forward foreign exchange contracts, common equity, preferred stock, warrants and investments in funds.

Assets and liabilities in this category are carried at fair value. The fair values of derivative instruments are estimated using discounted cash flow models using yield curves that are based on observable market data or are based on valuations obtained from counterparties.

Investments in funds are carried at fair value through profit or loss and designated as such at inception. This is valued for the units at the balance sheet date based on the NAV where it is assessed that NAV equates to fair value.

Common equity, preferred stock and warrants are valued using a variety of techniques. These techniques include market comparables, discounted cash flows, yield analysis, and transaction prices. Refer to Note 3.

Gains and losses arising from the changes in the fair values are recognised in the Consolidated Statement of Comprehensive Income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group’s loan assets are classified as loans and receivables.

Loans are recognised when the funds are advanced to borrowers. Loans and receivables are carried at amortised cost using the effective interest rate method less provisions for impairment.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Purchases and sales of financial assets

Purchases and sales of financial assets are accounted for at trade date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Fair value estimation

The determination of fair value of investments requires the use of accounting estimates and assumptions that could cause material adjustment to the carrying value of those investments.

Financial liabilities

Borrowings, deposits, debt securities in issue and subordinated liabilities, if any, are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred.

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is adjusted for the amortisation of any premiums, discounts and transaction costs. The amortisation is recognised in interest expense and similar charges using the effective interest rate method.

Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired.

Derivatives

Derivatives are entered into to reduce exposures to fluctuations in interest rates, exchange rates, market indices and credit risks and are not used for speculative purposes.

Derivatives are carried at fair value with movements in fair values recorded in the Consolidated Statement of Comprehensive Income. Derivative financial instruments are valued using discounted cash flow models using yield curves that are based on observable market data or are based on valuations obtained from counterparties.

Gains and losses arising from derivative instruments are credited or charged to the Consolidated Statement of Comprehensive Income. Gains and losses of a revenue nature are reflected in the revenue column and gains and losses of a capital nature are reflected in the capital column. Gains and losses on forward foreign exchange contracts are reflected in Foreign exchange gain/(loss) in the Consolidated Statement of Comprehensive Income.

All derivatives are classified as assets where the fair value is positive and liabilities where the fair value is negative. Where there is the legal ability and intention to settle net, then the derivative is classified as a net asset or liability, as appropriate.

Securities sold under agreement to repurchase

The Group entered into an agreement with a third party to sell its ownership of an equity security under an agreement to repurchase the equity security from the third party at a future date. The Group is entitled to receive an amount equal to all income paid or distributed in respect of the equity security to the full extent it would be so entitled if the equity security had not been sold to the third party. The Group is obligated to pay the third party monthly interest.

The underlying value of the repurchase agreement is valued under the sole discretion of the third party. Reductions in the value of the repurchase agreement could require the Group to make margin calls up to the value of the repurchase agreement purchase price. No margin was called during the year. As at 31 December 2018, the agreement was set to mature on 31 March 2019. On 15 January 2019, the repurchase agreement was repaid.

Securities sold under agreements to repurchase are accounted for at fair value based on the maximum of their purchase price or the current broker bid price on the sold security.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

Investments in funds

Investments in funds are measured at fair value through profit or loss. Fair value through profit or loss is determined using the NAV of the fund. The NAV is the value of all the assets of the fund less its liabilities to creditors (including provisions for such liabilities) determined in accordance with applicable accounting standards. Refer to Note 3 and Note 19 for further information.

Equity securities

Equity securities are measured at fair value. These securities are considered either Level 1 or Level 3 investments. Further details of the valuation of equity securities are included in Note 3.

Other receivables

Other receivables do not carry interest and are short-term in nature and are accordingly recognised at fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with a maturity of 90 days or less that readily convertible to known amounts of cash.

Accrued income

The Group and Parent Company defer draw fees received from investments and the deferred fees amortise into income on a straight-line basis over the life of the loan, which approximates the effective interest rate method.

Other liabilities

Other liabilities and accrued expenses are not interest-bearing and are stated at their nominal values. Due to their short-term nature this is determined to be equivalent to their fair value.

Shares

The Ordinary Shares (the "Shares") are classified as equity. The costs of issuing or acquiring equity are recognised in equity (net of any related income tax benefit), as a reduction of equity on the condition that these are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

The costs of an equity transaction that is abandoned are recognised as an expense. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties.

The Group's equity NAV per unit is calculated by dividing the equity – net assets attributable to the holder of Shares by the total number of outstanding shares.

Treasury shares have no entitlements to vote and are held by the Company.

Foreign exchange

Transactions in foreign currencies are translated into Pound Sterling at the rate of exchange ruling on the date of each transaction. Monetary assets, liabilities and equity investments in foreign currencies at the Consolidated Statement of Financial Position date are translated into Pound Sterling at the rates of exchange ruling on that date. Profits or losses on exchange, together with differences arising on the translation of foreign currency assets or liabilities, are taken to the capital return column of the Consolidated Statement of Comprehensive Income. Foreign exchange gains and losses arising on investment assets including loans are included within Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

The assets and liabilities of the Group's foreign operations are translated using the exchange rates prevailing at the reporting date. Income and expense items are translated using the average exchange rates during the period. Exchange differences arising from the translation of foreign operations are taken directly as currency translation differences through the Consolidated Statement of Comprehensive Income.

Capital reserves

Capital reserve – arising on investments sold includes:

- gains/losses on disposal of investments and the related foreign exchange differences;
- exchange differences on currency balances;
- cost of own shares bought back; and
- other capital charges and credits charged to this account in accordance with the accounting policies above.

Capital reserve – arising on investments held includes:

- increases and decreases in the valuation of investments held at the year-end;

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

- increases and decreases in the IFRS 9 reserve of investments held at the year-end; and
- investments in subsidiaries by the Parent Company where retained earnings is negative.

In the instance where the retained earnings of the Parent Company's investment in a subsidiary are negative, all income and expenses from that investment are allocated to the capital reserve for both the Group and the Parent Company.

All of the above are accounted for in the Consolidated Statement of Comprehensive Income except the cost of own shares bought back, if applicable, which would be accounted for in the Consolidated Statement of Changes in Equity.

Segmental reporting

The chief operating decision maker is the Board of Directors. The Directors are of the opinion that the Group is engaged in a single segment of business, being the investment of the Group's capital in financial assets comprising consumer loans, SME loans, corporate trade receivables and/or advances thereon. The Board focuses on the overall return from these assets irrespective of the structure through which the investment is made.

Critical accounting estimates

The preparation of financial statements in conformity with IFRS adopted in the EU requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amount, actual results may differ ultimately from those estimates.

The areas requiring a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the financial statements, are in relation to effective interest rate, expected credit losses and investments at fair value through profit or loss. These are detailed below.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Base case and stress case cash flow methodology under IFRS 9

Each loan in the Group's investment portfolio is analysed to assess the likelihood of the Group incurring any loss either (i) in the normal course of events, or (ii) in an stress scenario. Given that these positions are all secured by specific collateral, typically in the form of loan or lease receivables, and often further secured by guarantees from the operating business, the analysis looks at the impacts on both the specific collateral, as well as any obligations of the operating business to understand how the Group's investment would fair in each scenario. The loss rate assumptions for each transaction is established using all available historical loss performance data on the specific asset pool being assessed, supplemented by additional sources as needed.

The significant estimates within these scenarios used are:

- Impact on loss rates in a stress scenario – 1.39x to 2.60x; and
- Probability of a stress scenario occurring – 24%.

Further detail on these estimates and the methodology applied are set out below.

Base case

To establish the base case model, a representative portfolio is established based on the average portfolio parameters from the actual collateral pool (based on the most recent available reporting date). The APR and term of the representative portfolio are reflected as a weighted average of the actual pool, a simplifying assumption which should largely capture the dynamics of the dispersion in the underlying. Prepayment and loss curves are established using a combination of (1) historical performance, (2) management forecasts, (3) proxy data from comparable assets or businesses, and (4) judgement from the Investment Manager's investment professionals based on general research and knowledge. Emphasis is given to the loss curves because they have a significantly larger impact on the liquidation outcomes compared to prepayments (and prepayment data is more difficult to accurately monitor for many platforms).

The timing of the loss curve is first established using a flat constant default rate model, such that we arrive at the loss speeds which would correlate to the previously determined cumulative net loss amount. For products with terms in excess of five months, the loss curve is then shifted to front load losses by increasing the monthly default rate in the first three months by 25% above the ongoing rate. This reflects that (a) for many products, losses tend to occur earlier in the life of the product, and (b) since earlier losses will necessarily result in less total interest coverage (and worse outcomes for the Group, all else being constant), this was deemed a prudent approach to loss application.

The model is then burdened with the following costs: (1) servicing costs which broadly reflect the expected costs of either (i) engaging a backup servicer to wind down the portfolio, or (ii) of operating the business through a liquidation, (2) upfront liquidation costs to reflect potential expenses associated with moving into liquidation, and (3) ongoing liquidation costs to reflect incremental costs born to oversee the liquidation.

The last input component is the terms of the Group's investment, which includes the applicable advance rate and interest rate assuming that the facility is fully levered at the time of liquidation.

The representative portfolio is deemed to reflect the most reliable and relevant information available about the portfolio attributes and expected performance. As part of the ongoing investment monitoring and risk management process, the Investment Manager is monitoring performance on the underlying collateral on a monthly basis to identify whether performance indicators are trending positively or negatively, and how much cushion exists compared to contractual covenant trigger levels. Any such changes would be reviewed to determine whether an adjustment is required to the model assumptions.

Stress case

The stress case scenario for each investment is established by taking the base case, and stressing the inputs most directly tied to outcomes to an extent consistent with the "Severely Adverse" scenario ('CCAR Stress Scenario') used in the Federal Reserve's 2017 Comprehensive Capital Analysis and Review ('CCAR') as applied to large banking institutions. The shape of the loss curve is not adjusted in the stress scenarios, only the magnitude.

Under the CCAR Stress Scenario, US unemployment peaks at 10.0% and real disposable income shrinks to 4.0% over seven quarters, which are two of the indicators most highly correlated with consumer and small business credit performance. Looking back to the time from 2007 to 2009, unemployment peaked at 9.9% and real disposable income shrunk by 8.9% to 2.9% over seven quarters. Given these and other analogous data points between the CCAR Stress Scenario and the recession from 2007-2009, it was determined that historical performance data from 2007-2009 would be the best proxy for expected collateral performance during a stress case.

For nearly all of the investments being reviewed, the primary driver of collateral value is the loss rates on the underlying loans or leases, measured by cumulative net loss, which considers the total principal losses between a given point in time and the final repayment on the portfolio. While many of the companies and asset classes being reviewed do not have historical performance data going back to pre-2007, macro-economic data is available which can be used as a proxy for the specific asset classes being analysed. One of the most robust and relevant data sets available is from US consumer credit cards – which correlate highly with many of the assets being reviewed, and for which the available data serves as a useful benchmark. Data from the Federal Reserve of Philadelphia shows the following peak to trough increases in default rates in credit card receivables in the US from the benign credit environment of 2004-2006 through the credit crisis of 2009.

RISK SCORE	2004-2006	2007	2008	2009	2010	2011	PEAK-TO-TROUGH MULTIPLE
Sub Prime	20.4	22.5	27.3	28.4	21.6	16.7	1.39
Near Prime	5.6	6.7	8.2	9.8	8.2	5.7	1.75
Prime	1.5	1.7	2.4	3.9	3.6	2.1	2.60

Category by FICO Sub-Prime 250-650 Near-Prime 650-710 Prime 710-770

As seen in the above table, default rates on sub-prime and near prime consumers (the most heavily represented segments in the Group's portfolio) increased by 1.39x-1.75x. Each portfolio was assessed based on this stress factor range, with emphasis on the more relevant classification (1.39x for sub-prime and 1.75x for near prime). Prime consumer losses increased by up to 2.60x during the same time. This stress factor was considered for portfolios with significant prime borrower exposure, though this represents a minority of the portfolio.

IFRS 9 calls for an assessment of the probability of default over the upcoming 12 months, and thus the Investment Manager provides a view of the probability of such a severe scenario occurring in the next 12 months for each of the investments which are at risk of incurring a loss (as some of the variables will vary between investments). From a macro-economic perspective, the latest recession probability models suggest a low probability of such an imminent downturn. The Cleveland Fed model predicts an 24.0% probability of a recession within the 12 months ended December 2019, and while this does not indicate the severity of such recession, it should be considered that the 2008-2009 recession which is

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

being used as a proxy was the most prolonged and severe in at least 25 years and would not be expected to reflect a typical recession. These macro factors will be considered in the transaction level analysis as well.

Once the model has been run at the stressed scenario, if the cash flows continue to support the payment of an investment's principal and interest, the portfolio is deemed to have adequate coverage. If there is a shortfall in principal payments, a further assessment is done to note whether there are any excluded variables that need to be considered in determining the need for reserves on the position, including taking into account other additional credit enhancements provided in each deal (i.e., corporate guarantees, etc.). Such assessment would consider the likelihood of a scenario that could pose a loss and the expected magnitude of such loss in order to determine the appropriate reserve level.

For balance sheet investments, two of the primary drivers of the impairment analysis are the underlying collateral loss rates and the likelihood of an economic recession in the upcoming 12-month period. Regarding the underlying collateral loss rates, these variables are stressed by 40% to 160% as part of the impairment analysis and the impacts of those stresses are reflected in the impairment amounts. Regarding the likelihood of an economic recession in the upcoming 12-month period, an increase of 5% in this variable would have had no impact on the IFRS 9 reserve of the Group as at 31 December 2018.

For marketplace loan investments, the IFRS 9 reserve provision is estimated using historical performance data about the Group's loans which is regularly updated and reviewed. A 5% increase in relation to the assumed delinquency and loss rates would increase the provision and the impairment charge shown in the Consolidated Statement of Comprehensive Income by £52,266. A decrease in these assumptions would have an opposite effect.

Measurement of the expected credit loss allowance

The calculation of the Group's ECL allowances and provisions against loan commitments and guarantees under IFRS 9 is highly complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9. The most significant judgements that have been discussed above are considered to be the expected life of the financial instrument, what is considered to be a significant increase in credit risk to affect a movement between stages, and the effect of potential future economic scenarios.

Valuation of unquoted investments

The valuation of unquoted investments and investments for which there is an inactive market is a key area of judgement and may cause material adjustment to the carrying value of those assets and liabilities. The unquoted equity assets are valued on periodic basis using techniques including a market approach, costs approach and/or income approach. The valuation process is collaborative, involving the finance and investment functions within the Investment Manager with the final valuations being reviewed by the Board's Audit and Valuation Committee. The specific techniques used typically include earnings multiples, discounted cash flow analysis, the value of recent transactions, and, where appropriate, industry rules of thumb. The valuations often reflect a synthesis of a number of different approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. Changes in fair value of all investments held at fair value are recognised in the Consolidated Statement of Comprehensive Income as a capital item. On disposal, realised gains and losses are also recognised in the Consolidated Statement of Comprehensive Income as a capital item. Transaction costs are included within gains or losses on investments held at fair value, although any related interest income, dividend income and finance costs are disclosed separately in the Consolidated Financial Statements.

Critical accounting judgments

Judgement is required to determine whether the Parent Company exercises control over its investee entities and whether they should be consolidated. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The Parent Company controls an investee entity when the Parent Company is exposed to, or has rights to, variable returns from its investment and has the ability to affect those returns through its power over the entity. At each reporting date an assessment is undertaken of investee entities to determine control. In the intervening period assessments are undertaken where circumstances change that may give rise to a change in the control assessment. These include when an investment is made into a new entity, or an amendment to existing entity documentation or processes. When assessing whether the Parent Company has the power to affect its variable returns, and therefore control investee entities, an assessment is undertaken of the Parent Company's ability to influence the relevant activities of the investee entity. These activities include considering the ability to appoint or remove key management or the manager, which party has decision making powers over the entity and whether the manager of an entity is acting as principal or agent. The assessment undertaken for entities considers the Parent Company's level of investment into the entity and its intended long-term holding in the entity and there may be instances where the Parent Company owns less than 51% of an investee entity but that entity it consolidated. Further details of the Parent Company's subsidiaries are included in Note 17.

The Group's investments in associates all consist of limited partner interest in funds. There are no significant restrictions between investors with joint control or significant influence over the associates listed above on the ability of the associates to transfer funds to any party in the form of cash dividends or to repay loans or advances made by the Group. The Group holds 52% interest in Larkdale III, L.P. while the Group's ultimate ownership of the investment held by Larkdale III, L.P. is 34%. The Group has determined it does not have accounting control as the general partner has operating control over the vehicle and acts as an agent for a number of the Investment Manager's funds. Further details of the Parent Company's associates are included in Note 19.

Accounting standards issued but not yet effective or not material to the Group

IFRS 15 'Revenue from Contracts with Customers' requires revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer. This standard is effective from 1 January 2018. This standard does not have a material impact on the Group's financial statements.

IFRS 16 'Leases' eliminates the classification of leases as either operating leases or finance leases for a lessee and requires lease assets and lease liabilities to be recognised in the Statement of Financial Position, initially measured at present value of future lease payments. In addition, depreciation of the lease assets and interest on lease liabilities will be recognised in the Statement of Comprehensive Income. Cash payments will be separated into principal and interest in the Statement of Cash flows. This standard is effective from 1 January 2019. This will not have a material impact on the net assets or results given that the Group does not enter into leases.

3. FAIR VALUE MEASUREMENT

Financial instruments measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels based on the significance of the inputs used in measuring its fair value:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Pricing inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An investment is always categorised as Level 1, 2 or 3 in its entirety. In certain cases, the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and is specific to the investment.

Valuation of investments in funds

The Group's investments in funds are subject to the terms and conditions of the respective fund's offering documentation. The investments in funds are primarily valued based on the latest available financial information. The Investment Manager reviews the details of the reported information obtained from the funds and considers: (i) the valuation of the fund's underlying investments; (ii) the value date of the NAV provided; (iii) cash flows (calls/distributions) since the latest value date; and (iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the funds. If necessary, adjustments to the NAV are made to the funds to obtain the best estimate of fair value. The funds in which the Group invests are close-ended and unquoted. No adjustments have been determined to be necessary to the NAV as provided as at 31 December 2018 as this reflects fair value under the relevant valuation methodology. The NAV is provided to investors only and is not made publicly available.

Valuation of equity securities

Fair value is determined based on the Group's valuation methodology, which is either determined using market comparables, discounted cash flow models or recent transactions.

In using a valuation methodology based on the discounting of forecasted cash flows of the Portfolio Company, significant judgment is required in the development of an appropriate discount rate to be applied to the forecasted cash flows. The assumptions incorporated in the valuation methodologies used to estimate the enterprise value consists primarily of unobservable Level 3 inputs, including management assumptions based on judgment. For example, from time to time, a Portfolio Company has exposure to potential or actual litigation. In evaluating the impact on the valuation for such items, the amount that a market participant would consider in estimating fair value is considered. These estimates are highly subjective,

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

based on the Group's assessment of the potential outcome(s) and the related impact on the fair value of such potential outcome(s). A change in these assumptions could have a material impact on the determination of fair value.

In using a valuation methodology based on comparable public companies or sales of private or public comparable companies, significant judgment is required in the application of discounts or premiums to the prices of comparable companies for factors such as size, marketability and relative performance.

Under the yield analysis approach, expected future cash flows are discounted back using a discount rate. The discount rate used incorporates market based yields for similar credits to the public market and the underlying risk of the individual credit.

Fair value disclosures

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 31 December 2018:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	27,922,819	–	–	27,922,819
Equity securities	38,721,738	3,554,496	–	35,167,242
Total	66,644,557	3,554,496	–	63,090,061

DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	1,241,936	–	1,241,936	–
Total	1,241,936	–	1,241,936	–

DERIVATIVE FINANCIAL LIABILITIES	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	471,607	–	471,607	–
Total	471,607	–	471,607	–

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 31 December 2017:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	26,962,134	–	–	26,962,134
Equity securities	32,621,131	6,648,612	–	25,972,519
Total	59,583,265	6,648,612	–	52,934,653

DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	3,297,847	–	–	3,297,847
Total	3,297,847	–	–	3,297,847

The following table analyses the fair value hierarchy of the Parent Company's assets and liabilities measured at fair value at 31 December 2018:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	27,922,819	–	–	27,922,819
Total	27,922,819	–	–	27,922,819

DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	1,241,936	–	1,241,936	–
Total	1,241,936	–	1,241,936	–

DERIVATIVE FINANCIAL LIABILITIES	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	471,607	–	471,607	–
Total	471,607	–	471,607	–

The following table analyses the fair value hierarchy of the Parent Company's assets and liabilities measured at fair value at 31 December 2017:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	26,962,134	–	–	26,962,134
Total	26,962,134	–	–	26,962,134

DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	3,297,847	–	–	3,297,847
Total	3,297,847	–	–	3,297,847

There were no transfers into and out of Level 3 fair value measurements for either the Parent Company or the Group during the years ended 31 December 2018 and 31 December 2017.

The following table presents the movement in Level 3 positions for the year ended 31 December 2018 for the Group:

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	INVESTMENTS IN FUNDS £	EQUITY SECURITIES £
Beginning balance, 1 January 2018	26,962,134	25,972,519
Purchases	3,172,672	12,507,648
Sales	(3,615,456)	(3,945,611)
Net change in unrealised foreign exchange gains (losses)	1,788,304	1,488,243
Net change in unrealised gains (losses)	(384,835)	(855,557)
Ending balance, 31 December 2018	27,922,819	35,167,242

The net change in unrealised gains (losses) is recognised within gains (losses) on investments in the Consolidated Statement of Comprehensive Income.

The following table presents the movement in Level 3 positions for the year ended 31 December 2017 for the Group:

	INVESTMENTS IN FUNDS £	EQUITY SECURITIES £
Beginning balance, 1 January 2017	31,298,331	28,316,506
Purchases	3,871,909	11,725,606
Sales	(3,673,097)	(7,109,220)
Net change in unrealised foreign exchange gains (losses)	(1,977,116)	(510,723)
Net change in unrealised gains (losses)	(2,557,893)	(6,449,650)
Ending balance, 31 December 2017	26,962,134	25,972,519

The following table presents the movement in Level 3 positions for the period ended 31 December 2018 for the Parent Company:

	INVESTMENTS IN FUNDS £
Beginning balance, 1 January 2018	26,962,134
Purchases	3,172,672
Sales	(3,615,456)
Net change in unrealised foreign exchange gains (losses)	1,788,304
Net change in unrealised gains (losses)	(384,835)
Ending balance, 31 December 2018	27,922,819

The following table presents the movement in Level 3 positions for the period ended 31 December 2017 for the Parent Company:

	INVESTMENTS IN FUNDS £
Beginning balance, 1 January 2017	31,298,331
Purchases	3,871,909
Sales	(3,673,097)
Net change in unrealised foreign exchange gains (losses)	(1,977,116)
Net change in unrealised gains (losses)	(2,557,893)
Ending balance, 31 December 2017	26,962,134

Quantitative information regarding the unobservable inputs for Level 3 positions is given below:

DESCRIPTION	FAIR VALUE AT 31 DECEMBER 2018 £	VALUATION TECHNIQUE	UNOBSERVABLE INPUT	RANGE
Investments in funds	27,922,819	Net asset value	N/A	N/A
Equity securities	14,022,947	Market Comparables	Price Per Share from Recent Transactions	US$0.30 - CHF 1,110.12
			Rights and Preferences Discount	0.0% - 20.0%
Equity securities	7,075,826	Discounted Cash Flows	Discount Rate	16.0% - 40.0%
			Projected Cumulative Losses	33.7% - 34.5%
Equity securities	5,439,322	Yield Analysis	Market Yield	13.9% - 16.7%
Equity securities	8,629,147	Transaction Price	N/A	N/A

The investments in funds consist of investments in Larkdale III, L.P. and VPC Offshore Unleveraged Private Debt Fund, L.P. These are valued based on the NAV as calculated at the balance sheet date. No adjustments have been deemed necessary to the NAV as it reflects the fair value of the underlying investments, as such no specific unobservable inputs have been identified. The NAVs are sensitive to movements in interest rates due to the funds' underlying investment in loans.

If the price per share from recent transactions of the equity securities valued based on market comparables increased/decreased by 5% it would have resulted in an increase/decrease to the total value of those equity securities of £654,630 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

If the rights and preferences discount of the equity securities valued based on market comparables increased/decreased by 5% it would have resulted in an increase/decrease to the total value of those equity securities of £461,272 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

If the discount rate of the equity securities valued based on discounted cash flows increased/decreased by 2% it would have resulted in an increase/decrease to the total value of those equity securities of £88,014 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

If the projected cumulative losses of the equity securities valued based on discounted cash flows increase/decreased by 1% it would have resulted in an decrease/increase to the total value of those equity securities of £165,264 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

If the price of all the investment assets held at period end, including individually those mentioned above, had increased/decreased by 5% it would have resulted in an increase/decrease in the total value the investments in funds and equity securities of £3,154,503 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 31 December 2018 but for which fair value is disclosed:

	CARRYING VALUE £	FAIR MARKET VALUE £
Assets		
Loans	306,781,153	306,817,645
Total	306,781,153	306,817,645

For all other assets and liabilities not carried at fair value, the carrying value is a reasonable approximation of fair value.

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 31 December 2017 but for which fair value is disclosed:

	CARRYING VALUE £	FAIR MARKET VALUE £
Assets		
Loans	306,446,357	306,307,203
Total	306,446,357	306,307,203

For all other assets and liabilities not carried at fair value, the carrying value is a reasonable approximation of fair value.

4. DERIVATIVES

Typically, derivative contracts serve as components of the Group's investment strategy and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Group (the Group currently does not designate any derivatives as hedges for hedge accounting purposes as described under IFRS 9). Derivative instruments are also used for trading purposes where the Investment Manager believes this would be more effective than investing directly in the underlying financial instruments. The only derivative contracts that the Group currently holds or issues are forward foreign exchange contracts.

The Group measures its derivative instruments on a fair value basis. See Note 2 for the valuation policy for financial instruments.

Forward contracts

Forward contracts entered into represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised/unrealised gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date/year end date and is included in the Consolidated Statement of Comprehensive Income.

As at 31 December 2018, the following forward foreign exchange contracts were included in the Group's Consolidated Statement of Financial Position at fair value through profit or loss and the Parent Company's Statement of Financial Position at fair value through profit or loss:

SETTLEMENT DATE	PURCHASE CURRENCY	PURCHASE AMOUNT	SALE CURRENCY	SALE AMOUNT	FAIR VALUE £
22 February 2019	GBP	44,688,358	USD	57,000,000	413,409
22 February 2019	GBP	122,559,624	USD	156,324,800	802,721
22 February 2019	GBP	5,100,000	EUR	4,616,520	28,203
Unrealised gains on forward foreign exchange contracts					1,244,333

SETTLEMENT DATE	PURCHASE CURRENCY	PURCHASE AMOUNT	SALE CURRENCY	SALE AMOUNT	FAIR VALUE £
18 January 2019	GBP	101,136,809	USD	129,000,000	(471,607)
22 February 2019	EUR	669,980	GBP	669,980	(2,397)
Unrealised losses on forward foreign exchange contracts					(474,004)

As at 31 December 2017, the following forward foreign exchange contracts were included in the Group's Consolidated Statement of Financial Position at fair value through profit or loss and the Parent Company's Statement of Financial Position at fair value through profit or loss:

SETTLEMENT DATE	PURCHASE CURRENCY	PURCHASE AMOUNT	SALE CURRENCY	SALE AMOUNT	FAIR VALUE £
19 January 2018	GBP	117,625,300	USD	159,000,000	2,936,398
9 February 2018	GBP	877,384	USD	12,000,000	54,448
9 February 2018	GBP	103,569,447	USD	140,000,000	557,818
Unrealised gain on forward foreign exchange contracts					3,548,664

SETTLEMENT DATE	PURCHASE CURRENCY	PURCHASE AMOUNT	SALE CURRENCY	SALE AMOUNT	FAIR VALUE £
9 February 2018	GBP	16,696,250	EUR	19,000,000	(201,590)
19 January 2019	USD	10,000,000	GBP	7,397,817	(49,227)
Unrealised losses on forward foreign exchange contracts					(250,817)

The following tables provide information on the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement at 31 December 2018 for both the Parent Company and the Group:

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

As at 31 December 2018	Gross amounts of recognised financial assets £	Gross amounts of financial liabilities to be set-off in the Statement of Financial Position £	Net amounts of recognised assets presented in the Statement of Financial Position £	Related amounts not eligible to be set-off in the Statement of Financial Position: Financial instruments £	Collateral received £	Net Amount £
Bannockburn Global	413,409	–	413,409	–	–	413,409
Goldman Sachs	830,924	(2,397)	828,527	–	–	828,527
Morgan Stanley	–	–	–	–	–	–
Total	1,244,333	(2,397)	1,241,936	–	–	1,241,936

As at 31 December 2018	Gross amounts of recognised financial assets £	Gross amounts of financial liabilities to be set-off in the Statement of Financial Position £	Net amounts of recognised assets presented in the Statement of Financial Position £	Related amounts not eligible to be set-off in the Statement of Financial Position: Financial instruments £	Collateral received £	Net Amount £
Bannockburn Global	–	–	–	–	–	–
Goldman Sachs	2,397	(2,397)	–	–	–	–
Morgan Stanley	471,607	–	471,607	–	–	471,607
Total	474,004	(2,397)	471,607	–	–	471,607

The following tables provide information on the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement at 31 December 2017 for both the Parent Company and the Group:

As at 31 December 2017	Gross amounts of recognised financial assets £	Gross amounts of financial liabilities to be set-off in the Statement of Financial Position £	Net amounts of recognised assets presented in the Statement of Financial Position £	Related amounts not eligible to be set-off in the Statement of Financial Position: Financial instruments £	Collateral received £	Net Amount £
Goldman Sachs	612,266	(201,590)	410,676	–	–	410,676
Morgan Stanley	2,936,398	(49,227)	2,887,171	–	–	2,887,171
Total	3,548,664	(250,817)	3,297,847	–	–	3,297,847

As at 31 December 2017	Gross amounts of recognised financial assets £	Gross amounts of financial liabilities to be set-off in the Statement of Financial Position £	Net amounts of recognised assets presented in the Statement of Financial Position £	Related amounts not eligible to be set-off in the Statement of Financial Position: Financial instruments £	Collateral received £	Net Amount £
Goldman Sachs	201,590	(201,590)	–	–	–	–
Morgan Stanley	49,227	(49,227)	–	–	–	–
Total	250,817	(250,817)	–	–	–	–

5. INCOME AND GAINS ON INVESTMENTS AND LOANS

Interest income in the amount of £45,018,101 (31 December 2017: £35,751,011) has been allocated to revenue and £818,323 (31 December 2017: £23,695,267) has been allocated to capital in line with the Group's policy as set out in Note 2.

	31 DECEMBER 2018 £	31 DECEMBER 2017 £
Other Income		
Distributable income from investments in funds	2,339,179	2,030,615
Interest income from investment assets designated as held at fair value through profit or loss	567,629	–
Dividend income	113,435	143,215
Total	3,020,243	2,173,830

	31 DECEMBER 2018 £	31 DECEMBER 2017 £
Net gains (losses) on investments		
Realised loss on sale of investments	–	(11,992,291)
Realised gain on sale of investments	1,504,722	1,875,039
Unrealised gain (loss) on investment in funds	(384,835)	246,939
Unrealised gain (loss) on equity securities	(3,357,754)	(8,752,818)
Total	(2,237,867)	(18,623,131)

6. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Introduction

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Group is exposed to market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk arising from the financial instruments held by the Group.

Risk management structure

The Directors are ultimately responsible for identifying and controlling risks. Day to day management of the risk arising from the financial instruments held by the Group has been delegated to Victory Park Capital Advisors, LLC as Investment Manager to the Parent Company and the Group.

The Investment Manager regularly reviews the investment portfolio and industry developments to ensure that any events which impact the Group are identified and considered. This also ensures that any risks affecting the investment portfolio are identified and mitigated to the fullest extent possible.

The Group has no employees and the Directors have all been appointed on a Non-Executive basis. Whilst the Group has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Group is reliant upon the performance of third party service providers for its executive function. In particular, the Investment Manager, the Custodian, the Administrator and the Registrar will be performing services which are integral to the operation of the Group. Failure by any service provider to carry out its obligations to the Group in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Group.

The principal risks and uncertainties that could have a material impact on the Group's performance have not changed from those set out in detail on pages 14 to 24 of the Parent Company's IPO Prospectus.

In seeking to implement the investment objectives of the Parent Company while limiting risk, the Parent Company and the Group are subject to the investment limits restrictions set out in the Credit Risk section of this note.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Market risk (incorporating price, interest rate risk and currency)

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity prices and interest rates. The Group is exposed to market risk primarily through its Financial Instruments.

Market price risk

The Group is exposed to price risk arising from the investments held by the Group for which prices in the future are uncertain. The investment in funds and equity investments are exposed to market price risk. Refer to Note 3 for further details on the sensitivity of the Group's Level 3 investments to price risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Due to the nature of the investments at 31 December 2018, the Group has limited exposure to variations in interest rates as the key components of interest rates are fixed and determinable or variable based on the size of the loan.

While the Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, the downside exposure of the Group is limited at 31 December 2018 due to the fixed rate nature of the investments or interest rate floors that are in place on most of the Group's variable interest rate loans. As at 31 December 2018, if interest rates had increased by 1%, with all other variables held constant, the change in one month of future cash flows on the current investment portfolio would have been £178,302. If interest rates had decreased by 1%, with all other variables held constant, the change in one month of future cash flows on the current investment portfolio would be £(159,852).

The Group does not intend to hedge interest rate risk on a regular basis. However, where it enters floating rate liabilities against fixed-rate loans, it may at its sole discretion seek to hedge out the interest rate exposure, taking into consideration amongst other things the cost of hedging and the general interest rate environment.

Currency risk

Currency risk is the risk that the value of net assets will fluctuate due to changes in foreign exchange rates. Relevant risk variables are generally movements in the exchange rates of non-functional currencies in which the Group holds financial assets and liabilities.

The assets of the Group as at 31 December 2018 are invested in assets which are denominated in US Dollars, Euros, Pound Sterling and other currencies. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Group hedges currency exposure between Pound Sterling and any other currency in which the Group's assets may be denominated, in particular US Dollars, and Euros.

Brexit has been and could continue to be a driver for potential exchange rate volatility and the devaluation of Sterling. The Group's policy is to hedge exchange rate risk where appropriate, which could lead to the potential of large cash margin calls. The Group's new gearing facility with CapitalSource was put in place to mitigate this risk.

Micro and Small Cap Company Investing Risk

The Group will generally invest with companies that are small, not widely known and not widely held. Small companies tend to be more vulnerable to adverse developments than larger companies and may have little or no track records. Small companies may have limited product lines, markets, or financial resources, and may depend on less seasoned management. Their securities may trade infrequently and in limited volumes. It may take a relatively long period of time to accumulate an investment in a particular issue in order to minimise the effect of purchases on market price. Similarly, it could be difficult to dispose of such investments on a timely basis without adversely affecting market prices. As a result, the prices of these securities may fluctuate more than the prices of larger, more widely traded companies. Also, there may be less publicly available information about small companies or less market interest in their securities compared to larger companies, and it may take longer for the prices of these securities to reflect the full value of their issuers' earnings potential or assets.

Gearing and Borrowing Risk

Whilst the use of borrowings by the Group should enhance the net asset value of an investment when the value of an investment's underlying assets is rising, it will, however, have the opposite effect where the underlying asset value is falling. In addition, in the event that an investment's income falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Group's investment and accordingly will have an adverse effect on the ability of the investment to make distributions to the Group. This risk is mitigated by limiting borrowings to ring-fenced SPVs without recourse to the Group and employing gearing in a disciplined manner.

Concentration of foreign currency exposure

The Investment Manager monitors the fluctuations in foreign currency exchange rates and may use forward foreign exchange contracts to hedge the currency exposure of the Parent Company and Group's non-GBP denominated investments. The Investment Manager re-examines the currency exposure on a regular basis in each currency and manages the Parent Company's currency exposure in accordance with market expectations.

The below table presents the net exposure to foreign currency at 31 December 2018. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Group's Consolidated Statement of Financial Position.

	ASSETS 31 DECEMBER 2018 £	LIABILITIES 31 DECEMBER 2018 £	FORWARD CONTRACTS 31 DECEMBER 2018 £	NET EXPOSURE 31 DECEMBER 2018 £
Euro	5,263,556	-	5,244,545	19,011
US Dollar	324,440,119	(52,671,812)	271,234,862	533,445
Swiss Francs	1,766,279	-	-	1,766,279

If the GBP exchange rate simultaneously increased/decreased by 10% against the above currencies, the impact on profit would be an increase/decrease of £231,873. 10% is considered to be a reasonably possible movement in foreign exchange rates. The table above includes the exposure of the non-consolidated interest investment in the Group.

The below table presents the net exposure to foreign currency at 31 December 2017. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Group's Consolidated Statement of Financial Position.

	ASSETS 31 DECEMBER 2017 £	LIABILITIES 31 DECEMBER 2017 £	FORWARD CONTRACTS 31 DECEMBER 2017 £	NET EXPOSURE 31 DECEMBER 2017 £
Euro	22,853,330	(5,195,513)	16,852,617	805,200
US Dollar	290,521,048	(48,044,465)	240,856,038	1,620,545
Swiss Francs	825,455	–	–	825,455
Australian Dollar	1,769,337	–	–	1,769,337

The table below presents the net exposure to foreign currency at 31 December 2018. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Parent Company's Statement of Financial Position.

	ASSETS 31 DECEMBER 2018 £	LIABILITIES 31 DECEMBER 2018 £	FORWARD CONTRACTS 31 DECEMBER 2018 £	NET EXPOSURE 31 DECEMBER 2018 £
Euro	5,263,556	–	5,244,545	19,011
US Dollar	271,521,961	–	271,234,862	287,099
Swiss Francs	1,766,279	–	–	1,766,279

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

If the GBP exchange rate simultaneously increased/decreased by 10% against the above currencies, the impact on profit would be an increase/decrease of £207,239. 10% is considered to be a reasonably possible movement in foreign exchange rates.

The table below presents the net exposure to foreign currency at 31 December 2017. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Parent Company's Statement of Financial Position.

	ASSETS 31 DECEMBER 2017 £	LIABILITIES 31 DECEMBER 2017 £	FORWARD CONTRACTS 31 DECEMBER 2017 £	NET EXPOSURE 31 DECEMBER 2017 £
Euro	17,657,817	–	16,852,617	805,200
US Dollar	241,634,063	–	240,856,038	778,025
Swiss Francs	825,455	–	–	825,455
Australian Dollar	1,769,337	–	–	1,769,337

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price. Ordinary Shares are not redeemable at the holder's option.

The maturities of the non-current financial liabilities are disclosed in Note 8. The following tables show the contractual maturity of the financial assets and financial liabilities of the Group as at 31 December 2018:

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Assets				
Loans	60,040,370	246,740,783	–	306,781,153
Cash and cash equivalents	3,269,332	–	–	3,269,332
Cash posted as collateral	2,282,428	–	–	2,282,428
Interest receivable	3,480,277	–	–	3,480,277
Dividend receivable	615,416	–	–	615,416
Other assets and prepaid expenses	772,749	–	–	772,749
Total	70,460,572	246,740,783	–	317,201,355

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Liabilities				
Notes payable	–	51,329,831	–	51,329,831
Management fee payable	153,301	–	–	153,301
Performance fee payable	2,277,215	–	–	2,277,215
Amounts payable under agreements to repurchase	1,341,981	–	–	1,341,981
Deferred income	544,585	–	–	544,585
Other liabilities and accrued expenses	989,615	–	–	989,615
Total	5,306,697	51,329,831	–	56,636,528

The following tables show the contractual maturity of the financial assets and financial liabilities of the Group as at 31 December 2017:

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Assets				
Loans	2,027,261	304,419,096	–	306,446,357
Cash and cash equivalents	18,353,574	–	–	18,353,574
Cash posted as collateral	4,427,301	–	–	4,427,301
Interest receivable	3,576,027	–	–	3,576,027
Dividend receivable	530,826	–	–	530,826
Other assets and prepaid expenses	798,169	–	–	798,169
Total	29,713,158	304,419,096	–	334,132,254

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Liabilities				
Notes payable	–	44,298,421	–	44,298,421
Management fee payable	420,339	–	–	420,339
Amounts payable under agreements to repurchase	8,941,557	–	–	8,941,557
Unsettled share buyback payable	194,682	–	–	194,682
Deferred income	776,514	–	–	776,514
Other liabilities and accrued expenses	2,138,315	–	–	2,138,315
Total	12,471,407	44,298,421	–	56,769,828

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The Investment Manager manages the Group's liquidity risk by investing primarily in a diverse portfolio of assets. At 31 December 2018, the Group has investments in 36 Portfolio Companies. At 31 December 2018, 20% of the loans have a stated maturity date of less than a year (31 December 2017: 1%). The Group has no loans with a maturity date of more than five years.

The Group and Parent Company continuously monitor for fluctuation in currency rates. The Parent Company performs stress tests and liquidity projections to determine how much cash should be held back to meet potential future to obligations to settle margin calls arising from foreign exchange hedging.

As at 31 December 2018, £18.8 million of the Group's liabilities relating to Notes payable are tied directly to investment assets that mature on or near the same date as the investment liability. Of the remaining £32.5 million, approximately 35% has been paid down as at 26 April 2019 and any future interest on this balance is not material for disclosure within this note. As such, the amounts above represent the values as at 31 December 2018 and do not project cash flows until maturity of the investment liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group's credit risks arise principally through exposures to loans acquired by the Group, which are subject to risk of borrower default. The ability of the Group to earn revenue is completely dependent upon payments being made by the borrower of the loan acquired by the Group through a Portfolio Company. The Group (as a lender member) will receive payments under any loans it acquires through a Portfolio Company only if the corresponding borrower through that Portfolio Company (borrower member) makes payments on the loan.

Consumer loans are unsecured obligations of borrower members. They are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way.

The Group will invest across various Portfolio Companies, asset classes, geographies (primarily United States and Europe) and credit bands in order to ensure diversification and to seek to mitigate concentration risks.

Under the Balance Sheet Model, the Group provides a floating rate Credit Facility to the Portfolio Company via a Special-Purpose Vehicle ("SPV"), which retains Debt Instruments that are originated by the Portfolio Company. The debt financing is typically arranged in the form of a senior secured facility and the Portfolio Company injects junior capital in the SPV, which provides significant first loss protection to the Company and excess spread, which provides downside protection versus marketplace loans. The Group's balance sheet investments are loans to SPVs that are capitalised and actively managed by the Portfolio Companies in their capacity as both the owner and managing partner of the SPVs and the SPVs are not considered structured entities under IFRS 12. Refer to page 19 for further details on the structuring of the balance sheet lending investments of the Group.

There are no loans past due which are not impaired. Refer to Note 9.

Credit quality

The credit quality of loans is assessed through the evaluation of various factors, including (but not limited to) credit scores, payment data, collateral and other information. Set out below is the analysis of the Group's loan investments by grade and geography:

INTERNAL GRADE	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	TOTAL 31 DECEMBER 2018
A - 1	92,643,891	17,975,778	6,222,888	–	116,842,557
A - 2	121,796,046	7,650,752	38,032,986	1,524,756	169,004,540
B	186,854	9,741,368	–	17,449,955	27,378,177
C	110,324	77,156	–	631,007	818,487
	214,737,115	35,445,054	44,255,874	19,605,718	314,043,761

INTERNAL GRADE	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	TOTAL 31 DECEMBER 2017
A - 1	93,408,787	38,938,341	5,619,967	–	137,967,095
A - 2	88,993,099	19,793,399	19,700,762	3,087,894	131,575,154
B	771,973	11,950,149	–	24,486,998	37,209,120
C	247,032	339,668	–	1,451,309	2,038,009
	183,420,891	71,021,557	25,320,729	29,026,201	308,789,378

INTERNAL GRADE	DEFINITION
A - 1	Balance sheet loans structured with credit enhancement and strong operating liquidity positions
A - 2	High credit quality borrowers or balance sheet loans structured with credit enhancement
B	High credit quality borrowers with some indicators of credit risk or balance sheet loans with limited structural credit enhancement
C	Borrowers with elevated levels of credit risk

The following investment limits and restrictions shall apply to the Group, to ensure that the diversification of the Group's portfolio is maintained, and that concentration risk is limited:

Portfolio Company restrictions

The Group does not intend to invest more than 20% of its Gross Assets in Debt Instruments (net of any gearing ring-fenced within any special purpose vehicle which would be without recourse to the Group), originated by, and/or Credit Facilities and equity instruments in, any single Portfolio Company, calculated at the time of investment. All such aggregate exposure to any single Portfolio Company (including investments via a special purpose vehicle) will always be subject to an absolute maximum, calculated at the time of investment, of 25% of the Group's Gross Assets.

Asset class restrictions

The Group does not intend to acquire Debt Instruments for a term longer than five years. The Group will not invest more than 20% of its Gross Assets, at the time of investment, via any single investment fund investing in Debt Instruments and Credit Facilities. In any event, the Group will not invest, in aggregate, more than 60% of its Gross Assets, at the time of investment, in investment funds that invest in Debt Instruments and Credit Facilities.

The Group will not invest more than 10% of its Gross Assets, at the time of investment, in other listed closed-ended investment funds, whether managed by the Investment Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

The following restrictions apply, in each case at the time of investment by the Group, to both Debt Instruments acquired by the Group via wholly-owned special purpose vehicles or partially-owned special purpose vehicles on a proportionate basis under the Marketplace Model, as well as on a look-through basis under the Balance Sheet Model and to any Debt Instruments held by another investment fund in which the Group invests:

- No single consumer loan acquired by the Group shall exceed 0.25% of its Gross Assets.
- No single SME loan acquired by the Group shall exceed 5.0% of its Gross Assets. For the avoidance of doubt, Credit Facilities entered into directly with Platforms are not considered SME loans.
- No single trade receivable asset acquired by the Group shall exceed 5.0% of its Gross Assets.

Other restrictions

The Group's un-invested or surplus capital or assets may be invested in Cash Instruments for cash management purposes and with a view to enhancing returns to Shareholders or mitigating credit exposure.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. CASH AND CASH EQUIVALENTS

	GROUP 31 DECEMBER 2018 £	GROUP 31 DECEMBER 2017 £	PARENT COMPANY 31 DECEMBER 2018 £	PARENT COMPANY 31 DECEMBER 2017 £
Cash held at bank	3,269,332	18,353,574	1,804,063	16,137,420
Total	3,269,332	18,353,574	1,804,063	16,137,420

The Parent Company has posted cash of £165,610 of collateral as at 31 December 2018 (31 December 2017: £2,060,000) with Goldman Sachs and cash of £2,116,818 (31 December 2017: £2,367,301) with Morgan Stanley in relation to the outstanding derivatives.

Below are the credit ratings of the banks where the Parent Company and Group hold cash as at 31 December 2018 from Moody's:

BANK	RATING
Northern Trust	A2
Goldman Sachs	A3
Morgan Stanley	A3
US Bank	A1
Wells Fargo	A2

8. NOTES PAYABLE

The Group entered into contractual obligations with third parties to structurally subordinate a portion of the principal directly attributable to existing investments. The cash flows received by the Group from the underlying investments are used to pay the lender principal, interest, and draw fees based upon the stated terms of the Credit Facility. Unless due to a fraudulent act, as defined by the Credit Facilities, none of the Group's other investment assets can be used to satisfy the obligations of the Credit Facilities in the event that those obligations cannot be met by the subsidiaries. Each subsidiary with a Credit Facility is a bankruptcy remote entity.

The table below provides details of the outstanding debt of the Group at 31 December 2018:

31 DECEMBER 2018	INTEREST RATE	OUTSTANDING PRINCIPAL £	MATURITY
Credit Facility 11-2018	4.50% + 1M LIBOR	32,536,260	30 November 2023
Total		32,536,260	

The table below provides details of the outstanding debt of the Group at 31 December 2017:

31 DECEMBER 2017	INTEREST RATE	OUTSTANDING PRINCIPAL £	MATURITY
Credit Facility 08-2016	3.00%	5,195,513	15 December 2025
Total		5,195,513	

The Group entered into contractual obligations with a third party to structurally subordinate a portion of principal directly attributable to an existing loan facility. The Group is obligated to pay a commitment fee and interest to the third party on the obligation as interest is paid on the underlying loan facility. In the event of a default on the loan facility, the third party has first-out participation rights on the accrued and unpaid interest as well as the principal balance of the note.

The table below provides details of the outstanding first-out participation liabilities of the Group at 31 December 2018:

31 DECEMBER 2018	OUTSTANDING PRINCIPAL £	MATURITY
First-Out Participation 06-2015	10,995,688	13 June 2021
First-Out Participation 03-2017	7,797,883	30 January 2021
Total	18,793,571	

The table below provides details of the outstanding first-out participation liabilities of the Group at 31 December 2017:

31 DECEMBER 2017	OUTSTANDING PRINCIPAL £	MATURITY
First-Out Participation 06-2015	9,014,990	13 June 2021
First-Out Participation 03-2016	17,384,871	3 March 2019
First-Out Participation 12-2016	9,281,556	17 November 2021
First-Out Participation 03-2017	3,421,491	30 January 2021
Total	39,102,908	

The table below provides the movement of the notes payable and securities sold under agreements to repurchase for the year ended 31 December 2018 for the Group.

	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE £	NOTES PAYABLE £
Beginning balance, 1 January 2018	8,941,557	44,298,421
Purchases	–	40,049,791
Sales	(7,773,133)	(33,984,460)
Net change in unrealised foreign exchange gains (losses)	173,557	966,079
Ending balance, 31 December 2018	1,341,981	51,329,831

The table below provides the movement of the notes payable and securities sold under agreements to repurchase for the year ended 31 December 2017 for the Group.

	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE £	NOTES PAYABLE £
Beginning balance, 1 January 2017	9,811,072	185,868,711
Purchases	–	5,691,412
Sales	–	(150,632,807)
Net change in unrealised foreign exchange gains (losses)	(869,515)	3,371,105
Ending balance, 31 December 2017	8,941,557	44,298,421

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

The table below provides details of the investments at amortised cost held by the Group for the year ended 31 December 2018 under IFRS 9:

	COST BEFORE ECL £	ECL £	LOANS WRITTEN-OFF £	CARRYING VALUE £
Loans at amortised cost	315,083,599	7,259,430	1,043,016	306,781,153
Total	315,083,599	7,259,430	1,043,016	306,781,153

The table below provides details of the investments at amortised cost held by the Group restated as at 1 January 2018 under IFRS 9:

	COST BEFORE ECL £	ECL £	LOANS WRITTEN-OFF £	CARRYING VALUE £
Loans at amortised cost	335,077,673	6,116,051	26,288,295	302,673,327
Total	335,077,673	6,116,051	26,288,295	302,673,327

The table below provides details of the investments at amortised cost held by the Group for the year ended 31 December 2017 under IAS 39:

	COST BEFORE IMPAIRMENT £	LOAN LOSS RESERVE £	LOANS WRITTEN-OFF £	CARRYING VALUE £
Loans at amortised cost	335,077,673	2,343,021	26,288,295	306,446,357
Total	335,077,673	2,343,021	26,288,295	306,446,357

The Parent Company does not hold any loans.

Credit impairment losses

The credit impairment losses of the Group as at 31 December 2018 comprises of the following under IFRS 9:

	CREDIT IMPAIRMENT LOSSES 31 DECEMBER 2018 £
Loans written off	1,043,016
Change in expected credit losses	1,143,379
Currency translation on expected credit losses	380,040
Credit impairment losses	2,566,435

The impairment charge of the Group as at 31 December 2017 comprises of the following under IAS 39:

	IMPAIRMENT CHARGE 31 DECEMBER 2017 £
Loans written off	26,288,295
Change in loan loss reserve	(10,456,673)
Currency translation	(368,899)
Impairment charge	15,462,723

Impairment of loans written off

Impairment charges of loans written off of £1,043,016 (31 December 2017: £26,288,295) have been recorded in the Group's Consolidated Statement of Financial Position and are included in credit impairment losses on the Consolidated Statement of Comprehensive Income.

Impairment of loans reserved against

As at 31 December 2018, the Group has created a reserve provision on the outstanding principal of the Group's loans of £7,259,430 (31 December 2017: £2,343,021), which have been recorded in the Group's Consolidated Statement of Financial Position and are included in credit impairment losses on the Consolidated Statement of Comprehensive Income.

The impairment of loans reserved against comprises the following:

	31 DECEMBER 2018 £
Beginning balance 1 January 2018	2,343,021
IFRS 9 adjustment to balance as at 1 January 2018	3,773,030
Change in expected credit losses or equivalent	1,143,379
Ending balance 31 December 2018	7,259,430

Below is a breakout of the impairment of loans reserved against by stage of the ECL model as at 31 December 2018:

	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	31 DECEMBER 2018 £
Stage 1	57,940	–	–	655,206	713,146
Stage 2	32,737	1,649,190	–	2,773,213	4,455,140
Stage 3	15,323	536,455	–	1,539,366	2,091,144
Expected credit losses	106,000	2,185,645	–	4,967,785	7,259,430

Below is a breakout of the impairment of loans reserved against by stage of the ECL model as at 1 January 2018:

	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	1 JANUARY 2018 £
Stage 1	835,242	4,925	–	1,088,807	1,928,974
Stage 2	120,821	446,438	–	979,039	1,546,298
Stage 3	33,482	600,127	–	2,007,170	2,640,779
Expected credit losses	989,545	1,051,490	–	4,075,016	6,116,051

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Below is a breakout of the carrying value of loans by stage of the ECL model as at 31 December 2018:

	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	31 DECEMBER 2018 £
Stage 1	214,626,344	25,582,375	26,230,874	4,053,612	270,493,205
Stage 2	4,174	7,029,157	18,025,000	10,568,700	35,627,031
Stage 3	597	660,320	–	–	660,917
Loans at amortised cost	214,631,115	33,271,852	44,255,874	14,622,312	306,781,153

Below is a breakout of the carrying value of loans by stage of the ECL model as at 1 January 2018:

	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	1 JANUARY 2018 £
Stage 1	184,182,650	50,616,731	30,852,155	10,065,559	275,717,095
Stage 2	31,230	10,330,686	–	15,585,693	25,947,609
Stage 3	1,783	1,006,840	–	–	1,008,623
Loans at amortised cost	184,215,663	61,954,257	30,852,155	25,651,252	302,673,327

10. FEES AND EXPENSES

Investment management fees

Under the terms of the 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.

The management fee is payable in Pound Sterling 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 90% of the net proceeds of the Issue have been invested or committed for investment (other than in Cash Instruments), the value attributable to any Cash Instruments of the Group held for investment purposes will be excluded from the calculation of NAV for the purposes of determining the Management Fee.

The Investment Manager shall not charge a management fee twice. Accordingly, if at any time the Group invests in or through any other investment fund or special purpose vehicle and a management fee or advisory fee is charged to such investment fund or special purpose vehicle by the Investment Manager or any of its affiliates, the Investment Manager agrees to either (at the option of the Investment Manager): (i) waive such management fee or advisory fee due to the Investment Manager or any of its affiliates in respect of such investment fund or special purpose vehicle, other than the fees charged by the Investment Manager under the Management Agreement; or (ii) charge the relevant fee to the relevant investment fund or special purpose vehicle, subject to the cap set out in the paragraph below, and ensure that the value of such investment shall be excluded from the calculation of the NAV for the purposes of determining the Management Fee payable pursuant to the above. The management fee expense for the year is £3,498,331 (31 December 2017: £4,568,316), of which £153,301 (31 December 2017: £420,339) was payable as at 31 December 2018.

Notwithstanding the above, where such investment fund or special purpose vehicle employs gearing from third parties and the Investment Manager or any of its affiliates is entitled to charge it a fee based on gross assets in respect of such investment, the Investment Manager may not charge a fee greater than 1.0% per annum of gross assets in respect of any investment made by the Parent Company or any member of the Group.

Performance fees

The performance fee is calculated by reference to the movements in the Adjusted Net Asset Value since the end of the Calculation Period in respect of which a performance fee was last earned or Admission if no performance fee has yet been earned. The payment of any performance fees to the Investment Manager will be conditional on the Parent Company achieving at least a 5.0% per annum total return for shareholders relative to a 30 April 2017 High Water Mark.

The performance fee will be calculated in respect of each 12 month period starting on 1 January and ending on 31 December in each calendar year (a "Calculation Period") 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.

The performance fee will be equal to the lower of (i) in each case as at the end of the Calculation Period, an amount equal to (a) Adjusted Net Asset Value minus the Adjusted Hurdle Value, minus (b) the aggregate of all Performance Fees paid to the Manager in respect of all previous Calculation Periods; and (ii) the amount by which (a) 15% of the total increase in the Adjusted Net Asset Value since the Net Asset Value as at 30 April 2017 (being the aggregate of the increase in the Adjusted Net Asset Value in the relevant Calculation Period and in each previous Calculation Period) exceeds (b) the aggregate of all Performance Fees paid to the Manager in respect of all previous Calculation Periods. In the foregoing calculation, the Adjusted Net Asset Value will be adjusted for any increases or decreases in the Net Asset Value attributable to the issue or repurchase of any Ordinary Shares in order to calculate the total increase in the Net Asset Value attributable to the performance of the Parent Company.

"Adjusted Net Asset Value" means the Net Asset Value plus (a) the aggregate amount of any dividends paid or distributions made in respect of any Ordinary Shares and (b) the aggregate amount of any dividends or distributions accrued but unpaid in respect of any Ordinary Shares, plus the amount of any Performance Fees both paid and accrued but unpaid, in each case after the Effective Date and without duplication. "Adjusted Hurdle Value" means the Net Asset Value as at 30 April 2017 adjusted for any increases or decreases in the Net Asset Value attributable to the issue or repurchase of any Ordinary Shares increasing at an uncompounded rate equal to the Hurdle. The "Hurdle" means a 5% per annum total return for shareholders.

The Investment Manager shall not charge a performance fee twice. Accordingly, if at any time the Group invests in or through any other investment fund, special purpose vehicle or managed account arrangement and a performance fee or carried interest is charged to such investment fund, special purpose vehicle or managed account arrangement by the Investment Manager or any of its affiliates, the Investment Manager agrees to (and shall procure that all of its relevant affiliates shall) either (at the option of the Investment Manager): (i) waive such performance fee or carried interest suffered by the Group by virtue of the Investment Manager's (or such relevant affiliate's/affiliates') management of (or advisory role in respect of) such investment fund, special purpose vehicle or managed account, other than the fees charged by the Investment Manager under the Management Agreement; or (ii) calculate the performance fee as above, except that in making such calculation the NAV (as of the date of the High Water Mark) and the Adjusted NAV (as of the NAV calculation date) shall not include the value of any assets invested in any other investment fund, special purpose vehicle or managed account arrangement that is charged a performance fee or carried interest by the Investment Manager or any of its affiliates (and such performance fee or carried interest is not waived with respect to the Group).The performance fee expense for the year is £2,277,215 (31 December 2017: £884,773), of which the entire amount was payable as at 31 December 2018 (31 December 2017: £Nil) .

Administration

The Group has entered into an administration agreement with Northern Trust Hedge Fund Services LLC. The Group pays to the Administrator an annual administration fee based on the Parent Company's net assets subject to a monthly minimum charge.

The Administrator shall also be entitled to be repaid all its reasonable out-of-pocket expenses incurred on behalf of the Group. All Administrator fees are included in other expenses on the Consolidated Statement of Comprehensive Income.

Secretary

Under the terms of the Company Secretarial Agreement, Link Group is entitled to an annual fee of £72,000 (exclusive of VAT and disbursements). All Secretary fees are included in other expenses on the Consolidated Statement of Comprehensive Income.

Registrar

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual maintenance fee of £1.25 per Shareholder account per annum, subject to a minimum fee of £2,500 per annum (exclusive of VAT). All Registrar fees are included in other expenses on the Consolidated Statement of Comprehensive Income.

Custodian

Under the terms of the Custodian Agreement, Merrill Lynch, Pierce, Fenner & Smith Incorporated is entitled to be paid a fee of between US$180 and US$500 per annum per holding of securities in an entity. In addition, the Custodian is entitled to be paid fees up to US$300 per account per annum and other incidental fees. All Custodian fees are included in other expenses on the Consolidated Statement of Comprehensive Income.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Auditors' remuneration

For the year ended 31 December 2018, the remuneration for work carried out for the by PricewaterhouseCoopers LLP, the statutory auditors, was as follows:

	31 DECEMBER 2018 £	31 DECEMBER 2017 £
Fees charged by PricewaterhouseCoopers LLP:		
❖ the audit of the Parent Company and Consolidated Financial Statements;	140,000	150,000
❖ the audit of the Company's subsidiaries;	5,000	10,000
❖ audit related assurance services; and	–	–
❖ tax services; and	–	–
❖ other assurance services	–	–

Amounts are included in other expenses on the Consolidated Statement of Comprehensive Income.

11. TAXATION ON ORDINARY ACTIVITIES

Investment trust status

It is the intention of the Directors to conduct the affairs of the Group so as to satisfy the conditions for approval as an investment trust under section 1158 of the Corporation Taxes Act 2010. As an investment trust the Parent Company is exempt from corporation tax on capital gains made on investments. Although interest income received would ordinarily be subject to corporation tax, the Parent Company will receive relief from corporation tax relief to the extent that interest distributions are made to shareholders. It is the intention of the Parent Company to make sufficient interest distributions so that no corporation tax liability will arise in the Parent Company.

Any change in the Group's tax status or in taxation legislation generally could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders, lead to the loss of investment trust status or alter the post-tax returns to Shareholders.

The following table presents the tax chargeable on the Group for the period ended 31 December 2018:

	REVENUE	CAPITAL	TOTAL
Net return on ordinary activities before taxation	37,044,878	(8,092,538)	28,952,340
Tax at the standard UK corporation tax rate of 19.00%	7,038,527	(1,537,582)	5,500,945
Effects of:			
Non-taxable income	(7,038,527)	–	(7,038,527)
Capital items exempt from corporation tax	–	1,537,582	1,537,582
Total tax charge	–	–	–

The following table presents the tax chargeable on the Group for the period ended 31 December 2017:

	REVENUE	CAPITAL	TOTAL
Net return on ordinary activities before taxation	28,729,962	(22,160,058)	6,569,904
Tax at the standard UK corporation tax rate of 19.25%	5,745,992	(4,432,012)	1,313,980
Effects of:			
Non-taxable income	(5,745,992)	–	(5,745,992)
Capital items exempt from corporation tax	–	4,432,012	4,432,012
Total tax charge	–	–	–

Overseas taxation

The Parent Company and Group may be subject to taxation under the tax rules of the jurisdictions in which they invest, including by way of withholding of tax from interest and other income receipts. Although the Parent Company and Group will endeavour to minimise any such taxes this may affect the level of returns to Shareholders of the Parent Company.

12. NET ASSET VALUE PER ORDINARY SHARE

	AS AT 31 DECEMBER 2018 £	AS AT 31 DECEMBER 2017 £
Net assets attributable to Shareholders of the Parent Company	327,733,367	339,401,017
Shares in issue	360,110,883	370,187,947
Net asset value per Ordinary Share	91.01p	91.68p

13. RETURN PER ORDINARY SHARE

Basic earnings per share is calculated using the weighted average number of shares in issue during the year, excluding the average number of Shares purchased by the Parent Company and held as Treasury Shares.

	AS AT 31 DECEMBER 2018 £	AS AT 31 DECEMBER 2017 £
Profit for the year	28,615,917	9,181,616
Average number of shares in issue during the year	365,669,532	376,212,613
Earnings per Share (basic and diluted)	7.83p	2.44p

The Parent Company has not issued any shares or other instruments that are considered to have dilutive potential.

14. SHAREHOLDERS' CAPITAL

Set out below is the issued share capital of the Company as at 31 December 2018:

	NOMINAL VALUE £	NUMBER OF SHARES
Ordinary Shares	0.01	360,110,883

Set out below is the issued share capital of the Company as at 31 December 2017:

	NOMINAL VALUE £	NUMBER OF SHARES
Ordinary Shares	0.01	370,187,947

Rights attaching to the Shares

The holders of the Shares are entitled to receive, and to participate in, any dividends declared in relation to the Shares. The holders of the Shares shall be entitled to all of the Parent Company's remaining net assets after taking into account any net assets attributable to other share classes in issue. The Shares shall carry the right to receive notice of, attend and vote at general meetings of the Parent Company. The consent of the holders of Shares will be required for the variation of any rights attached to the Shares. The net return per Share is calculated by dividing the net return on ordinary activities after taxation by the number of shares in issue.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 who tenders a vote 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 have any right to vote at any general meeting or at any separate meeting of the holders of any class of shares, 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 & Distribution on Winding Up

Subject to the provisions of the Act as amended and every other statute for the time being in force concerning companies and affecting the Parent Company (the "Statutes"), if at any time the share capital of the Parent Company is divided into different classes of shares, the rights attached to any class may be varied either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class (but not otherwise) and may be so varied either whilst the Parent Company is a going concern or during or in contemplation of a winding-up.

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

The Parent Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Parent Company will be proposed at the annual general meeting of the Parent 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 Parent Company be wound up, liquidated, reconstructed or unitised.

If the Parent Company is wound up, the liquidator may divide among the shareholders in specie the whole or any part of the assets of the Parent 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 through 31 December 2018:

FOR THE YEAR FROM 1 JANUARY 2018 TO 31 DECEMBER 2018	SHARES IN ISSUE AT THE BEGINNING OF THE PERIOD	SHARES REPURCHASED	SHARES IN ISSUE AT THE END OF THE PERIOD
Ordinary Shares	370,187,947	(10,077,064)	360,110,883

The table below shows the movement in shares through 31 December 2017:

FOR THE YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017	SHARES IN ISSUE AT THE BEGINNING OF THE PERIOD	SHARES REPURCHASED	SHARES IN ISSUE AT THE END OF THE PERIOD
Ordinary Shares	381,115,665	(10,927,718)	370,187,947

Share buyback programme

All Shares bought back through the share buyback programme are held in treasury as at 31 December 2018. Details of the programme are as follows:

DATE OF PURCHASE	ORDINARY SHARES PURCHASED	AVERAGE PRICE PER SHARE	LOWEST PRICE PER SHARE	HIGHEST PRICE PER SHARE	TOTAL TREASURY SHARES
January 2018	250,000	80.00p	80.00p	80.00p	12,677,718
February 2018	1,750,000	79.43p	78.00p	80.00p	14,427,718
March 2018	–	–	–	–	14,427,718
April 2018	1,623,745	77.91p	77.00p	78.00p	16,051,463
May 2018	993,146	79.91p	78.00p	80.00p	17,044,609
June 2018	–	–	–	–	17,044,609
July 2018	–	–	–	–	17,044,609
August 2018	–	–	–	–	17,044,609
September 2018	700,000	79.89p	80.20p	80.30p	17,744,609
October 2018	1,860,173	79.89p	79.50p	80.00p	19,604,782
November 2018	2,650,000	78.69p	76.80p	80.00p	22,254,782
December 2018	250,000	77.00p	77.00p	77.00p	22,504,782

Other distributable reserve

During 2018, the Company declared and paid dividends of £Nil (2017: £Nil) from the other distributable reserve. Further, the cost of the buy back of Shares as detailed above was funded by the other distributable reserve of £8,030,232 (2017: £8,632,496). The closing balance in the other distributable reserve has been reduced to £171,731,558 (31 December 2017: £179,761,790).

15. DIVIDENDS PER SHARE

The following table summarises the amounts recognised as distributions to equity shareholders in the period:

	31 DECEMBER 2018 £	31 DECEMBER 2017 £
2016 interim dividend of 1.50 pence per Ordinary Share paid on 7 April 2017	–	5,692,140
2017 interim dividend of 1.50 pence per Ordinary Share paid on 22 June 2017	–	5,667,482
2017 interim dividend of 1.70 pence per Ordinary Share paid on 21 September 2017	–	6,367,798
2017 interim dividend of 1.80 pence per Ordinary Share paid on 24 November 2017	–	6,682,130
2017 interim dividend of 1.80 pence per Ordinary Share paid on 5 April 2018	6,627,383	–
2018 interim dividend of 2.00 pence per Ordinary Share paid on 28 June 2018	7,330,421	–
2018 interim dividend of 2.00 pence per Ordinary Share paid on 20 September 2018	7,311,421	–
2018 interim dividend of 2.00 pence per Ordinary Share paid on 13 December 2018	7,240,218	–
Total	28,509,443	24,409,550

An interim dividend of 2.00 pence per Ordinary Share was declared by the Board on 28 February 2019 in respect of the period to 31 December 2018, was paid to shareholders on 4 April 2019. The interim dividend has not been included as a liability in these financial statements in accordance with International Accounting Standard 10: Events After the Balance Sheet Date.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. RELATED PARTY TRANSACTIONS

Each of the Directors is entitled to receive a fee from the Parent Company at such rate as may be determined in accordance with the Articles. Save for the Chairman of the Board, the fees are £30,000 for each Director per annum. The Chairman's fee is £50,000 per annum. The chairman of the Audit and Valuation Committee may also receive additional fees for acting as the chairman of such a committee. The current fee for serving as the chairman of the Audit and Valuation Committee is £5,000 per annum.

All the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Parent Company.

At 31 December 2018, £164,564 (31 December 2017: £163,362) was paid to the Directors and £0 (31 December 2017: £0) was owed for services performed.

As at 31 December 2018, the Directors' interests in the Parent Company's Shares were as follows:

		31 DECEMBER 2018	31 DECEMBER 2017
Andrew Adcock	Ordinary Shares	50,000	50,000
Kevin Ingram	Ordinary Shares	64,968	34,968
Richard Levy	Ordinary Shares	1,300,000	1,300,000
Elizabeth Passey	Ordinary Shares	10,000	10,000
Clive Peggram	Ordinary Shares	258,240	194,740

Investment management fees for the year ended 31 December 2018 are payable by the Parent Company to the Investment Manager and these are presented on the Consolidated Statement of Comprehensive Income. Details of investment management fees and performance fees payable during the year are disclosed in Note 10.

During 2018, as part of an amendment to its management agreement, the Investment Manager continued to purchase Shares of the Parent Company with 20% of the its monthly management fee. The Shares were purchased at the prevailing market price. As at 31 December 2018, the Investment Manager has purchased 2,130,189 (31 December 2017: 1,364,896) Shares.

As at 31 December 2018, Partners and Principals of the Investment Manager held 1,885,000 (31 December 2017: 1,885,000) Shares in the Parent Company.

The Group has invested in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. The Investment Manager of the Parent Company also acts as manager to VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. The principal activity of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. is to invest in alternative finance investments and related instruments with a view to achieving the Parent Company's investment objective. As at 31 December 2018 the Group owned 26% of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. (31 December 2017: 26%) and the value of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. was £24,582,851 (31 December 2017: £23,845,238). The Group received income of £2,339,179 from VPC Offshore Unleveraged Private Debt Fund Feeder, L.P., which is reflected in Income on the Consolidated statement of comprehensive income.

The Group has invested in Larkdale III, L.P. The Investment Manager of the Parent Company also acts as manager to Larkdale III, L.P. As at 31 December 2018, the Group owned 52% of Larkdale III, L.P. (31 December 2017: 52%) and the value of the Group's investment in Larkdale III, L.P. was £3,339,968 (31 December 2017: £3,116,896). The Group did not receive any income from Larkdale III, L.P. during the year.

The Investment Manager may pay directly various expenses that are attributable to the Group. These expenses are allocated to and reimbursed by the Group to the Investment Manager as outlined in the Management Agreement. Any excess expense previously allocated to and paid by the Group to the Investment Manager will be reimbursed to the Group by the Investment Manager. At 31 December 2018, £73,052 was due to the Investment Manager (31 December 2017: £41,686) and is included in the Accrued expenses and other liabilities balance on the Consolidated Statement of Financial Position.

17. SUBSIDIARIES

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	NATURE OF INVESTMENT	PERCENTAGE OWNERSHIP AS AT 31 DECEMBER 2018	PERCENTAGE OWNERSHIP AS AT 31 DECEMBER 2017
VPC Specialty Lending Investments Intermediate, L.P.	Investment vehicle	USA	Limited partner interest	Sole limited partner	Sole limited partner
VPC Specialty Lending Investments Intermediate GP, LLC	General partner	USA	Membership interest	Sole member	Sole member
LIAB, L.P.	Investment vehicle	UK	Limited partner interest	Sole limited partner	Sole limited partner
LIAB GP, LLC	General partner	UK	Membership interest	Sole member	Sole member
Fore London, L.P.	Investment vehicle	UK	Limited partner interest	Sole limited partner	Sole limited partner
Fore London GP, LLC	General partner	UK	Membership interest	Sole member	Sole member
SVTW, L.P.	Investment vehicle	USA	Limited partner interest	99%	99%
SVTW GP, LLC	General partner	USA	Membership interest	99%	99%
Duxbury Court I, L.P.	Investment vehicle	USA	Limited partner interest	95%	95%
Duxbury Court I GP, LLC	General partner	USA	Membership interest	95%	95%
Drexel I, L.P.	Investment vehicle	USA	Limited partner interest	52%	52%
Drexel I GP, LLC	General partner	USA	Membership interest	52%	52%
Larkdale I, L.P.	Investment vehicle	USA	Limited partner interest	61%	61%
Larkdale I GP, LLC	General partner	USA	Membership interest	61%	61%

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The subsidiaries listed above as investment vehicles are consolidated by the Group.

NAME	REGISTERED ADDRESS
VPC Specialty Lending Investments Intermediate, L.P.	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
VPC Specialty Lending Investments Intermediate GP, LLC	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
LIAB, L.P.	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
LIAB GP, LLC	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Fore London, L.P.	6th Floor, 65 Gresham Street, London, EC2V 7NQ United Kingdom
Fore London GP, LLC	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
SVTW, L.P.	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
SVTW GP, LLC	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Duxbury Court I, L.P.	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Duxbury Court I GP, LLC	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Drexel I, L.P.	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Drexel I GP, LLC	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Larkdale I, L.P.	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Larkdale I GP, LLC	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606

The table below illustrates the movement of the investment in subsidiaries of the Parent Company:

	INVESTMENTS IN SUBSIDIARIES £
Beginning balance, 1 January 2018	286,614,455
Purchases	127,996,180
Sales	(126,125,955)
Impairment of investments in subsidiaries	(8,103,484)
Ending balance, 31 December 2018	280,381,196

18. NON-CONTROLLING INTERESTS

The non-controlling interests arises from investments in limited partnerships considered to be controlled subsidiaries into which there are other investors. The value of the non-controlling interests at 31 December 2018 represents the portion of the NAV of the controlled subsidiaries attributable to the other investors. As at 31 December 2018, the portion of the NAV attributable to non-controlling interests investments totalled £246,346 (31 December 2017: £842,521). In the Consolidated Statement of Comprehensive Income, the amount attributable to non-controlling interests represents the increase in the fair value of the investment in the period.

The following entities have been consolidated which have material non-controlling interests as at 31 December 2018:

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS HELD BY NON-CONTROLLING INTERESTS AS AT 31 DECEMBER 2018	PROFIT OR LOSS OF SUBSIDIARY ALLOCATED TO NON-CONTROLLING INTERESTS DURING THE PERIOD ENDED 31 DECEMBER 2018 £	ACCUMULATED NON-CONTROLLING INTERESTS IN SUBSIDIARY AS AT 31 DECEMBER 2018 £
Drexel I, L.P.	USA	48%	136,882	58,362
Duxbury Court I, L.P.	USA	5%	(7,443)	23,488
Larkdale I, L.P.	USA	39%	206,063	161,811
SVTW, L.P.	USA	1%	921	2,685
Totals			336,423	246,346

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NAME OF SUBSIDIARY		SUMMARISED FINANCIAL INFORMATION FOR SUBSIDIARY 31 DECEMBER 2018 £
Drexel I, L.P.	Distributions to non-controlling interests	396,909
	Profit/(loss) of subsidiary for period ended 31 December 2018	266,863
	Assets as at 31 December 2018	143,271
	Liabilities as at 31 December 2018	14,633
Duxbury Court I, L.P.	Distributions to non-controlling interests	23,802
	Profit/(loss) of subsidiary for period ended 31 December 2018	(178,930)
	Assets as at 31 December 2018	703,372
	Liabilities as at 31 December 2018	–
Larkdale I, L.P.	Distributions to non-controlling interests	510,324
	Profit/(loss) of subsidiary for period ended 31 December 2018	428,161
	Assets as at 31 December 2018	432,514
	Liabilities as at 31 December 2018	19,546
SVTW, L.P.	Distributions to non-controlling interests	248
	Profit/(loss) of subsidiary for period ended 31 December 2018	291,801
	Assets as at 31 December 2018	413,147
	Liabilities as at 31 December 2018	24,355

The following entities have been consolidated which have material non-controlling interests as at 31 December 2017:

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS HELD BY NON-CONTROLLING INTERESTS AS AT 31 DECEMBER 2017	PROFIT OR LOSS OF SUBSIDIARY ALLOCATED TO NON-CONTROLLING INTERESTS DURING THE PERIOD ENDED 31 DECEMBER 2017 £	ACCUMULATED NON-CONTROLLING INTERESTS IN SUBSIDIARY AS AT 31 DECEMBER 2017 £
Drexel I, L.P.	USA	47%	(366,057)	312,414
Duxbury Court I, L.P.	USA	5%	18,231	52,514
Larkdale I, L.P.	USA	39%	(2,183,021)	475,684
Larkdale II, L.P.	USA	0%	(103,815)	–
Larkdale IV, L.P.	USA	0%	40,754	–
SVTW, L.P.	USA	1%	(17,804)	1,909
Totals			(2,611,712)	842,521

NAME OF SUBSIDIARY		SUMMARISED FINANCIAL INFORMATION FOR SUBSIDIARY 31 DECEMBER 2017 £
Drexel I, L.P.	Distributions to non-controlling interests	9,041,140
	Profit/(loss) of subsidiary for period ended 31 December 2017	(886,586)
	Assets as at 31 December 2017	631,332
	Liabilities as at 31 December 2017	78,444
Duxbury Court I, L.P.	Distributions to non-controlling interests	1,034,165
	Profit/(loss) of subsidiary for period ended 31 December 2017	442,595
	Assets as at 31 December 2017	1,378,763
	Liabilities as at 31 December 2017	–
Larkdale I, L.P.	Distributions to non-controlling interests	16,278,719
	Profit/(loss) of subsidiary for period ended 31 December 2017	(5,348,609)
	Assets as at 31 December 2017	1,373,627
	Liabilities as at 31 December 2017	157,210
Larkdale II, L.P.	Distributions to non-controlling interests	1,892,250
	Profit/(loss) of subsidiary for period ended 31 December 2017	(214,993)
	Assets as at 31 December 2017	–
	Liabilities as at 31 December 2017	–
Larkdale IV, L.P.	Distributions to non-controlling interests	112,615
	Profit/(loss) of subsidiary for period ended 31 December 2017	115,891
	Assets as at 31 December 2017	–
	Liabilities as at 31 December 2017	–
SVTW, L.P.	Distributions to non-controlling interests	40,998
	Profit/(loss) of subsidiary for period ended 31 December 2017	(5,427,126)
	Assets as at 31 December 2017	925,171
	Liabilities as at 31 December 2017	758,477

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19. INVESTMENTS IN FUNDS

The Group has been determined to exercise significant influence in relation to certain of its in funds and other entities, as such these investments are considered to be associates for accounting purposes and represent interests in unconsolidated structured entities. The following additional information is therefore provided as required by IFRS 12, Disclosure of Interests in Other Entities:

NAME OF ASSOCIATE	PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTERESTS HELD	BASIS OF VALUATION	FAIR VALUE OF INTEREST AS AT 31 DECEMBER 2018 £	MAXIMUM EXPOSURE TO LOSS AS AT 31 DECEMBER 2018 £
VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.	Cayman Islands	Investment fund	26%	Designated as held at fair value through profit or loss – using NAV	24,582,851	24,582,851
Larkdale III, L.P.	USA	Investment vehicle	52%*	Designated as held at fair value through profit or loss – using NAV	3,339,968	3,339,968

NAME OF ASSOCIATE		SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATE 31 DECEMBER 2018 £
VPC Offshore Unleveraged	Profit/(loss) of associate for period ended 31 December 2018	8,331,707
Private Debt Fund Feeder, L.P.	Assets as at 31 December 2018	92,238,948
	Liabilities at 31 December 2018	486,215
Larkdale III, L.P.	Profit/(loss) of associate for period ended 31 December 2018	(692,843)
	Assets as at 31 December 2018	6,475,494
	Liabilities at 31 December 2018	5,938

*The Group holds 52% interest in Larkdale III, L.P. while the Group's ultimate ownership of the investment held by Larkdale III, L.P. is 34%. The Group has determined it does not have accounting control as the general partner has operating control over the vehicle and acts as an agent for a number of the Investment Manager's funds.

NAME OF ASSOCIATE	PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTERESTS HELD	BASIS OF VALUATION	FAIR VALUE OF INTEREST AS AT 31 DECEMBER 2017 £	MAXIMUM EXPOSURE TO LOSS AS AT 31 DECEMBER 2017 £
VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.	Cayman Islands	Investment fund	26%	Designated as held at fair value through profit or loss – using NAV	23,845,238	23,845,238
Larkdale III, L.P.	USA	Investment vehicle	52%*	Designated as held at fair value through profit or loss – using NAV	3,116,896	3,116,896

NAME OF ASSOCIATE		SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATE 31 DECEMBER 2017 £
VPC Offshore Unleveraged	Profit/(loss) of associate for period ended 31 December 2017	8,219,978
Private Debt Fund Feeder, L.P.	Assets as at 31 December 2017	90,245,911
	Liabilities at 31 December 2017	2,233,303
Larkdale III, L.P.	Profit/(loss) of associate for period ended 31 December 2017	(4,230,000)
	Assets as at 31 December 2017	6,053,052
	Liabilities at 31 December 2017	15,589

The Group's investments in associates all consist of limited partner interest in funds. There are no significant restrictions between investors with joint control or significant influence over the associates listed above on the ability of the associates to transfer funds to any party in the form of cash dividends or to repay loans or advances made by the Group.

*The Group holds 52% interest in Larkdale III, L.P. while the Group's ultimate ownership of the investment held by Larkdale III, L.P. is 34%. The Group has determined it does not have accounting control as the general partner has operating control over the vehicle and acts as an agent for a number of the Investment Manager's funds.

20. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Company declared a dividend of 2.00 pence per Ordinary Share for the three-month period ended 31 December 2018 and paid the dividend on 4 April 2019.

From 1 January 2019 to 26 April 2019, the Company had repurchased an additional 10,872,029 Ordinary Shares at an average price of 75.92 pence per Ordinary Share under the share buyback programme bringing the cumulative total to 33,376,811 Ordinary Shares (8.72% of gross share issuance).

There were no other significant events subsequent to the year end.

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2018

INVESTMENT OBJECTIVE

The Company's investment objective is to generate an attractive total return for shareholders consisting of distributable income and capital growth through investments in financial services opportunities.

INVESTMENT POLICY

The Company seeks to achieve its investment objective by investing in opportunities in the financial services market through portfolio companies and other lending related opportunities.

The Company invests directly or indirectly into available opportunities, including by making investments in, or acquiring interests held by, third-party funds (including those managed by the Investment Manager or its affiliates).

Direct investments include consumer loans, SME loans, advances against corporate trade receivables and/or purchases of corporate trade receivables originated by portfolio companies ("Debt Instruments"). Such Debt Instruments may be subordinated in nature, or may be second lien, mezzanine or unsecured loans.

Indirect investments include investments in portfolio companies (or in structures set up by portfolio companies) through the provision of senior secured floating rate credit facilities ("Credit Facilities"), equity or other instruments. Additionally, the Company's investments in Debt Instruments and Credit Facilities are made through subsidiaries of the Company or through partnerships in order to achieve bankruptcy remoteness from the platform itself, providing an extra layer of credit protection.

The Company may also invest in other financial services related opportunities through a combination of debt facilities, equity or other instruments.

The Company may also invest (in aggregate) up to 10% of its Gross Assets (at the time of investment) in listed or unlisted securities (including equity and convertible securities or any warrants) issued by one or more of its portfolio companies or financial services entities.

The Company invests across several portfolio companies, asset classes, geographies (primarily US, UK and Europe) and credit bands in order to create a diversified portfolio and thereby mitigates concentration risks.

INVESTMENT RESTRICTIONS

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.

PLATFORM RESTRICTIONS

Subject to the following, the Company generally does not intend to invest more than 20% of its Gross Assets in Debt Instruments (net of any gearing ring-fenced within any SPV which would be without recourse to the Company), originated by, and/or Credit Facilities and equity instruments in, any single portfolio company, calculated at the time of investment. All such aggregate exposure to any single portfolio company (including investments via an SPV) will always be subject to an absolute maximum, calculated at the time of investment, of 25% of the Company's Gross Assets.

ASSET CLASS RESTRICTIONS

Single loans acquired by the Company will typically be for a term no longer than five years.

The Company will not invest more than 20% of its Gross Assets, at the time of investment, via any single investment fund investing in Debt Instruments and Credit Facilities. In any event, the Company will not invest, in aggregate, more than 60% of its Gross Assets, at the time of investment, in investment funds that invest in Debt Instruments and Credit Facilities.

The Company will not invest more than 10% of its Gross Assets, at the time of investment, in other listed closed-ended investment funds, whether managed by the Investment Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

SHAREHOLDER INFORMATION continued

The following restrictions apply, in each case at the time of investment by the Company, to both Debt Instruments acquired by the Company via wholly-owned SPVs or partially-owned SPVs on a proportionate basis under the Marketplace Model, on a look-through basis under the Balance Sheet Model and to any Debt Instruments held by another investment fund in which the Company invests:

- No single consumer loan acquired by the Company shall exceed 0.25% of its Gross Assets.
- No single SME loan acquired by the Company shall exceed 5.0% of its Gross Assets. For the avoidance of doubt, Credit Facilities entered into directly with portfolio companies are not considered SME loans.
- No single trade receivable asset acquired by the Company shall exceed 5.0% of its Gross Assets.

OTHER RESTRICTIONS

The Company's un-invested or surplus capital or assets may be invested in Cash Instruments for cash management purposes and with a view to enhancing returns to shareholders or mitigating credit exposure.

Where appropriate, the Company will ensure that any SPV used by it to acquire or receive (by way of assignment or otherwise) any loans to UK consumers shall first obtain the appropriate authorisation from the FCA for consumer credit business.

BORROWING POLICY

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

The Company may, in connection with seeking such gearing or securitising its loans, seek to assign existing assets to one or more SPVs and/or seek to acquire loans using an SPV.

The Company may establish SPVs in connection with obtaining gearing against any of its assets or in connection with the securitisation of its loans (as set out further below). It intends to use SPVs for these purposes to seek to protect the geared portfolio from group level bankruptcy or financing risks.

The aggregate gearing of the Company and any investee entity (on a look-through basis, including borrowing through securitisation using SPVs) shall not exceed 1.5 times its NAV (1.5x).

As is customary in financing transactions of this nature, the particular SPV will be the borrower and the Company may from time to time be required to guarantee or indemnify a third-party lender for losses incurred as a result of certain "bad boy" acts of the SPV or the Company, typically including fraud or wilful misrepresentation or causing the SPV voluntarily to file for bankruptcy protection. Any such arrangement will be treated as 'non-recourse' with respect to the Company provided that any such obligation of the Company shall not extend to guaranteeing or indemnifying Ordinary portfolio losses or the value of the collateral provided by the SPV.

SECURITISATION

The Company may use securitisation typically only for loans purchased directly from portfolio companies through the Marketplace Model in order to improve overall profitability by: (i) lowering the cost of financing; (ii) further diversifying its portfolio using the same amount of equity capital; and (iii) to lowering the credit risk to the Company.

In order to securitise certain assets, a bankruptcy remote SPV would be established, solely for the purpose of holding the underlying assets and issuing asset-backed securities ("ABS") secured only on these assets within the SPV. Each SPV would be portfolio company specific and would be owned by the Company, in whole or in part alongside Other VPC Funds or investors. Each SPV used for securitisation will be ring-fenced from one another and will not involve cross-collateralisation. The SPV will then aim to raise debt financing in the capital markets by issuing ABS that are secured only on assets within the SPV. The SPV will also enter into service agreements with the relevant portfolio companies to ensure continued collection of payments, pursuance of delinquent borrowers (end consumers) and otherwise interaction with borrowers in much the same manner as if the securitisation had not occurred.

SHARE REGISTER ENQUIRIES

For shareholder enquiries, please contact +44 (0) 871 664 0300. If you are outside the United Kingdom, please call +44 371 664 0300.

Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

SHARE CAPITAL AND NET ASSET VALUE INFORMATION

Ordinary £0.01 Shares	360,110,883
SEDOL Number	BVG6X43
ISIN Number	GB00BVG6X439

SHARE PRICES

The Company's shares are listed on the London Stock Exchange.

ANNUAL AND HALF-YEARLY REPORTS

Copies of the Annual and Half-Yearly Reports are available from the Investment Manager on telephone +001 312 705 2789 and are available on the Company's website http://vpcspecialtylending.com.

PROVISIONAL FINANCIAL CALENDAR

11 June 2019	Annual General Meeting
June 2019	Payment of interim dividend to 31 March 2019
30 June 2019	Half-year End
September 2019	Announcement of half-yearly results
September 2019	Payment of interim dividend to 30 June 2019
December 2019	Payment of interim dividend to 30 September 2019
31 December 2019	Year End

DIVIDENDS

The following table summarises the amounts recognised as distributions to equity shareholders relating to 2018:

	£
2018 interim dividend of 2.00 pence per Ordinary Share paid on 28 June 2018	7,330,421
2018 interim dividend of 2.00 pence per Ordinary Share paid on 20 September 2018	7,311,421
2018 interim dividend of 2.00 pence per Ordinary Share paid on 13 December 2018	7,240,218
2018 interim dividend of 2.00 pence per Ordinary Share paid on 4 April 2019	7,077,273
Total	28,959,333

SHAREHOLDER INFORMATION continued

DEFINITIONS OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

The Group uses the terms and alternative performance measures below to present a measure of profitability which is aligned with the requirements of our investors and potential investors, to draw out meaningful subtotals of revenues and earnings and to provide additional information not required for disclosure under accounting standards to assist users of the accounts in gauging the profit levels of the Group. All terms and alternative performance measures relate to past performance:

Discount to NAV – Calculated as the difference in the NAV (Cum Income) as at 31 December 2018 and the average price per share repurchased divided during the year divided by the NAV Cum (Income) as at 31 December 2018.

Dividend Yield on Average NAV (Cum Income) – Calculated as the dividends declared during 2018 divided by the average Net Asset Value (Cum Income) of the Company for the year.

Gross Returns – Represents the return on shareholder's funds per share on investments of the Company before operating and other expenses of the Company.

Look-Through Gearing Ratio – The aggregate gearing of the Company and any investee entity (on a look through basis, including borrowing through securitisations using SPVs) shall not exceed 1.50 times its NAV (1.5x).

Market Capitalisation – Month-end closing share price multiplied by the number of shares outstanding at month end.

NAV (Cum Income) or NAV or Net Asset Value – The value of assets of the Company less liabilities determined in accordance with the accounting principles adopted by the Company.

NAV (Cum Income) Return – The theoretical total return on shareholders' funds per share reflecting the change in NAV assuming that dividends paid to shareholders were reinvested at NAV at the time dividend was announced.

	2018 Calculation	Inception to Date Calculation
(A) Closing NAV (Cum Income) per share	91.01p	91.01p
(B) Opening NAV (Cum Income) per share	90.68p	98.00p
(C) Dividends declared and paid	7.80p	23.59p
D = (A – B + C) / B	8.96%	16.94%

NAV (Ex Income) – The NAV of the Company, including current year capital returns and excluding current year revenue returns and unadjusted for dividends relating to revenue returns.

NAV (Ex Income) Return – The theoretical total return on shareholders' funds per share, excluding revenue returns, reflecting the change in NAV assuming that dividends paid to shareholders, unadjusted for dividends relating to revenue returns, were reinvested at NAV at the time dividend was announced.

	2018 Calculation	Inception to Date Calculation
(A) Closing NAV (Ex Income) per share	85.12p	85.12p
(B) Opening NAV (Ex Income) per share	87.26p	98.00p
(C) Dividends declared and paid	0.00p	1.26p
D = (A – B + C) / B	–2.45%	–11.85%

NAV per Share (Cum Income) – The NAV (Cum Income) divided by the number of shares in issue.

NAV per Share (Ex Income) – The NAV (Ex Income) divided by the number of shares in issue.

Net Returns – Represents the return on shareholder's funds per share on investments of the Company after operating and other expenses of the Company.

Ongoing Charges Ratio – Ongoing charges represents the management fee and all other operating expenses, excluding finance costs, transaction costs and any performance fee payable, expressed as a percentage of the average net asset values during the year.

Premium/(Discount) to NAV (Cum Income) – The amount by which the share price of the Company is either higher (at a premium) or lower (at a discount) than the NAV per Share (Cum Income), expressed as a percentage of the NAV per share.

Revenue Return – Represents the difference between the **NAV (Cum Income) Return** and the **NAV (Ex Income) Return** as defined above.

	2018 Calculation	Inception to Date Calculation
(A) NAV (Cum Income) Return	8.96%	19.94%
(B) NAV (Ex Income) Return	–2.45%	–11.85%
C = A – B	11.41%	28.79%

Share Price – Closing share price at month end (excluding dividends reinvested).

Total Shareholder Return – Calculated as the change in the traded share price from 31 December 2018 to 31 December 2017 plus the dividends declared in 2018 divided by the traded share price as at 31 December 2017.

Trailing Twelve Month Dividend Yield – Calculated as the total dividends declared over the last twelve months as at 31 December 2018 divided by the 31 December 2018 closing share price.

SHAREHOLDER INFORMATION continued

CONTACT DETAILS OF THE ADVISERS

Directors	Clive Peggram Elizabeth Passey Kevin Ingram Richard Levy *all of the registered office below*
Registered Office	6th Floor 65 Gresham Street London EC2V 7NQ United Kingdom
Company Number	9385218
Website Address	Website Address https://vpcspecialtylending.com
Corporate Brokers	Jefferies International Limited Vintners Place 68 Upper Thames Street London EC4V 3BJ United Kingdom
Investment Manager and AIFM	Victory Park Capital Advisors, LLC 150 North Riverside Plaza, Suite 5200 Chicago IL 60606 United States
Company Secretary	Link Company Matters Limited Beaufort House 51 New North Road Exeter EX4 4EP United Kingdom
Administrator	Northern Trust Hedge Fund Services LLC 50 South LaSalle Street Chicago IL 60603 United States
Registrar	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

Custodians	Merrill Lynch, Pierce, Fenner & Smith Incorporated 101 California Street San Francisco CA 94111 United States
	Millennium Trust Company 2001 Spring Road Oak Brook IL 60523 United States
English Legal Adviser to the Company	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT United Kingdom

Notes

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