VPC Specialty Lending Investments PLC

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 U.K. 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 various 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 2017 (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 U.K. 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 pages 41 and 42, and a statement relating to their continuing appointment can be found on pages 38 and 41. The investment policy can be found beginning on page 113 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 reported Net Asset Value (the "NAV") as at 31 December 2017 was £339.4 million (cum income).

STRATEGIC REPORT

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Strategic Report is comprised of a review of the Company's performance for the year ended 31 December 2017, 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 is heading.

PERFORMANCE

COMMENTARY

During the year ended 31 December 2017, the Company:

- generated a revenue return of 8.23% and a NAV return per share of 3.07% for the Ordinary Shares;
- quarterly dividends increased to 1.80 pence per Ordinary share for the quarter ending 31 December 2017 from 1.50 pence per Ordinary Share for the quarter ending 31 March 2017;
- largely completed its portfolio transition into balance sheet investments, including new investments in nine Portfolio Companies during the year;
- balance sheet investments account for 79% of the of the Company's NAV as at 31 December 2017 compared to 51% as at 31 December 2016; and
- continued the share buyback programme, purchasing 10,927,718 shares during the year at an average price of 78.44 pence per share.

STRATEGIC REPORT continued

CAPITAL STRUCTURE AND NET ASSET VALUE AS AT 31 DECEMBER 2017

	ORDINARY SHARES 31 DECEMBER 2017	ORDINARY SHARES 31 DECEMBER 2016
Total Net Assets attributable to equity shareholders of the Parent Company (on a consolidated basis)	£ 339,401,017	£ 363,057,307
Net Asset Value per share	91.68p	95.26p
Share price	78.00p	78.75p
Discount to Net Asset Value	–14.92%	–17.33%
Total Shareholder Return (based on share price)[1]	7.30%	–9.79%
Total Net Asset Value Return[2]	3.07%	0.85%
Revenue Return	8.23%	6.00%
Dividends per Ordinary Share	6.80p	6.00p
New shares issued (in the period)[3]	–	182,615,665
Shares repurchased (in the period)	(10,927,718)	(1,500,000)

All of the performance measures above are defined on page 116. The Total Shareholder Return, Total Net Asset Value Return and Revenue Return are Alternative Performance Measures as disclosed on page 116.

[1] Based on a share price of 100 pence. Includes dividends paid during the year.
[2] Net of issue costs.
[3] On 4 March 2016 the Company's 183,000,000 C Shares were converted into 182,615,665 Ordinary Shares.

COMPANY PERFORMANCE

The inception to date total NAV return for the Company has been 9.67% of which income accounted for 18.32% while capital returns were –8.65%.

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%	9.67%
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%	

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%	18.32%
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%	

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%	–8.65%
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%	

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%	–22.00%
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%	

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	15.79p
2017	–	–	1.50p	–	–	1.50p	–	–	1.70p	–	1.80p	–	6.50p	

All of the performance measures above are defined on page 116. The NAV (Cum Income) Return, Revenue Return and NAV (Ex Income) Return are Alternative Performance Measures as disclosed on page 116.

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 2017. 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 113 and 114) to consider the application of the restrictions in this policy on a look-through basis. All balance sheet investments (excluding convertible notes) are disclosed as loans at amortised cost in accordance with the International Financial Reporting Standards within the Statement of Financial Position. There has been a continued, deliberate and significant shift to balance sheet assets throughout 2017. At the end of 2017, the top ten positions contain all balance sheet investments compared to six of the top ten at the end of 2016.

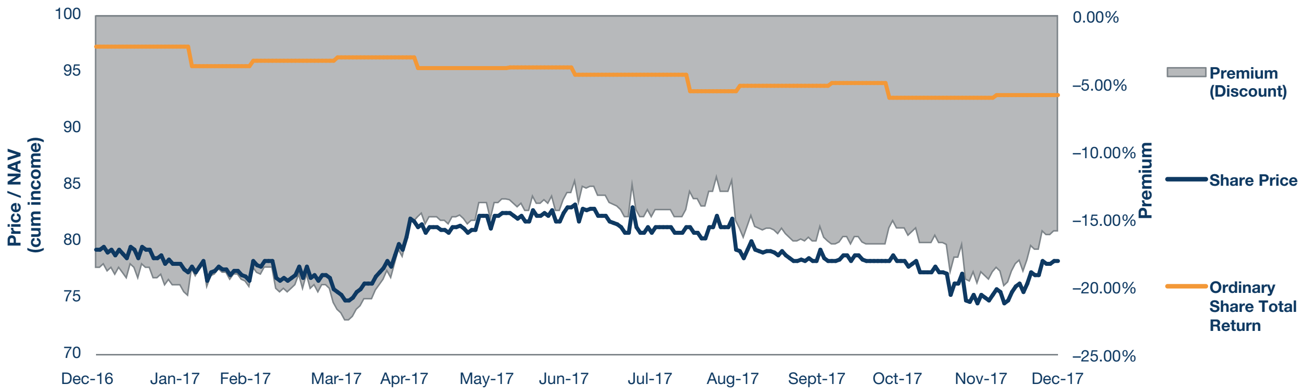
INVESTMENT	COUNTRY	INVESTMENT TYPE	% OF NAV
Elevate Credit, Inc.	United States	Balance Sheet	15.04%
Borro Ltd.	United Kingdom	Balance Sheet	8.38%
Applied Data Finance, LLC	United States	Balance Sheet	6.25%
Community Choice Financial, Inc.	United States	Balance Sheet	5.70%
iZettle Capital AB	Sweden	Balance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

The table below provides a summary of the top ten positions of the Group, excluding equity exposure, as at 31 December 2016. 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
Borro Ltd.	United Kingdom	Balance Sheet	10.93%
Avant, Inc. – Marketplace Loans	United States	Marketplace	10.76%
Elevate Credit, Inc.	United States	Balance Sheet	7.40%
zipMoney Limited	Australia	Balance Sheet	6.21%
Wheels Financial Group, LLC	United States	Balance Sheet	5.92%
Funding Circle US, Inc.	United States	Marketplace	5.80%
Prosper Marketplace, Inc.	United States	Marketplace	5.69%
Avant, Inc. – Balance Sheet	United States	Balance Sheet	5.65%
Avant, Inc. – Securitisation Residuals	United States	Securitisation Residuals	5.21%
The Credit Junction, Inc.	United States	Balance Sheet	3.74%

ORDINARY SHARE PERFORMANCE

The Company narrowed its discount to its Ordinary Share NAV over the year with the discount improving to 14.92% from 17.33%. 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

I am pleased to present VPC Specialty Lending Investments PLC's Annual Report, for the year ended 31 December 2017. The total NAV per share return for the Company was 3.07% for the year compared to 0.95% in 2016 and the Total Shareholder Return (based on share price)[1] was 7.30% for the year compared to –9.79% in 2016. The Company declared dividends of 6.80 pence per Ordinary Share relating to the returns of the Company for the year ended 31 December 2017 and delivered a dividend yield of 7.24%[4] on the average Ordinary Share NAV for the year.

During 2017, the Investment Manager successfully reallocated the majority of capital from marketplace lending assets to balance sheet investments. The Company has generated strong risk adjusted returns across its balance sheet facilities with an average annualised return on invested capital of the balance sheet investments of 14.25%[5]. In addition, the Company increased diversification by completing initial investments in nine new balance sheet investments during the year and at year end the number of balance sheet deals stood at 24.

The Company also announced the modification of performance fees to include an annual hurdle rate of 5%, effective beginning 1 May 2017. The Company believes the modification serves to more closely align the incentives of the Investment Manager with the interests of the Company's shareholders.

The Company's Ordinary Share price was steady during 2017, closing the year near the same price it began. Despite the strong dividend yield, the shares continue to trade at a discount to NAV. As a result, the share buyback program continued to purchase shares on the open market, purchasing a total of 10,927,718 shares during the year. In addition to this the Investment Manager continued its practice of using 20% of management fees to purchase shares, resulting in an additional 903,869 shares purchased throughout the year.

During the year, the Company delivered a below target total NAV return, but made significant progress by driving revenue returns higher, ending the year with a fourth quarter record revenue return of 2.63%. Given the trajectory and the strong condition of the portfolio, I look forward to continued gains and a stronger total return in 2018.

INVESTMENTS

Similar to 2016, the performance of the Company's investment portfolio was sharply polarised throughout the year. The balance sheet portfolio continued to generate strong returns, with an average annualised return on invested capital of the balance sheet investments of 14.25%[5]. These investments benefit from excess spread, first loss protection and from full security and covenant packages. There have been no major credit issues across the portfolio and operational performance remains strong.

During the year the Company executed on several transactions that accelerated the disposal of the marketplace lending portfolios which now represent a minimal portion of the portfolio. The Company disposed of 16.97%[6] of the Company's NAV through these portfolio sales, resulting in a non-recurring capital loss of 1.27%[7]. The Avant Credit, Inc ("Avant") residuals have continued to underperform and create a drag on performance, a disappointing result given the other positive developments across the portfolio. As at 31 December 2017 the combined exposure to marketplace loans and securitisations has seen no systematic signs of deteriorating across the underlying consumer and small business loans that support the balance sheet loans.

Another significant event during the year was the recapitalisation and takeover of Borro, a specialised finance firm that provides secured loans against luxury assets based in London but operating in both the UK and US. Together with a strong new management team the Investment Manager is working to refocus the business on its core products/end markets and have since exited the real estate lending business. There remains significant underlying collateral supporting the loan book but given the transition the Company has taken a conservative approach to valuation, including taking an IFRS 9 reserve against the position. The equity will continue to be held at a zero valuation but with strong execution over the coming 12-24 months we believe Borro has a positive long-term outlook.

At the beginning of 2017, the Company had a Look-Through Leverage Ratio of 0.63x. This gradually declined over the course of the year down to 0.17x as at 31 December 2017. The Company's balance sheet investments are on average less geared than its marketplace and securitisation investments. The reallocation of capital into balance sheet investments over the course of the year has had a positive impact on the financial performance of the Company and the Group. Whilst the Group's loans at amortised cost have decreased to £306 million from £470 million, the notes payable and impairment charges have also

[1] Based on a share price of 100 pence.
[4] This return denotes an average return calculated by the dividends paid divided by the average Net Asset Value (Cum Income) of the Company for the period. This is an Alternative Performance Measure as defined on page 116.
[5] This return denotes an average return calculated by dividing the income earned on the balance sheet investments for the period by the average capital invested in balance sheet loans each month in the period. This return includes limited gearing on the balance sheet portfolio. This is an Alternative Performance Measure as defined on page 116.
[6] Represents the percentage of NAV comprised by the loans sold prior to the sale of loans calculated off the NAV of the Company the month each individual sale was completed.
[7] The loss on each portfolio sale is calculated off the NAV of the Company the month each individual sale was completed. The impact to the Company for the year ended 31 December 2017 was £4,437,504. This is an Alternative Performance Measure as defined on page 116.

decreased to £44 million from £186 million and to £15 million from £41 million respectively while the net Revenue Return of the Company has increased to £29 million from £23 million.

I am particularly encouraged by the progress the Investment Manager has made in sourcing and executing on new high-quality deals which will drive the returns for the Company in the coming years. The strategy of partnering with the best entrepreneurs who have the strongest equity backing has continued to pay dividends as the quality of executed deals has remained very high. Two portfolio companies had their Initial Public Offerings during 2017 and others are exploring the opportunity to do so in the coming year, which I think speaks to the strength of the underlying performance. Looking forward, the Company has a record number of 24 balance sheet deals and Victory Park 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 2017 stands at 1.35% (1.30% in 2016). The overall costs of the Company are in line with prior year, however, the ratio increased due to the decrease in the NAV of the Company. The Company's ongoing charges consist of management fees, advisory, legal, professional and other operating costs of the Company. Expenses incurred at any investment fund or special purpose vehicle that the Company invests in are excluded from the ongoing charges calculation of the Company.

SHARE PRICE DISCOUNT MANAGEMENT POLICY

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 2017, a total of 10,927,718 shares were bought back at an average price of 78.44 pence per share, accounting for 2.86% of the total issued shares of the Company.

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.

IFRS 9

IFRS 9 was adopted by the Group on 1 January 2018 and will be implemented in the financial statements for the year ending 31 December 2018. The adoption of IFRS 9 will reduce 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 2017:

- In February 2018, the Company made new balance sheet investments into Konfio Ltd. and was refinanced from its balance sheet investment into Kreditech Holding SSL GmbH.
- In March 2018, the Company was repaid the majority of its balance sheet exposure to The Credit Junction, Inc. The Company received a paydown of 3.11% of the Company's NAV as at 28 February 2018 and retains an exposure of 0.37% of NAV which it expects will be repaid in the coming months.
- In March 2018, the Company declared a dividend of 1.80 pence per Ordinary Share relating to the three-month period ending 31 December 2017.
- From 1 January 2018 to 27 April 2018 a total of 3,371,050 shares had been repurchased at an average price of 78.85 pence per Ordinary Share under the buyback programme.

MARKET OUTLOOK

As 2017 ended, investor sentiment towards online lending was improving, evidenced by over $7.8 billion in consumer loan marketplace lending asset backed securities issuance, a 71% increase over 2016[8]. After 2016 saw a significant drop in U.S. online consumer loan origination, sparked by the data quality and corporate governance issues at Lending Club, 2017 saw a significant recovery in volume as most of the major issuers saw a consistent uptick in originations throughout the year. Although SoFi experienced management problems of its own in 2017, the company, nevertheless, was a large contributor to volume growth throughout the year. Marcus, the online consumer loan platform of Goldman Sachs, announced in September 2017 that it had exceeded $1 billion in loan originations[9].

[8] Source: KBRA "2017 Consumer Loan Marketplace Lending Year in Review and 2018 Outlook".
[9] Source: Peer-to-Peer Finance Association (P2PFA).

STRATEGIC REPORT continued

In the U.K., 2017 saw over £2.9 billion in peer-to-peer loans facilitated[9], relatively flat from 2016. As with last year, this volume was heavily weighted towards the second half of the year after lending volumes initially dipped in the second quarter. Accordingly, in the fourth quarter of 2017, origination volumes were growing sequentially in both the U.S. and U.K.

The political and macroeconomic outlook continues to appear generally positive for lenders under the new administration in the U.S. The tax cut signed at the end of 2017 should give a significant boost to both business and consumers. The regulatory environment is expected to improve for marketplace lending as the Consumer Financial Protection Bureau ("CFPB") rolls back plans for increased oversight, and the current administration focuses on reducing regulations applicable to lenders. On the other hand, individual states may become more proactive at protecting consumers, which can lead to a complicated environment for lenders. In the U.K., banks reduced the availability of unsecured consumer credit in each quarter of 2017 and intend to continue tightening standards into 2018[10]. The FCA has yet to publish its post-implementation review of peer-to-peer lending, which was expected in 2017 as the snap election, Brexit and other issues took priority during the year.

Further rate increases, which are expected in the U.S. during the year, will continue to translate into increased income for the Company due to the floating rate balance sheet investments and the short duration of the marketplace loan assets. As at 31 December 2017, the Company reported an unlevered weighted average yield on the balance sheet investments of 13.29%[11] in the monthly newsletter. The increase in LIBOR from the prevailing rates from 31 December 2016 to 31 December 2017 accounted for an increase in 0.40% of the unlevered weighted average yield. As interest rates continue to increase, the Company's continued focus on balance sheet deals, with first loss protection and significant excess spread, provides insulation from any potential deterioration in currently benign credit conditions.

The long term structural growth drivers for online lending remain intact. Loan volumes should continue to increase as banks continue to scale back the availability of consumer credit, while established online lenders continue to grow, build scale and newer companies establish a presence. The availability of credit information outside banks continues to improve and, through continued technological innovation, online lenders can profitably lend to these under-served SMEs and consumers. Online lenders continue to innovate and provide a better user experience to borrowers. Anticipated regulatory crackdowns in both the U.S. and the U.K. have not materialised. These growth drivers are likely to sustain the continued progress and development of the online lending sector for many years to come. The Company remains well positioned to capture the resulting income opportunity due to its Investment Manager's experience and technical expertise.

Andrew Adcock
Chairman

27 April 2018

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[10] Source: Bank of England.

[11] This return denotes an average return calculated by dividing the income earned on balance sheet investments for the period by the average capital invested in balance sheet loans each month in the period. The return excludes gearing. This is an Alternative Performance Measure as defined on page 116.

INVESTMENT MANAGER'S REPORT

SUMMARY

During the year, the Company has made a great deal of progress and have now successfully completed most of the Group's portfolio transition into balance sheet investments from marketplace loans, which as at 31 December 2017 represented 79% of the portfolio and had a gross return on invested capital (ROIC) of 14.25%[5]. However, total NAV return for 2017 was 3.07%, which was below the target return levels, but largely due to one-time losses from portfolio sales and drag from the remaining securitisation residuals. Victory Park ended the year on a strong note having completed nine new balance sheet deals and exiting two deals that matured in November and December. Looking forward, the Company has a record number of 24 balance sheet deals and Victory Park has significant unfunded capacity on existing terms, providing attractive investment opportunities for the Company.

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 financial technology investors globally. Additionally, we expanded 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.

Overall, 2017 was an encouraging year for the Company, during which it invested in new transactions and expanded the existing portfolio. Although the total return was not satisfactory, we feel that we have a strong portfolio that will drive higher returns in 2018. The marketplace loans and securitisations have proved to perform poorly, but we are proud to have successfully transitioned out of the majority of the portfolio's marketplace loan facilities and into, what we believe, are more superior balance sheet investments. As it stands today, the Company has the strongest credit portfolio since inception and we look forward to improved performance throughout 2018 and beyond.

VPC Firm Update

The Victory Park team continues to grow as we hire new talent to strengthen our operations and investment teams, led by two senior additions to the financial services team. Troy Jamison joined as the new Chief Risk Officer and Todd Kushman as Principal and Head of Capital Markets.

Troy Jamison joined in October with over 20 years of experience in risk management, most recently at Second Order Solutions, a boutique credit advisory firm that we have worked with extensively. Prior to that he had a long career as a senior risk officer at Capital One, the largest issuer of non-prime credit cards in the United States. Troy and his team operate in a parallel function to the deal teams and do both quantitative and qualitative work to analyse loan pools and credit data to flag any issues to our Investment Committee. He will also oversee our platform audit process to coordinate our third party operational and financial audits which we perform annually on every portfolio company.

Todd Kushman joined in December from Torrey Pointe Capital where he was a partner and chief operating officer. Prior to that role, he was a managing director at Cerberus Capital Management, where he centralised the firm's interest rate hedging program across all investment strategies and executed strategic financings. Todd will help with new product development and in identifying financing opportunities to support the firm's investment products. Additionally, he will assist VSL in finding more attractive and lower cost credit facilities.

Finally, Victory Park celebrated its 10th anniversary and relocated its Chicago headquarters to 150 North Riverside Plaza, Suite 5200, Chicago, Illinois 60606. The new office space compliments our offices in New York and Los Angeles, and allows our team to grow for years to come.

COMPANY PERFORMANCE

NAV (Cum Income) Return Analysis

During the year, the Company generated a NAV return of 3.07% for the Ordinary Shares and declared dividends relating to the period totalled 6.80 pence per Ordinary Share (up from 6.00 pence per Ordinary Share in 2016). The NAV per share (Cum Income) at year end 2017 was 91.68 pence per Ordinary Share.

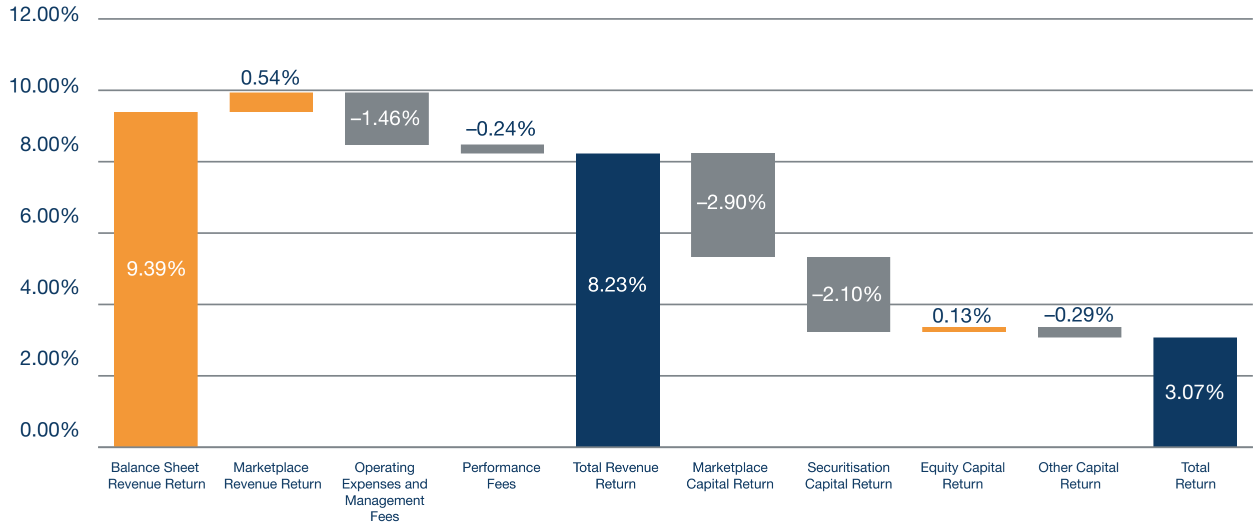
The Company generated gross revenue returns of 9.93% as a percentage of NAV in 2017, of which 9.39% was derived from balance sheet investments and 0.54% from marketplace investments. Expenses were –1.70% for a net revenue return of 8.23%.

[5] This return denotes an average return calculated by dividing the income earned on the balance sheet investments for the period by the average capital invested in balance sheet loans each month in the period. This return includes limited gearing on the balance sheet portfolio. This is an Alternative Performance Measure as defined on page 116.

STRATEGIC REPORT continued

Capital returns contributed –5.16%, comprised of –2.90% from marketplace investments, –2.10% from securitisation residuals, 0.13% from equity investments and –0.29% from other capital returns, for a net total return of 3.07%.

1 January 2017 to 31 December 2017 Total Return



Other Selected Return Statistics

Below are selected return statistics for the Company in addition to the return analysis disclosed above.

ROIC of balance sheet investments	14.25%[5]
Non-recurring capital return on portfolio sales	–1.27%[7]
NAV of marketplace loan portfolios sold	16.97%[6]
Current balance sheet portfolio companies	24

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 2017, the Company's investments were diversified across hundreds of thousands of consumer and small business loans originated by 29 different Portfolio Companies, including companies supporting the financial services market across the U.S., U.K., Europe and Australia. Capital was provided to 24 Portfolio Companies via balance sheet investments. As part of its investment portfolio, the Company also had exposure to 24 Portfolio Companies through equity securities or convertible notes as at 31 December 2017.

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 2017, consumer exposure accounted for 81% of the investment portfolio, while SME exposure accounted for 19%. Investments in U.S. Portfolio Companies accounted for 79% of the

[5] This return denotes an average return calculated by dividing the income earned on the balance sheet investments for the period by the average capital invested in balance sheet loans each month in the period. This return includes limited gearing on the balance sheet portfolio. This is an Alternative Performance Measure as defined on page 116.

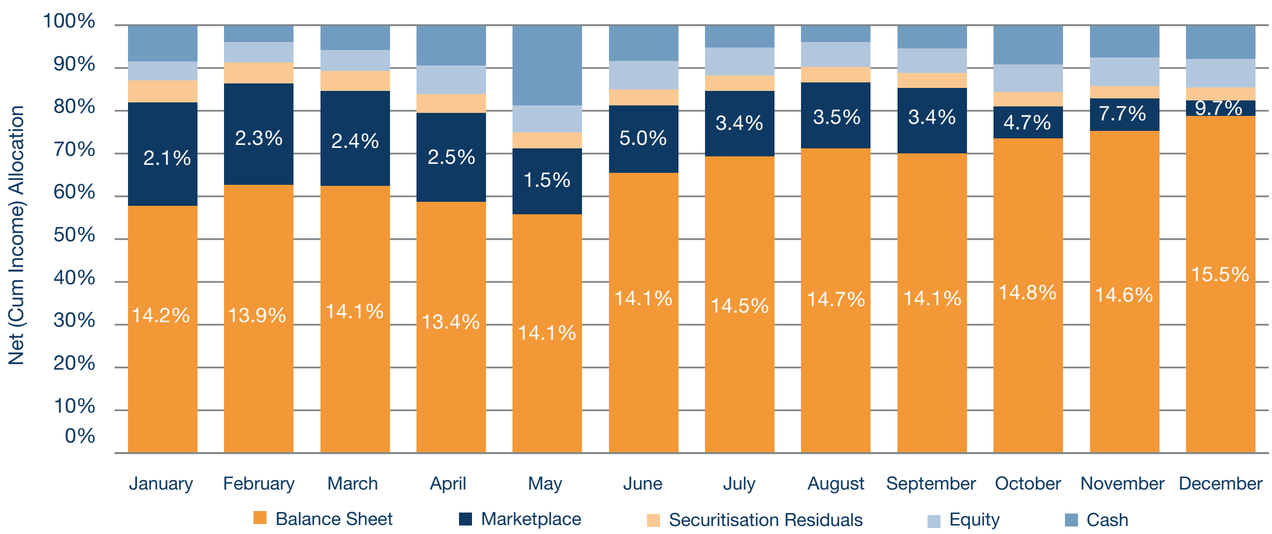
[6] Represents the percentage of NAV comprised by the loans sold prior to the sale of loans calculated off the NAV of the Company the month each individual sale was completed.

[7] The loss on each portfolio sale is calculated off the NAV of the Company the month each individual sale was completed. The impact to the Company for the year ended 31 December 2017 was £4,437,504. This is an Alternative Performance Measure as defined on page 116.

investment portfolio, with U.K. Portfolio Companies accounting for a further 8% of the portfolio and European Portfolio Companies and other at 13%.

During 2017, the Group'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.

2017 Revenue Returns on Allocated NAV, Annualised (%)



Geographic Diversification

While the Company's investments are concentrated within the U.S., 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. We have closed a total of eight financial services investments outside the U.S. and UK, and we are in final diligence with two companies which we expect to close in the near term. Throughout the year, the Company expanded its exposure to Mexico, Continental Europe, Kenya, Canada and Scandinavia. We expect to grow our international business over the next several years to supplement our existing exposure.

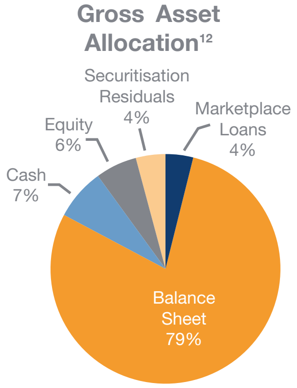
Major Equity Funding Updates

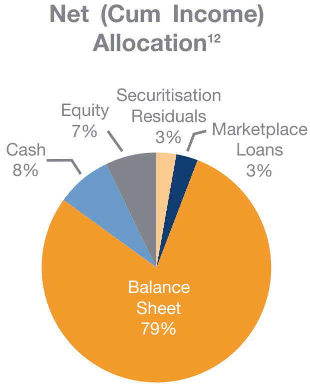
During the year, several of the Company's Portfolio Companies announced new equity fundraisings led by renowned equity sponsors. The equity raised supplements our debt facilities and fosters growth. In addition, there are three investments not disclosed publicly by our portfolio companies.

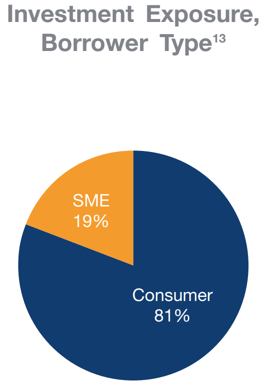
- Over the course of the year, two of our Portfolio Companies completed their Initial Public Offerings, Elevate Credit, Inc. and Curo Financial Technologies Corp are now listed U.S. companies. The new capital raised will help support the rapid portfolio growth for both companies in conjunction with our current debt facilities.
- Branch International, Inc. announced a $25.0 million Series B equity round, led by Trinity Ventures, to support portfolio growth and geographic expansion.
- iZettle Capital AB announced its fifth round of equity funding for a total of €40.0 million, led by the Swedish National Pension Fund and existing investors.
- Cognical, Inc. announced a $10.0 million equity fundraising, led by Curo Financial Technologies Corp, another one of our Portfolio Companies.
- Bread Finance announced a $26.0 million Series B equity round led by Menlo Ventures.
- Applied Data Finance, LLC raised $18.0 million from Red Point Partners.

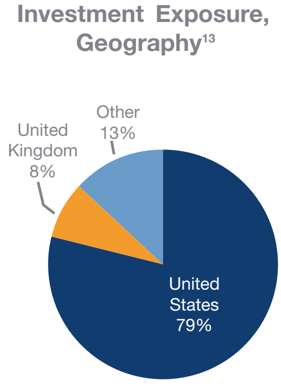
STRATEGIC REPORT continued

PORTFOLIO COMPOSITION AS AT 31 DECEMBER 2017



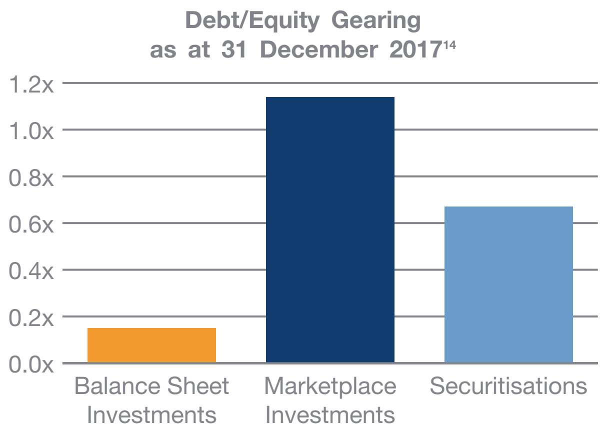


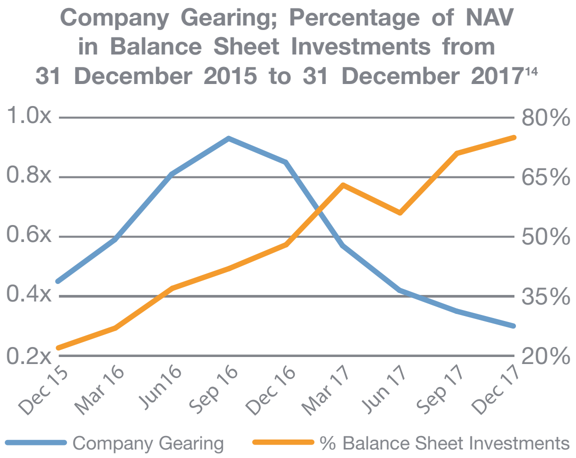




GEARING

At the beginning of 2017, the Company had a Look-Through Leverage Ratio of 0.63x. This gradually declined over the course of the year down to 0.17x as at 31 December 2017. This was driven mainly by the sales of marketplace loans during the year. The Company's balance sheet investments are on average less geared than its marketplace and securitisation investments, as shown below. The reallocation of capital into balance sheet investments over the course of the year has tended to lower the Company's overall gearing.





The Company continues to explore sourcing a corporate gearing facility which would provide more flexibility with respect to leverage and reduce the potential cash drag impact associated with the Company's currency hedging.

MARKET UPDATE

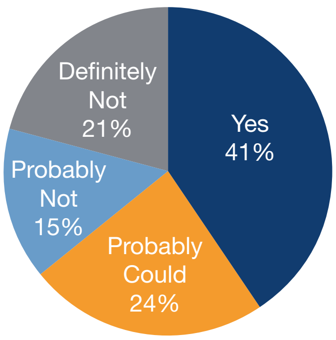
Availability of credit

Since the 2008 recession, the supply of credit to many SMEs and non-prime consumer borrowers has remained constrained. An estimated 46% of consumers in the U.S. have non-prime credit scores (defined as FICO scores below 720) leaving them without access to financing at prime rates[15]. As a result, there is a large and growing population of U.S. consumers with reduced access to traditional consumer credit; the 2016 FDIC survey showed that approximately 66.7 million adults, lived in unbanked and underbanked households in the U.S.[16]

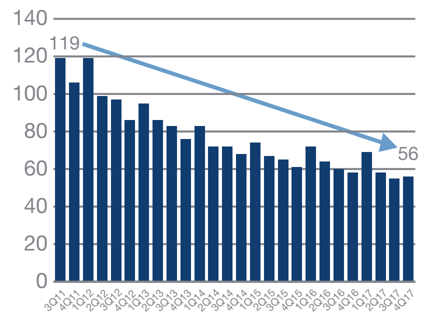
Lending to SMEs has declined significantly over the past few years in the U.K., with the total outstanding borrowing facilities from banks to SMEs reduced from £103.7 billion at the end of 2011 to £91 billion as of December 2017.[17]

[12] Percentages calculated on a look-through basis to the Company's investee entities and SPVs.
[13] Calculations using gross asset exposure and not reduced for gearing. Excludes cash.
[14] Source: Company data.
[15] Source: CFPB Consumer Credit Card Market Report 2017
[16] Source: FDIC National Survey of Unbanked and Underbanked Households (October 2016).
[17] Source: UK Finance - SME Finance Update Q4 2017.

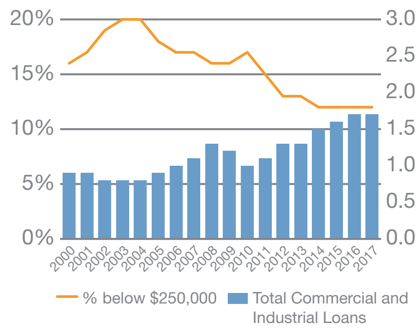
U.S. Consumers Ability to Come up with $2,000 within the next month[18]



Number of Loan Facilities Approved for U.K. SMEs (In Thousands)[19]

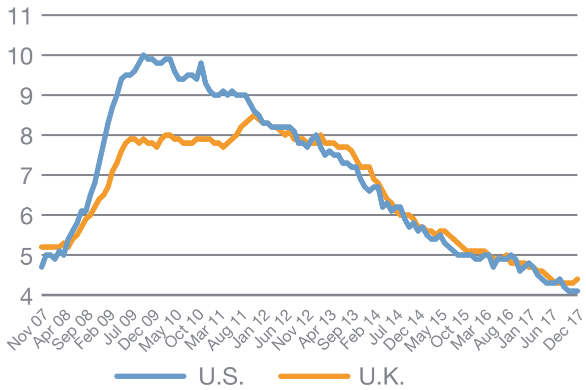


Total U.S. Commercial and Industrial Loans, % below $250,000 Outstanding[20]

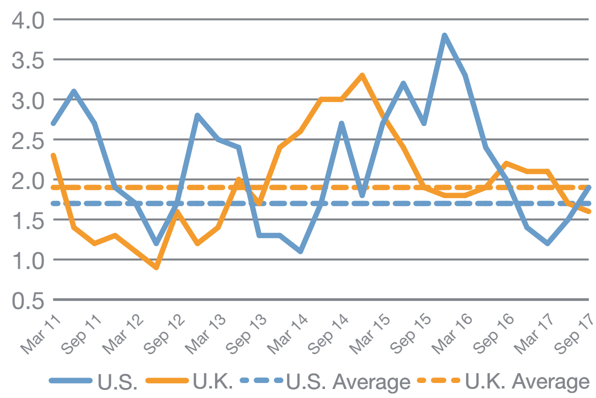


However, overall macro-economic conditions in the U.S. and U.K. have been favourable for credit quality, with low unemployment and positive economic growth.

Unemployment Rate %
November 2007 through November 2017[21]



Annualised Real GDP %
March 2011 through September 2017[21]



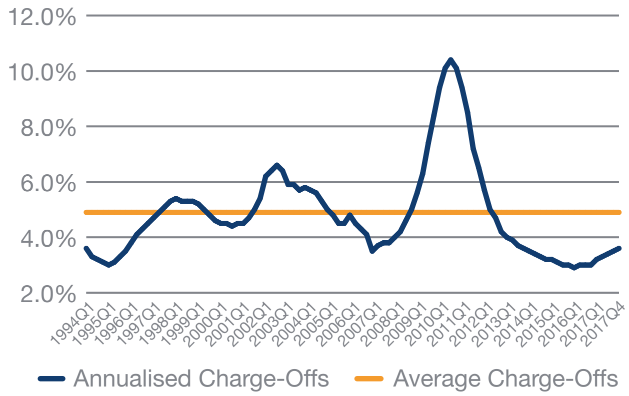
At a macro level, credit assets have generally performed strongly as might be expected given the favourable underlying economic conditions. By way of illustration, credit card charge-offs are below their long term historical averages in both the U.S. and U.K.

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

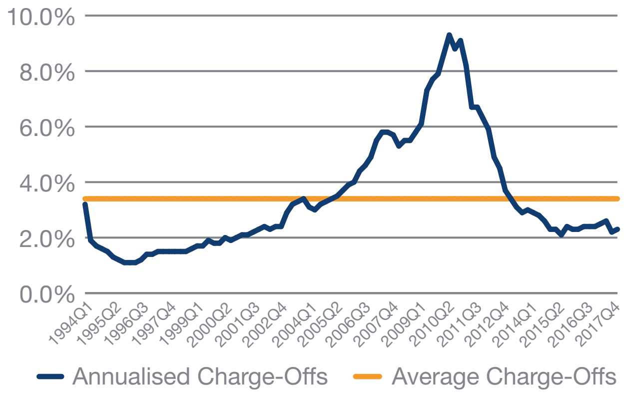
[18] Source: Financial Capability in the U.S., FINRA 2016.
[19] Source: British Bankers Association, SME Statistics (December 2017).
[20] Source: FDIC.
[21] Source: Bloomberg.

STRATEGIC REPORT continued

U.S. Credit Card Charge-Offs (Annualised)
March 1994 through December 2017[22]



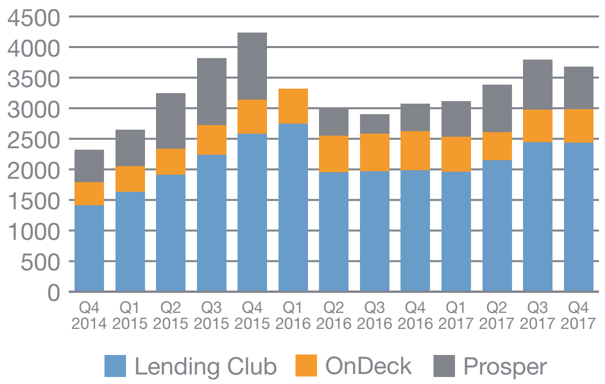
U.K. Credit Card Charge-Offs (Annualised)
March 1994 through December 2017[23]



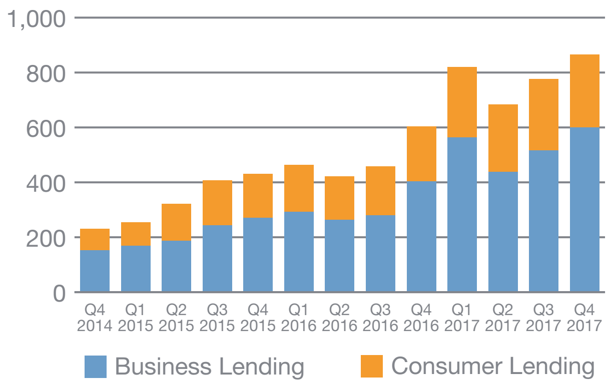
Volume growth

Based on publicly available data, online lending volumes appear to remain on a growth trend despite some short-term volatility. In the U.S., 2016 volume growth was negatively impacted in the second quarter by corporate governance issues at Lending Club although sequential growth resumed in the fourth quarter of 2016 and carried into 2017. In the U.K. growth of online lending volumes slowed in the second quarter of 2017, but rebounded in the second half of 2017.

Quarterly origination volume for selected U.S. online lenders (in $ millions)[24]



Quarterly origination volume for U.K. online lenders (in £ millions)[25]

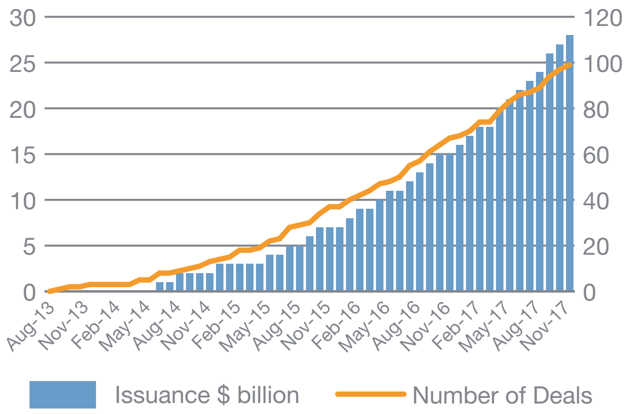


[22] Source: Federal Reserve.
[23] Source: Bank of England.
[24] Source: Company reports.
[25] Source: P2PFA.

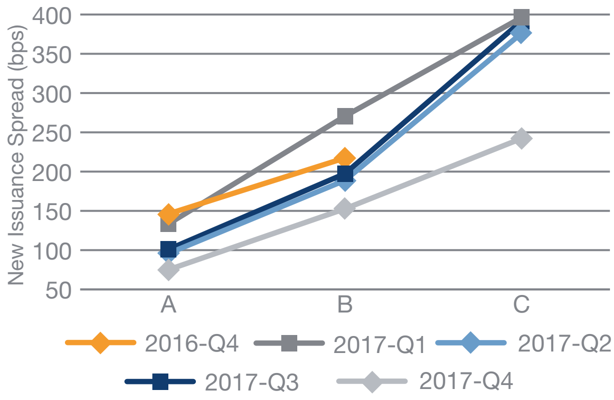
Developments in the securitisation market

Securitisation issuance for online lending continued to grow in 2017, indicating increasing institutional appetite for credit assets with first loss protection, backed by loans originated online.

Cumulative Marketplace Securitisations[26]



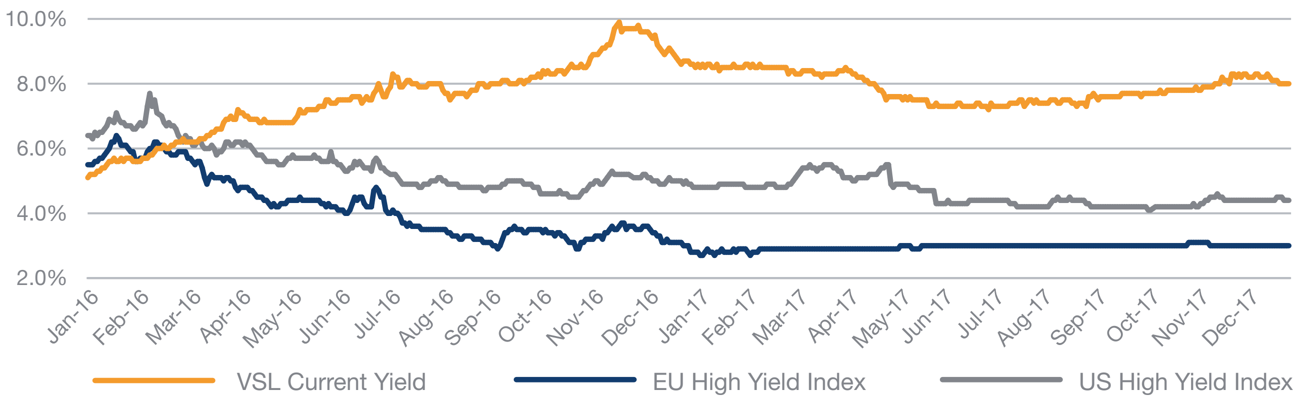
Spreads at Issuance Across Tranches: Consumer[26]



VSL current yield versus high yield bonds

The Company's twelve month trailing current dividend yield was 8.3%[27] at the end of 2017 which compared favourably with returns available elsewhere in the fixed income market such as the European and United States High Yield Index, as shown below.

VSL twelve month trailing dividend yield versus EU High Yield Index yield to maturity[28]



[26] Source: PeerIQ.
[27] This return denotes an average return calculated by the dividends paid during the trailing twelve months as at 30 December 2017 divided by the share price at 29 December 2017. This is an Alternative Performance Measure as defined on page 116.
[28] Source: VPC; Bloomberg; trailing twelve month average dividend yield (based on ex div dates).

STRATEGIC REPORT continued

OUTLOOK

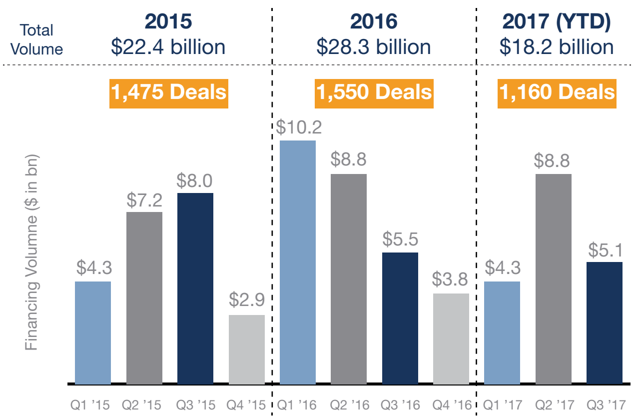
Macro Update

Heading into 2018, VPC is taking a very cautious approach to credit given the long economic expansion in the U.S. and a loosening corporate credit environment. While we have seen no immediate signs of credit stress across our portfolio, there are pockets of credit weakness in the broader economy. Both prime credit cards and non-prime auto loans have recently displayed stress with rising delinquency rates and increased charge-offs. However, the recent tax overhaul in the U.S. should provide some relief to the consumer and wage growth. Last year represented the strongest economic growth in the U.S. since before the financial crisis. In particular, wage growth seems to be the focus of the Federal Reserve, which led them to raise short-term interest rates three times during 2017. Given our balance sheet facilities are floating rate, the investments are not directly affected, but instead benefit from rising rates. However, the rate differential with the U.K. has widened, and in return this has subsequently increased our hedging costs throughout 2017 causing a 0.54% NAV loss on foreign exchange. The overall effect is largely neutral for the Company, since hedging costs are offset by more interest income earned in U.S. dollars.

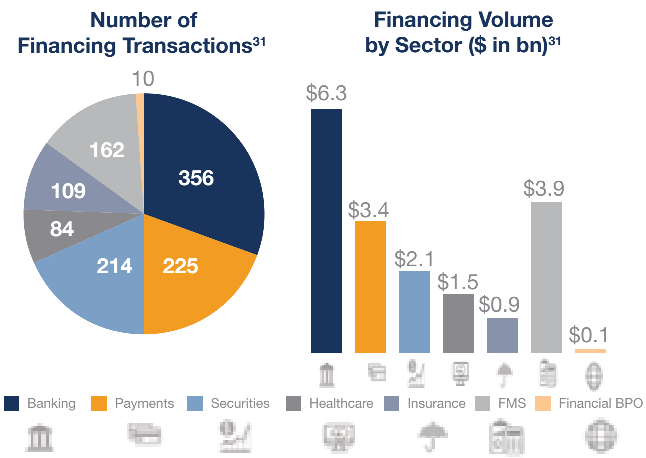
Market Opportunity

Despite continued growth, the online lending sector is still only a small part of the global Consumer and SME credit market, leaving scope for significant future market share gains. The market has seen significant growth over the last ten years. Given the breadth and depth of the market, financial technology lending remains an attractive sector for investments. The financial technology industry is still developing and covers a broad range of financial segments beyond pure lending. Most financial technology focused companies need significant balance sheet capacity to scale, which uniquely positions VPC as a strategically preferred investor.

Global FinTech Financing Volume & Deal Count[29,30]



2017 YTD Global FinTech Financing by Sector[29]



Regulatory environment

The regulatory environment in the U.S. has generally become more favourable in the past year with respect to financial services. Following the November 2017 resignation of Richard Cordray, the first director of the CFPB, President Trump appointed Office of Management and Budget Director Mick Mulvaney to step into the role as the CFPB's Acting Director (pursuant to federal law, this appointment is limited to 210 days, which means Mulvaney's appointment will expire on or about June 22, 2018; he can continue to serve until a nominee is confirmed by the Senate if President Trump announces such nominee prior to this expiration date). As of the time of this publication, President Trump has not announced a candidate to take over as director of the CFPB on a permanent basis for the statutorily-prescribed five-year term, but any candidate will need to be confirmed by the U.S. Senate.

[29] Source: FT Partners FinTech Insights (September 2017).
[30] Source: FT Partners Annual FinTech Almanac (December 2016).
[31] Source: FT Partners Proprietary Transaction Database (Includes deals with and without announced $ amounts).

Share price index performance for U.S. Specialty Finance Companies; Trump elected president at dotted line[32]

In terms of the operation of the CFPB, Acting Director Mulvaney has signalled that the agency will consider the business impact of its rules through a greater reliance on quantitative analysis and will approach its regulatory mandate in accordance with its statutory jurisdiction and scope. Additionally, Mr. Mulvaney recently issued a statement regarding actions that could be taken to increase the accountability of the CFPB, and included recommendations that the CFPB be funded through Congressional appropriations and that any "major" CFPB rules be approved by the U.S. Congress.

In connection with the financial technology charter proposed by the Office of the Comptroller of the Currency in December 2016, the new, Trump-appointed Comptroller has provided general support for the concept. The agency is not yet accepting applications for this type of charter, but the Comptroller's recognition that such a charter will assist in the provision of financial products and services to consumers unserved or underserved by traditional banks demonstrates that these potential new delivery mechanisms are supported by federal banking agency leaders. On a related note, President Trump's pick to chair the Federal Deposit Insurance Corporation, Jelena McWilliams, has indicated support for processing and approving "industrial loan company charters," a type of financial institution that can be owned by non-bank companies and accept deposits. A moratorium on the issuance of such charters expired in 2013, although no new ILC charters have been issued since the expiration.

Impact on the Group of rising rates

The Group's portfolio is well positioned for a rising rate environment as substantially all of its balance sheet investments contain a floating rate interest component. During 2017, the U.S. Federal reserve raised short term interest rates three times, with the benchmark rate ending the year at 1.50%, up from 0.75% on 1 January 2017. As at 31 December 2017, 79% of NAV was allocated to balance sheet investments, which typically generate floating rate income. The marketplace loan portfolio and securitisation residuals received fixed rate income, which accounts for 6% of NAV, has a remaining weighted average life of only 14 months enabling capital to be reinvested at floating rates relatively quickly. Rising portfolio interest as U.S. LIBOR has moved higher was partially offset during the year by increased currency hedging costs as rates in the U.S. and the U.K. have diverged.

Pipeline and execution

As of March 2018, we, VPC, the Investment Manager, had committed and invested capital across 45 companies in the financial services sector and we continue to see a strong pipeline of high quality balance sheet investment opportunities. 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 addition, we continue to expand our team, now comprised of 45 investment and operational professionals, ensuring best in class experience and technical expertise to maximise these opportunities.

[32] Source: Bloomberg Average of share price of ENOVA; Regional Mgmt Corp; Credit Acceptance Corp; Santander Consumer, reindexed to 100 on 8 November 2016.

STRATEGIC REPORT continued

SUMMARY AND HIGHLIGHTS FOR THE PERIOD

As at 31 December 2017, the Company had deployed 92% of its NAV (with its cash holding of 8% temporarily elevated due to the recent sale of the Prosper marketplace loan portfolio). During 2017, The Company generated an NAV return of 3.07% for the Ordinary Shares and distributed dividends of 6.50 pence per Ordinary Share relating to the income earned during the year ended 31 December 2017.

The financial and business highlights for the year ended 31 December 2017 are as follows:

- January 2017: announced initial investments into Cognical, Inc. and Kueski, Inc., two new balance sheet investments.
- February 2017: announced initial investment into iZettle Capital AB, a new balance sheet investment.
- March 2017: announced a dividend of 1.50 pence per Ordinary Share for the three-month period to 31 December 2016.
- April 2017: announced conversion of the Company's convertible debt investment in Elevate Credit, Inc. ("Elevate") to stock as a part of Elevate's IPO.
- May 2017: announced a dividend of 1.50 pence per Ordinary Share for the three-month period to 31 March 2017.
- May 2017: announced the sale of the majority of the Company's Funding Circle USA, Inc. and Upstart Network, Inc. marketplace loan portfolios.
- May 2017: announced a performance fee hurdle of five per cent. per annum in respect of the performance fees payable to the Investment Manager relative to a 30 April 2017 High Water Mark.
- June 2017: announced initial investments into Bread Financial and Community Choice Financial, Inc., two new balance sheet investments.
- July 2017: announced sale and realisation of income from the partial sale of zipMoney Limited common stock.
- August 2017: announced a dividend of 1.50 pence per Ordinary Share for the three-month period to 30 June 2017.
- October 2017: announced the sale of the majority of the Company's Avant, Inc. marketplace loan investment,
- November 2017: announced a dividend of 1.70 pence per share for the three-month period to 30 September 2017.
- November 2017: announced initial investment in Oakam Ltd. and full repayment of the zipMoney balance sheet investment.
- December 2017: announced the sale of the Company's Prosper Marketplace, Inc. marketplace loan portfolio.
- December 2017: announced initial investments into Branch International, Ltd. and NCP Holdings, L.P., two new balance sheet investments.

Victory Park Capital Advisors, LLC
Investment Manager

27 April 2018

STRATEGY AND BUSINESS MODEL

Financial Services Credit Focus with Potential Equity Upside

- As an established leader and preferred partner in the market, VPC seeks to provide attractive yields on its credit investments, as well as occasional participation in the equity upside of financial services business partners
- VPC employs various structural protections and covenants, designed to limit any downside risk
- Value creation strategy is centered on a strong partnership with management

VPC Financial Services Strategy

Embedded Sourcing Relationships

- VPC has executed transactions partnering with more than 40 financial sponsors and venture capital firms in the sector
- As a competitive advantage, VPC has demonstrated its ability to use creative structures that can be appealing to smaller companies
- New companies continue to seek out VPC as a leading capital provider in the space as they focus on securing reliable capital

Significant Visibility into Assets

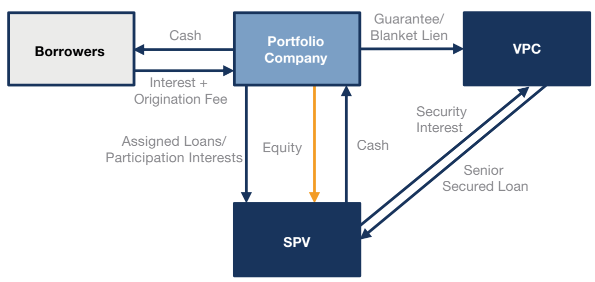
- VPC anticipates its existing portfolio of financial services companies requiring ~$2.3 billion in funding through 2019*
- Transacted across multiple platforms ranging from consumer, small business, legal finance and other niche capital providers
- Extensive knowledge of sector participants and complex regulatory requirements

DIFFERENTIATED PROPOSITION

During 2017, the Investment Manager has continued to transition the assets of the Company to the "Balance Sheet Model" for providing debt capital to Portfolio Companies (see descriptions below) from the marketplace loan model. 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

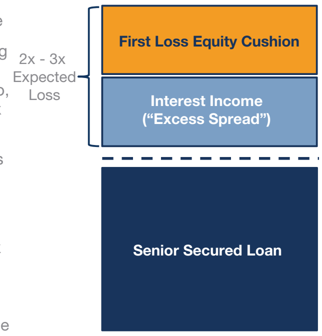
- **Overview:** Loans originated and retained by portfolio company, which will access capital through a combination of equity, mostly from venture investors, and credit facilities from VPC
- **Pricing:** VPC targets unlevered gross returns of 10% to 16% over risk free rate
- **Credit Risks/Mitigants:** 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 whic 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

** Note this is a forecast and should not be relied upon.*

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 45 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.

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 the 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.

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. Historically, the Company has used the securitisation market to lower its cost of financing.

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 that the Company has a distinct competitive advantage in securing these gearing facilities at attractive rates.

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 2018, which related to the three-month period ended 31 December 2017 the Company has distributed 88% of its distributable income earned through the year ended 31 December 2017.

GEARING RATIO

As at 31 December 2017, the look-through gearing ratio was 0.17x for the Company. As disclosed in the investment policy starting on page 113, 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. The Investment Manager monitors 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 range of –11.8 per cent. to –22.4 per cent. discount. 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 2017 a total of 10,927,718 shares were bought back at an average price of 78.44 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 2017 was 1.35%, which is consistent with 1.30% in 2016 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.

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 review at least annually. The last review by the Board took place in February 2018.

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 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:

STRATEGIC REPORT continued

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. The Group will invest across various Portfolio Companies, asset classes, geographies (primarily the U.S. and Europe) and credit bands to ensure diversification and to seek to mitigate concentration risks. 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 113 and 114. The Investment Manger monitors performance and underwriting on an ongoing basis.
FINANCING RISK Financing risk is 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 significantly reduced the gearing to 0.17x through the year as the marketplace loan portfolios were sold and subsequently reinvested into balance sheet investments. 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 113 and 114.

RISK	MITIGATION
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 Company 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 2017, 1% 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. 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 113 and 114. The Board reviews cash flow forecasts to insure the group can meet its liabilities as they fall due. The Company continuously monitors for fluctuations in currency rates. The 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.
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 Company is exposed to price risk arising from the investments held by the Company for which prices in the future are uncertain. The investments in funds are exposed to market price risk. Refer to Note 3 of the financial statements for further details on the sensitivity of the Company'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 Company 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 Company mitigates its exposure to currency risk by hedging exposure between Pound Sterling and any other currencies in which a significant portion of Company'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.

STRATEGIC REPORT continued

RISK	MITIGATION
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 Company. Other institutional sources of capital may enter the market in both the U.K., U.S. 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.
REGULATORY RISK As an investment trust, the 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 Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010.	The 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 U.K. as well as consumer lending and collections licenses in some U.S. 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 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 Company'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

The Board of Directors of the Company comprises 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 27 April 2018 and signed on its behalf by:

Andrew Adcock
Chairman

27 April 2018

GOVERNANCE

BOARD OF DIRECTORS

This section forms part of the Directors' Report.

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

ANDREW ADCOCK, CHAIRMAN

Appointed 9 February 2015[33,34,35*,36]

Andrew Adcock was Managing Partner of Brompton Asset Management LLP from January 2010 until July 2011. Prior to this he was joint head of corporate broking at Citigroup before becoming Vice Chairman, Investment Banking in June 2007. He was previously an equity partner at Lazard LLP and the Managing Director of De Zoete & Bevan Ltd.

Andrew Adcock has over 30 years of experience in the City and is currently the Non-Executive Chairman of JP Morgan European Investments plc, Majedie Investments PLC and Panmure Gordon & Co. Limited and, a Non-Executive Director of F&C Global Smaller Companies plc and Foxtons Group plc. Andrew Adcock is also the Chairman of the Samuel Courtauld Trust and a Director of the Courtauld Institute of Art.

KEVIN INGRAM

Appointed 19 February 2015[33,34*,35,36]

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 U.K. investment funds audit practice from 2000 to 2007. He retired from PricewaterhouseCoopers LLP in 2009. Kevin was appointed Senior Independent Director to the Aberdeen Diversified Income and Growth Trust plc in April 2017. He was previously the chairman of the Board of Aberdeen U.K. 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 a member of the Audit Committee of the Westminster Catholic Diocesan Trust.

RICHARD LEVY

Appointed 15 June 2016

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 three VPC portfolio companies and is also a member of the board of directors of five 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[33,34,35,36*]

Elizabeth Passey is a Senior Adviser to J Stern & Co Private Investment Office and a Member of the Board of the Big Lottery Fund. 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[33*,34,35,36]

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.

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[33] Management Engagement Committee; *Chairman of Committee.
[34] Audit and Valuation Committee; *Chairman of Committee.
[35] Nominations Committee; *Chairman of Committee.
[36] 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 2017.

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 2017 and 27 April 2018 the Board consisted of five Non-Executive Directors, four 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 four 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 during the year ended 31 December 2017 and 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.

SHARES AND SHAREHOLDERS

Share Capital

The share capital as at 31 December 2017 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 366,816,897 Ordinary Shares of £0.01 each with voting rights and as at 27 April 2018 15,798,768 shares were held in Treasury.

At the Company's Annual General Meeting ("AGM") on 13 June 2017, 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 2017. 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 per cent. 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 per cent. 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 57,354,088 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 10,927,718 Ordinary Shares to be held in Treasury, representing 2.856 per cent of the issued share capital as at 31 December 2017, with an aggregate nominal value of £109,277.18. The total amount paid for these shares was £8,572,071 at an average price of £0.7844 per share. Since the year end, 3,371,050 shares have been bought back and at the date of this report there were 366,816,897 shares in issue of which 15,798,768 were held in treasury. The total amount paid for these shares from the year end until 27 April 2018 was £2,658,174 at an average price of £0.7885 per share.

At the Company's AGM in 2018, 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 2017 in the Company's voting rights under DTR 5:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF VOTING RIGHTS
Invesco Limited (through Invesco Asset Management Limited)*	112,950,000	29.49%
Woodford Investment Management LLP	65,947,500	19.50%
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 Invesco Limited held 106,187,195 shares representing 28.84% of the Company's voting rights as at 9 February 2018.

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 12 June 2018 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 23 to 26.

Subsequent Events

The important subsequent events are included on page 9.

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 23 to 26.

Viability Statement

In accordance with provision C2.2.2 of the U.K. 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 the period up to and including the Company's Annual General Meeting in 2020. This period is appropriate since 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. In addition, as the Company is a long-term investor, the Directors have chosen the period up to and including the Company's Annual General Meeting in 2020 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.

The Directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due for the period up to and including the Company's Annual General Meeting in 2020. In making this assessment, the Directors have taken into consideration each of the principal risks and uncertainties on pages 23 to 26, 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 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 from incorporation to 31 December 2016: 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.

Bribery Act

The Board has reviewed the implications of the Bribery Act 2010. The Company has a zero tolerance to bribery and corruption in its business activities. The Audit and Valuation Committee is responsible for reviewing the Company's systems and controls for the prevention of bribery.

Criminal Finances Act

The Criminal Finances Act 2017 introduced a new corporate offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Company maintains a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

This Report was approved by the Board of Directors on 27 April 2018 and signed on its behalf by:

Link Company Matters Limited
Company Secretary

27 April 2018

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 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 U.K. 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 U.K. Code), will provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of the U.K. 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 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.	The Chairman, Andrew Adcock was independent on appointment and the Company's independent Directors (excluding the Chairman) have discussed his performance and continuing independence and determined he remains independent. The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and is responsible for ensuring that all Directors receive accurate, timely and clear information.
2	A majority of the Board should be independent of the manager.	The Board consists 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.

AIC CODE	PRINCIPLE	EVIDENCE OF COMPLIANCE AND/OR EXPLANATION OF DEPARTURE FROM THE CODE
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.	All Directors' appointments are subject to election by the shareholders at the first AGM after their appointment and to re-election at least every third AGM thereafter. Mr. Levy as the non-independent director will stand for re-election at each AGM. Accordingly, Mr Ingram, Mr Peggram and Mr Levy will retire and stand for re-election at the AGM. The Board, following a recommendation from the Nominations Committee, has agreed that each Director standing for re-election individually continued to be effective and demonstrate commitment to their role and approved the nomination for election of each Director. The Board therefore believes that it is in the best interest of shareholders that each of the above mentioned Directors is 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 which 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 Nominations 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 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 is 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 Chairman will absent himself from the discussion on his remuneration. The Directors' Report on Remuneration is on pages 46 to 48. The Board meets at least four times a year and more often if required. During 2017 the Board met 11 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 2017 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 Nominations Committee, in its review of Board composition, has agreed that while the benefits of diversity, including gender, will be taken into account in Board appointments, the overriding priority should be appointment on merit, therefore, no measurable targets in relation to Board diversity will currently be set.
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 2017. Detailed questionnaires specifically designed to assess the strengths and independence of the Board and Board processes were completed by each Director and a similar exercise carried out by each Committee. In addition, during the year, the Chairman met individually with each of the Directors to discuss 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 the Chairman 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 Mr. Adcock to be an effective and knowledgeable Chairman. It was agreed that he 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. 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 no changes to Directors' fees. 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. The Company has arranged for the appropriate provision of Directors' and Officers' Liability insurance.
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 chaired by Andrew Adcock, except when considering matters relating to appointment of a successor to the chairmanship. 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 are in attendance at 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 marketing and shareholder communication strategies. The Board continues to monitor the share price performance and during 2017 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 pages 41 and 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 113 and 114. 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 Committee 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 113 to 118, 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. The notice of the AGM sets out the business of the meeting and any item not of an entirely routine nature is explained. Separate resolutions are proposed in respect of each substantive issue.
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 23 to 26, 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 four scheduled meetings a year and more often if required. Directors' attendance at Board and Committee meetings held during the year to 31 December 2017 is set out in the below table:

DIRECTOR	BOARD[37]	AUDIT AND VALUATION COMMITTEE[37]	MANAGEMENT ENGAGEMENT COMMITTEE[37]	NOMINATIONS COMMITTEE[37]
Andrew Adcock	10(10)	7(7)	1(1)	1(1)
Clive Peggram	10(10)	7(7)	1(1)	1(1)
Elizabeth Passey	9(10)[38]	6(7)[38]	1(1)	1(1)
Kevin Ingram	10(10)	7(7)	1(1)	1(1)
Richard Levy	10(10)	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, Nominations, 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 is chaired by Kevin Ingram.

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.

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.

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37 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.

38 Absence from meeting was the result of short notice scheduling changes. In all cases of absences, the Director was fully briefed and participated in earlier pre-Board discussions.

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 pages 41 and 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.

Nominations Committee

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

During the period, the Nominations 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 2017 AGM. It also considered the Board evaluation process and approach to policy on tenure, as disclosed elsewhere in this report. The Nominations 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.

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 45 Portfolio Companies, multiple geographies (U.S., U.K., 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.

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

GOVERNANCE continued

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 97 and 98.

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.

During 2016, the Company and the Investment Manager agreed an amendment to the IMA. Under the revised agreement, the Investment Manager has agreed to invest 20 per cent. 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 per cent. of the voting rights of the Company.

Additionally, during 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. This arrangement more closely aligns the performance incentive for the Investment Manager with the interests of the Company's shareholders.

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

Link Company Matters Limited
Company Secretary

27 April 2018

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 seven times during the year. All the independent Directors are members of the Committee. The Chairman of the Committee, Kevin Ingram, is a Chartered Accountant and member of the Institute of Chartered Accountants in England and Wales. Representatives of the Auditors also attend and present at meetings of the Committee. The other Directors consider that it is appropriate for Andrew Adcock (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 Andrew Adcock 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 Groups Annual Financial Statements;
- the Company's half-year financial statements, interim 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.

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 23 to 26.

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 transitional arrangements, the Company is required to re-tender, at the latest, by 2025. The Committee intends to retender within this timeframe.

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
- 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 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 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. The valuation approach has been reviewed by 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:

Kevin Ingram
Audit and Valuation Committee Chairman

27 April 2018

GOVERNANCE continued

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT FROM THE CHAIRMAN

This Directors' Remuneration Report for the year ended 31 December 2017 has been prepared in accordance with Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 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 with 100.0% of votes 'for'. At the Company's AGM in June 2017 shareholders approved the Directors' Remuneration Report for the year ended 31 December 2016 with 100.0% of votes 'for'. The shareholder approved policy now governs the remuneration of the directors for a period of three years expiring in 2019. There have not been any changes to the Directors' Remuneration Policy during 2017. 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, receive a fee per annum which is currently £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. Mr. Levy does not receive any fee.

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.

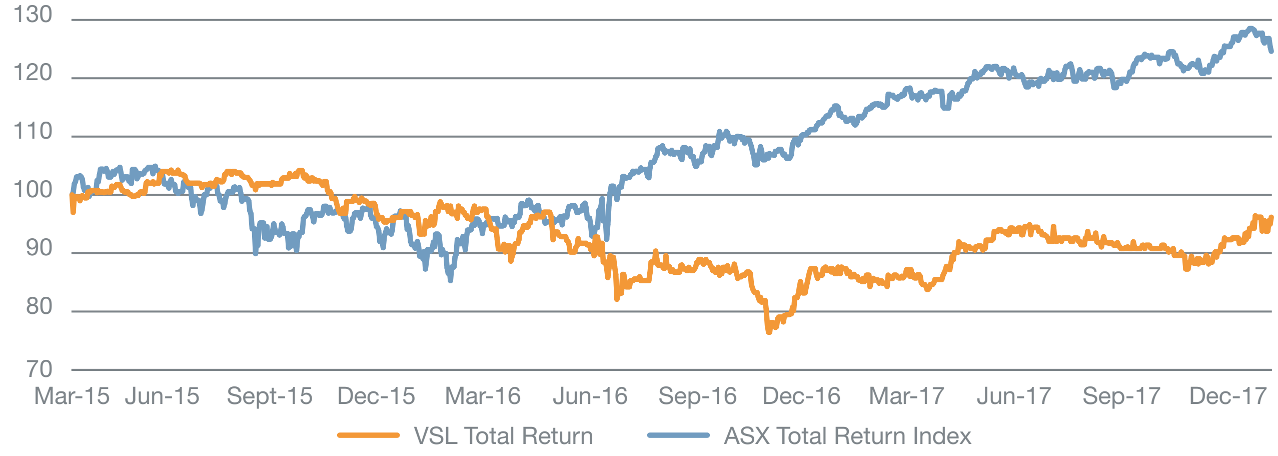
Total Remuneration Paid to Each Director (Audited)

DIRECTORS' REMUNERATION	TOTAL REMUNERATION 2017	TOTAL REMUNERATION 2016
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 2017. The Board has adopted 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.

	2017 £	2016 £
Total Directors' Remuneration	145,000	145,000
Total Share Buyback	8,572,071	1,166,866
Total Dividend Payments	25,344,794	22,909,845

The 2017 total dividend payments above includes the Q4 dividend that was paid in Q2 2018. The 2016 total dividend payments above includes the Q4 dividend that was declared and paid in Q2 2017. Refer to Note 15 on page 103 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 2017	31 DECEMBER 2016
Andrew Adcock	Ordinary Shares	50,000	50,000
Kevin Ingram	Ordinary Shares	34,968	34,968
Richard Levy	Ordinary Shares	2,664,896	1,274,625
Elizabeth Passey	Ordinary Shares	10,000	10,000
Clive Peggram	Ordinary Shares	194,740	74,948

As at 31 December 2017 and 31 December 2016, Mr Levy's beneficial interests included 1,364,896 and 474,625 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 2018 to 27 April 2018 VPC have purchased a further 140,839 shares.

Implementation of Policy in the Next Year

The Company has implemented the Directors' Remuneration Policy during the year following approval at the first AGM in June 2016. There are no significant changes planned in the way that the remuneration policy will be implemented in the next financial year and this may continue to include a review of 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 27 April 2018 and signed on its behalf by:

Andrew Adcock
Chairman

27 April 2018

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:

Andrew Adcock
Chairman

27 April 2018

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, leverage and liquidity risk as required in accordance with the AIFMD are set out on pages 89 to 94 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, leverage, 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.	Not applicable
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 2017 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 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 2017; 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 2017 to 31 December 2017.

INDEPENDENT AUDITORS' REPORT continued

Our audit approach

Overview

- Overall Group materiality: £3.4m (2016: 3.6m), based on 1% of total equity attributable to shareholders of the Parent Company.
- Overall Parent Company materiality: 3.4m (2016: £3.6m), 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 21 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 less provisions for impairment (Group and Parent Company).
- Income recognition (Group and Parent Company).
- Disclosure of the impact of the adoption of IFRS 9 (Group and Parent Company).

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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that 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. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules and section 1158 of the Corporation Tax Act 2010. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, enquiries with management and testing the Parent Company's compliance with section 1158 in the current year. We also tested the tax disclosures in Note 11. 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.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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 investments reported at fair value through profit or loss (Group and Parent Company) Refer to page 45 (Audit and Valuation Committee Report), page 75 (Significant Accounting Policies) and pages 81-84 (Notes to the consolidated financial statements). Investments reported at fair value through profit or loss are comprised of investments in funds (£27.0m) and investments in equity securities (£32.6m) 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, in determining the fair value of investments reported at fair value through profit or loss. 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 securitisation 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 equity investments, including recent transaction prices. We also read the valuation reports prepared by the Investment Manager and meeting minutes 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, and that the assumptions used were supportable based on the audit evidence obtained.
Valuation of loans reported at amortised cost less provisions for impairment (Group and Parent Company) Refer to page 45 (Audit and Valuation Committee Report), page 76 (Significant Accounting Policies) and pages 95 to 97 (Notes to the consolidated financial statements). Loans and receivables recorded 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.	We understood and evaluated the impairment 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: ❖ Recalculation of loan interest amounts on a sample basis; ❖ Obtaining independent confirmation of loan balances from the marketplace lending platforms through which the loans were originated and investee companies and other sources with respect to balance sheet loans; ❖ Performing sample testing on the inputs to the underlying impairment model, including interest rates and loan maturity, agreeing these to supporting documentation and to cash received; ❖ Reviewing the reports prepared by the Investment Manager to assess whether there was any impairment of the balance sheet loans and obtaining corroborating information; ❖ Assessing the appropriateness of the assumptions in the impairment model; and ❖ Re-performing the calculation of the impairment provision. We found that the valuation of loans and receivables at amortised cost less provisions for impairment were supportable based on the audit evidence obtained.

INDEPENDENT AUDITORS' REPORT continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Income recognition (Group and Parent Company) Refer to page 45 (Audit and Valuation Committee Report), page 74 (Significant Accounting Policies) and page 88 (Notes to the consolidated financial statements). Income totalled £61.6m and was a significant amount within the consolidated statement of comprehensive income. There is a risk in relation to the recognition income 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 occurrence 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 inaccurate income could have a material impact on the Group's 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, and to cash received. 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.
Disclosure of the impact of the adoption of IFRS 9 (Group and Parent Company) Refer to pages 79 and 80 (Significant Accounting Policies). IAS 8 requires the quantified expected impact of the adoption of new standards to be disclosed. Disclosure has been included in relation to the adoption of the new financial instruments standard, IFRS 9, with effect from 1 January 2018.	We have undertaken an assessment of the appropriateness of the disclosure; our procedures included: ❖ Reviewing the proposed impairment methodology developed by the Investment Manager, considering the compliance of this methodology with the requirements of IFRS 9; ❖ Assessing the appropriateness of the key assumptions applied in developing the impairment models, including the probability of default and the loss given default; ❖ Performing procedures to obtain evidence that inputs to the impairment models were supportable by reference to underlying data and other information. We found that the disclosure of the quantified impact of the adoption of IFRS 9 was supportable based on the audit evidence obtained.

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:

Overall Group materiality	**Group financial statements** £3.4m (2016: £3.6m). **Parent Company financial statements** £3.4m (2016: £3.6m).
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.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.1m and £3.4m.

We agreed with the Audit and Valuation Committee that we would report to them misstatements identified during our audit above £170,000 (2016: £182,000) 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 twelve 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.
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.

INDEPENDENT AUDITORS' REPORT continued

With respect to the Strategic Report and Directors' Report, 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 2017 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)*

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 23 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)*

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 and Valuation Committee, we were appointed by the members 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 3 years, covering the years ended 31 December 2015 to 31 December 2017.

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

27 April 2018

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	NOTES	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Non-current assets			
Loans at amortised cost	3,9	306,446,357	469,956,519
Investment assets designated as held at fair value through profit or loss	3	59,583,265	61,637,121
Total non-current assets		366,029,622	531,593,640
Current assets			
Cash and cash equivalents	7	18,353,574	56,302,627
Cash posted as collateral	7	4,427,301	10,706,410
Derivative financial assets	3,4	3,297,847	–
Interest receivable		3,576,027	5,340,216
Dividend and distribution receivable		530,826	807,329
Other assets and prepaid expenses		798,169	2,944,352
Total current assets		30,983,744	76,100,934
Total assets		397,013,366	607,694,574
Non-current liabilities			
Notes payable	8	44,298,421	185,868,711
Total non-current liabilities		44,298,421	185,868,711
Current liabilities			
Management fee payable	10	420,339	841,126
Performance fee payable	10	–	459,410
Securities sold under agreements to repurchase		8,941,557	9,811,072
Derivative financial liabilities	3,4	–	6,932,184
Unsettled share buyback payable		194,682	1,166,866
Dividend withholding tax payable		–	1,018,889
Deferred income		776,514	773,509
Other liabilities and accrued expenses		2,138,315	2,854,884
Total current liabilities		12,471,407	23,857,940
Total liabilities		56,769,828	209,726,651
Total assets less total liabilities		340,243,538	397,967,923

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

AS AT 31 DECEMBER 2017

	NOTES	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Capital and reserves			
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	179,761,790	188,394,286
Capital reserve		(35,643,747)	(16,095,401)
Revenue reserve		12,661,243	8,340,831
Currency translation reserve		1,281,731	1,077,591
Total equity attributable to shareholders of the Parent Company		339,401,017	363,057,307
Non-controlling interests	18	842,521	34,910,616
Total equity		340,243,538	397,967,923
Net Asset Value per Ordinary Share	12	91.68p	95.26p

Signed on behalf of the Board of Directors by:

Andrew Adcock
Chairman

27 April 2018

See notes to the consolidated financial statements

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)
Income	5	37,924,841	23,695,267	61,620,108
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.

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	REVENUE £	CAPITAL £	TOTAL £
Revenue				
Net gain (loss) on investments	5	–	(12,767,502)	(12,767,502)
Foreign exchange gain (loss)		–	(1,303,726)	(1,303,726)
Income	5	63,921,990	25,128,692	89,050,682
Total return		63,921,990	11,057,464	74,979,454
Expenses				
Management fee	10	5,026,537	1,059,942	6,086,479
Performance fee	10	459,410	–	459,410
Impairment charge	9	20,156,693	20,947,574	41,104,267
Other expenses	10	3,678,016	3,576,385	7,254,401
Total operating expenses		29,320,656	25,583,901	54,904,557
Financing costs		7,710,562	6,653,424	14,363,986
Net return on ordinary activities before taxation		26,890,772	(21,179,861)	5,710,911
Taxation on ordinary activities	11	–	–	–
Net return on ordinary activities after taxation		26,890,772	(21,179,861)	5,710,911
Attributable to:				
Equity shareholders		22,902,318	(20,696,807)	2,205,511
Non-controlling interests	18	3,988,454	(483,054)	3,505,400
Return per Ordinary Share (basic and diluted)	13	6.01p	–5.43p	0.58p
Other comprehensive income				
Currency translation differences		–	15,879,851	15,879,851
Total comprehensive income		26,890,772	(5,300,010)	21,590,762
Attributable to:				
Equity shareholders		22,902,318	(19,822,220)	3,080,098
Non-controlling interests	18	3,988,454	14,522,210	18,510,664

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.

See notes to the consolidated financial statements

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

The other distributable reserve and Revenue reserve represent the distributable reserves of the Group.

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	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 2016	20,300,000	161,040,000	194,000,000	4,601,406	4,175,470	203,004	384,319,880	74,193,762	458,513,642
Amounts paid on buyback of Ordinary Shares	–	–	(1,166,866)	–	–	–	(1,166,866)	–	(1,166,866)
Contributions by non-controlling interests	–	–	–	–	–	–	–	8,388,713	8,388,713
Distributions to non-controlling interests	–	–	–	–	–	–	–	(66,182,523)	(66,182,523)
Return on ordinary activities after taxation	–	–	–	(20,696,807)	22,902,318	–	2,205,511	3,505,400	5,710,911
Dividends declared and paid	–	–	(4,438,848)	–	(18,736,957)	–	(23,175,805)	–	(23,175,805)
Other comprehensive income									
Currency translation differences	–	–	–	–	–	874,587	874,587	15,005,264	15,879,851
Closing balance at 31 December 2016	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

The other distributable reserve and Revenue reserve represent the distributable reserves of the Group.

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Cash flows from operating activities:			
Total comprehensive income		3,717,548	21,590,762
Adjustments for:			
– Interest income		(58,070,136)	(86,118,449)
– Dividend and distribution income	5	(2,173,830)	(2,674,538)
– Finance costs		7,708,505	14,363,986
– Exchange (gains) losses		2,852,356	(15,879,851)
Total		(45,965,557)	(68,718,090)
Unrealised (appreciation) depreciation on investment assets designated as held at fair value through profit or loss		11,670,257	8,519,841
Unrealised appreciation on derivative financial assets		(3,297,893)	—
Unrealised depreciation on derivative financial liabilities		(6,932,189)	(2,948,703)
Increase in other assets and prepaid expenses		2,146,183	(1,337,885)
Increase (decrease) in management fee payable		(420,787)	4,585
Increase (decrease) in performance fee payable		(459,410)	(842,494)
Increase (decrease) in dividend withholding tax payable		(1,018,889)	1,018,889
Increase in deferred income		3,005	773,509
Increase (decrease) in accrued expenses and other liabilities		(1,038,942)	(3,811,385)
Impairment of loans		15,462,723	41,104,267
Net cash inflow (outflow) from operating activities		(29,851,448)	(26,237,466)
Cash flows from investing activities:			
Interest received		59,834,325	85,034,615
Dividends received		2,450,333	2,423,821
Purchase of investment assets designated as held at fair value through profit or loss		(22,767,340)	(28,897,345)
Sale of investment assets designated as held at fair value through profit or loss		13,150,939	—
Purchase of loans		(192,846,433)	(483,430,880)
Redemption or sale of loans		340,893,872	463,602,098
Cash posted as collateral		6,279,109	(2,226,410)
Net cash inflow (outflow) from investing activities		206,994,805	(36,505,899)

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF CASH FLOWS continued

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Cash flows from financing activities:			
Dividends distributed		(24,409,550)	(23,175,805)
Treasury shares repurchased		(9,604,680)	—
Contributions by non-controlling interests		–	8,388,713
Distributions to non-controlling interests		(28,399,887)	(66,182,523)
Increase (decrease) in amounts payable under agreements to repurchase		(869,515)	9,811,072
Increase (decrease) in note payable		(141,570,290)	19,168,403
Finance costs paid		(7,386,132)	(13,757,259)
Net cash inflow (outflow) from financing activities		(212,240,054)	(65,747,399)
Net change in cash and cash equivalents		(35,096,697)	(55,478,966)
Exchange gains (losses) on cash and cash equivalents		(2,852,356)	15,879,851
Cash and cash equivalents at the beginning of the period		56,302,627	95,901,742
Cash and cash equivalents at the end of the period	7	18,353,574	56,302,627

See notes to the consolidated financial statements

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTES	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Non-current assets			
Investments in subsidiaries	17	286,614,455	258,763,168
Investment assets designated as held at fair value through profit or loss	3	26,962,134	31,298,331
Total non-current assets		313,576,589	290,061,499
Current assets			
Cash and cash equivalents	7	16,137,420	38,153,271
Cash pledged as collateral	7	4,427,301	10,706,410
Derivative financial assets	3,4	3,297,847	–
Interest receivable		3,769,894	2,671,303
Other current assets and prepaid expenses		535,361	1,598,695
Total current assets		28,167,823	53,129,679
Total assets		341,744,412	343,191,178
Current liabilities			
Derivative financial liabilities	3,4	–	6,932,184
Performance fee payable	10	–	459,410
Management fee payable	10	377,252	568,988
Unsettled share buyback payable		194,682	1,166,866
Dividend withholding tax payable		–	1,018,889
Deferred income		776,514	773,509
Other liabilities and accrued expenses		736,822	473,137
Total current liabilities		2,085,270	11,392,983
Total assets less total current liabilities		339,659,142	331,798,195
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	179,761,790	188,394,286
Capital reserve		(34,103,892)	(46,276,922)
Revenue reserve		12,661,244	8,340,831
Total equity		339,659,142	331,798,195
Net return on ordinary activities after taxation		40,902,993	(19,268,150)

Signed on behalf of the Board of Directors by:

Andrew Adcock
Chairman

27 April 2018

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 ACCOUNT £	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

The other distributable reserve and Revenue reserve represent the distributable reserves of the Parent Company.

See notes to the consolidated financial statements

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	CALLED-UP SHARE CAPITAL £	SHARE PREMIUM £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	TOTAL £
Opening balance at 1 January 2016	20,300,000	161,040,000	194,000,000	(4,106,454)	4,175,470	375,409,016
Amounts paid on repurchase of Ordinary Shares	–	–	1,166,866)	–	–	(1,166,866)
Return on ordinary activities after taxation	–	–	–	(42,170,468)	22,902,318	(19,268,150)
Dividends declared and paid	–	–	(4,438,848)	–	(18,736,957)	(23,175,805)
Closing balance at 31 December 2016	20,300,000	161,040,000	188,394,286	(46,276,922)	8,340,83	331,798,195

The other distributable reserve and Revenue reserve represent the distributable reserves of the Parent Company.

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Cash flows from operating activities:			
Net return on ordinary activities after taxation		40,902,993	(19,268,150)
Adjustments for:			
-- Interest income		(32,861,333)	(24,732,692)
-- Exchange (gains) losses		(3,896,049)	(1,732,390)
Total		4,145,611	(45,733,232)
Unrealised depreciation on investment assets designated as held at fair value through profit or loss		4,535,009	454,616
Unrealised depreciation on investments in subsidiaries		1,989,449	9,796,525
Unrealised appreciation on derivative financial assets		(3,297,893)	—
Unrealised depreciation on derivative financial liabilities		(6,932,189)	(2,948,703)
Increase in other assets and prepaid expenses		1,063,334	(917,638)
Increase (decrease) in management fee payable		(191,736)	280,657
Increase (decrease) in performance fee payable		(459,410)	(842,494)
Increase (decrease) in dividend withholding tax payable		(1,018,889)	1,018,889
Increase in deferred income		3,005	773,509
Increase (decrease) in accrued expenses and other liabilities		263,685	(1,784,616)
Net cash inflow (outflow) from operating activities		100,027	(39,902,487)
Cash flows from investing activities:			
Interest received		31,762,742	25,928,889
Purchase of investment assets designated as held at fair value through profit or loss		(3,871,909)	(156,443)
Sale of investment assets designated as held at fair value through profit or loss		3,673,097	–
Purchase of investments in subsidiaries		(196,067,355)	(236,892,075)
Sales of investment in subsidiaries		166,226,619	270,547,665
Cash posted as collateral		6,279,109	(2,226,410)
Net cash inflow (outflow) from investing activities		8,002,303	57,201,626
Cash flows from financing activities			
Treasury Shares repurchased		(9,604,680)	—
Dividends paid		(24,409,550)	(23,175,805)
Net cash inflow (outflow) from financing activities		(34,014,230)	(23,175,805)
Net change in cash and cash equivalents		(25,911,900)	(5,876,666)
Exchange gains (losses) on cash and cash equivalents		3,896,049	1,732,390
Cash and cash equivalents as the beginning of the period		38,153,271	42,297,547
Cash and cash equivalents at the end of the period	7	16,137,420	38,153,271

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 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 2017, the Parent Company held equity in the form of 382,615,665 Ordinary Shares, 370,187,947 Ordinary Shares in issue and 12,427,718 Ordinary Shares in Treasury (31 December 2016: 382,615,665 Ordinary Shares, 381,115,665 Ordinary Shares in issue and 1,500,000 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 2017. 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 consolidated 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 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.

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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 in 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.

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 greater than the consolidated net asset value shown for the Group by £258,125 as at 31 December 2017 (31 December 2016: less than by £31,259,112).

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 £40,902,993 (31 December 2016: (£19,268,150)).

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 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.

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.

Expenses and finance costs

Expenses and finance costs 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 and finance costs, 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 2017, management fees of £1,122,733 (31 December 2016: £1,059,942) 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:

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.

Common equity, preferred stock and warrants are valued using a variety of techniques. These techniques include market comparables, discounted cash flows, yield analysis, the Black Scholes Model and transaction prices.

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.

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.

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.

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Impairment of financial assets

The Group 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 a financial asset or group of financial assets is impaired. Evidence of impairment may include:

- indications that the borrower or group of borrowers is experiencing significant financial difficulty;
- default or delinquency in interest or principal payments; or
- debt being restructured to reduce the burden on the borrower.

The Group assesses whether objective evidence of impairment exists either individually for assets that are separately significant or individually or collectively for assets that are not separately significant.

If there is no objective evidence of impairment for an individually assessed asset it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The resultant provisions are deducted from the appropriate asset values in the Consolidated Statement of Financial Position.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the provision is adjusted and the amount of the reversal is recognised in the Consolidated Statement of Comprehensive Income.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are reflected against the impairment losses recorded in the Consolidated Statement of Comprehensive Income.

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. The agreement matures on 30 June 2018 but can be extended for an additional three-month period under the discretion of the Group.

Securities sold under agreements to repurchase are valued 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. Refer to 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 Footnote 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.

Current liabilities

Current liabilities, other than derivatives, 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 Parent Company.

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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 period 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

Estimates and assumptions used in preparing the consolidated financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The results of these estimates and assumptions form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and assumptions made in the valuation of unquoted investments and investments for which there is no active market may cause material adjustment to the carrying value of those assets and liabilities. These are valued in accordance with the techniques set out above.

The assessment of impairment of the financial assets held at amortised cost requires the use of accounting estimates and assumptions that could cause material adjustment to the carrying value of those investments. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group. The significant estimates and assumptions for the loan loss reserve are derived from the historical performance of the Group's loans. Information about significant areas of estimation uncertainty and critical judgments in relation to the impairment of investments are described in Note 9.

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.

Accounting standards issued but not yet effective

The following new standards are not applicable to this financial information but may have an impact when they become effective:

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 2019. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

IFRS 9, 'Financial Instruments', introduces new requirements for classification and measurement, impairment and hedge accounting. This standard is effective from 1 January 2018. The adoption of IFRS 9 results in an impairment model that is more forward looking than that which is currently in place under IAS 39. In the longer term it is expected that the adoption of the standard will increase the total level of impairment allowance as financial assets will be assessed for impairment at least to the extent that an impairment is expected to arise within the following 12 month period and this impairment amount recognised within the financial statements. Further details on the implementation of IFRS 9 are below.

IFRS 9 financial instruments

IFRS 9 will be implemented in the financial statements for the year ending 31 December 2018 and will replace IAS 39 Financial Instruments: Recognition and Measurement. It includes requirements for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The principal requirements of IFRS 9 are as follows:

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. In addition, on transition to IFRS 9 entities are required to revoke previous designations of financial assets and financial liabilities measured at fair value through profit or loss where the accounting mismatch no longer exists and are permitted to revoke such designations where accounting mismatches continue to exist.

Impairment of financial assets

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 current methodology under IAS 39:

- Expected credit losses are based on an assessment of the probability of default, loss given default and exposure at default, discounted to give a net present value. The estimation of ECL should be unbiased and probability weighted, taking into account all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes. IFRS 9 has the effect of bringing forward recognition of impairment losses relative to IAS 39 which requires provisions to be recognised only when there is objective evidence of credit impairment.
- On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, IFRS 9 provisions will be made for expected credit default events within the next 12 months.
- A key feature of IFRS 9 compared with existing approaches under IAS 39 is that where a loan has experienced a significant increase in credit risk since initial recognition, even though this may not lead to a conclusion that the loan is credit impaired, provisions will be made based on the expected credit losses over the full life of the loan. This

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change to lifetime loss provisions for significantly credit deteriorated assets is expected to lead to increases in impairment provisions, and to increased volatility in provisions, although the size of the change will depend on a number of factors, including the composition of asset portfolios and the view of the economic outlook at the date of implementation.

- For assets where there is evidence of credit impairment, provisions will be made under IFRS 9 on the basis of lifetime expected credit losses, taking account of forward looking economic assumptions and a range of possible outcomes and these provisions will be re-assessed on an ongoing basis. Under IAS 39 provisions are based on the asset's carrying value and the present value of the estimated future cash flows.

Hedge accounting

The hedge accounting requirements of IFRS 9 are designed to create a stronger link with financial risk management. A separate financial reporting standard will be developed on accounting for dynamic risk management (macro hedge accounting) and IFRS 9 allows the option to continue to apply the existing hedge accounting requirements of IAS 39 until this is implemented. Therefore, no changes are currently being implemented to hedge accounting policies and methodologies.

Impact of IFRS 9

The requirements of IFRS 9 'Financial Instruments' will be adopted from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives. For the consolidated financial statements of the Group, adoption is expected to reduce net assets at 1 January 2018 by 1.11% of the Group's 31 December 2017 NAV. The implementation is not expected to give change to the classification of the reserves.

Below is a breakdown of the reserves of the Group as at 31 December 2017 under the IFRS 9 reporting standard.

INTERNAL GRADE	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	IFRS 9 TOTAL IMPAIRMENT OF LOANS RESERVED AGAINST	PERCENTAGE OF OUTSTANDING LOAN BALANCE
A – 1	–	–	–	–	–	0.00%
A – 2	760,741	19,224	–	661,604	1,441,569	1.08%
B	179,272	977,688	–	3,083,442	4,240,402	11.55%
C	49,532	54,578	–	329,970	434,080	24.93%
Totals	989,545	1,051,490	–	4,075,016	6,116,051	1.96%

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

These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending 31 December 2018.

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. 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, yield analysis, recent transactions or the Black Scholes pricing model.

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, 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.

Options and warrants to purchase or sell shares of privately held companies are valued based on the estimated market value of the underlying common shares using the Black Scholes pricing model, which may be adjusted to reflect the associated risks. Options and warrants to purchase or sell shares of privately held companies that are significantly out of the money may be valued at the fixed option or warrant price.

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 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	–

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The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 31 December 2016:

Investment assets designated as held at fair value	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	31,298,331	–	–	31,298,331
Equity securities	30,338,790	–	2,022,284	28,316,506
Total	61,637,121	–	2,022,284	59,614,837

Derivative financial liabilities	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	6,932,184	–	6,932,184	–
Total	6,932,184	–	6,932,184	–

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	–

The following table analyses the fair value hierarchy of the Parent Company's assets and liabilities measured at fair value at 31 December 2016:

Investment assets designated as held at fair value	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	31,298,331	–	–	31,298,331
Total	31,298,331	–	–	31,298,331

Derivative financial liabilities	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	6,932,184	–	6,932,184	–
Total	6,932,184	–	6,932,184	–

There was movement of one position between Level 2 and Level 1 fair value measurements during the period ended 31 December 2017. There were no transfers into and out of Level 3 fair value measurements for either the Parent Company or the Group during the period ended 31 December 2017.

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 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 2016 for the Group:

	INVESTMENTS IN FUNDS £	EQUITY SECURITIES £
Beginning balance, 1 January 2016	31,596,504	8,803,184
Purchases	156,443	18,609,048
Net change in unrealised foreign exchange gains (losses)	5,643,757	4,256,348
Net change in unrealised gains (losses)	(6,098,373)	(3,352,074)
Ending balance, 31 December 2016	31,298,331	28,316,506

The following table presents the movement in Level 3 positions for the year 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

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The following table presents the movement in Level 3 positions for the year ended 31 December 2016 for the Parent Company:

	INVESTMENTS IN FUNDS £
Beginning balance, 1 January 2016	31,596,504
Purchases	156,443
Net change in unrealised foreign exchange gains (losses)	5,643,757
Net change in unrealised gains (losses)	(6,098,373)
Ending balance, 31 December 2016	31,298,331

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

DESCRIPTION	FAIR VALUE AT 31 DECEMBER 2017 £	VALUATION TECHNIQUE	UNOBSERVABLE INPUT	RANGE
Investments in funds	26,962,134	Net asset value	N/A	N/A
Equity securities	10,766,137	Market Comparables	Price Per Share from Recent Transactions	US$0.3 – CHF 333.1
Equity securities	7,867,065	Discounted Cash Flows	Discount Rate Projected Cumulative Losses	13.0% - 40.0% 21.9% - 29.5%
Equity securities	5,642,280	Yield Analysis	Market Yield	10.5% - 15.8%
Equity securities	983,888	Black Scholes Model	Risk Free Rate Volatility Strike Price Current Price	0.0% - 2.3% 0.0% - 35.0% AU$0.20 - €1,275.82 AU$0.70 - €1,275.82
Equity securities	713,149	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 five per cent. it would have resulted in an increase/decrease to the total value of those equity securities of £522,405 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 two per cent. it would have resulted in an increase/decrease to the total value of those equity securities of £210,346 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 one per cent. it would have resulted in an decrease/increase to the total value of those equity securities of £849,160 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 five per cent. it would have resulted in an increase/decrease in the total value the investments in funds and equity securities of £2,611,075 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

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 2017 but for which fair value is disclosed. The carrying value has been used where it is a reasonable approximation of fair value:

	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Assets				
Loans	306,307,203	–	–	306,307,203
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	333,993,100	22,780,875	4,905,022	306,307,203

	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Liabilities				
Notes payable	44,298,421	–	–	44,298,421
Management fee payable	420,339	–	420,339	–
Performance fee payable	–	–	–	–
Unsettled share buyback payable	194,682	–	194,682	–
Dividend withholding tax payable	–	–	–	–
Deferred income	776,514	–	776,514	–
Other liabilities and accrued expenses	2,138,315	–	2,138,315	–
Total	47,828,271	–	3,529,850	44,298,421

The following table presents the fair value of the Parent Company's assets and liabilities not measured at fair value through profit and loss at 31 December 2017 but for which fair value is disclosed. The carrying value has been used where it is a reasonable approximation of fair value:

	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Assets				
Investments in subsidiaries	286,482,672	–	–	286,482,672
Cash and cash equivalents	16,137,420	16,137,420	–	–
Cash pledged as collateral	4,427,301	4,427,301	–	–
Interest receivable	3,769,894	–	3,769,894	–
Other assets and prepaid expenses	535,361	–	535,361	–
Total	311,352,648	20,564,721	4,305,255	286,482,672

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	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Liabilities				
Management fee payable	377,252	–	377,252	–
Unsettled share repurchase	194,682	–	194,682	–
Deferred income	776,514	–	776,514	–
Accrued expenses and other liabilities	736,822	–	736,822	–
Total	2,085,270	–	2,085,270	–

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 IAS 39). 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 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)

As at 31 December 2016, 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 £
13 January 2017	GBP	16,522,620	EUR	19,150,000	145,540
Unrealised gain on forward foreign exchange contracts					145,540

SETTLEMENT DATE	PURCHASE CURRENCY	PURCHASE AMOUNT	SALE CURRENCY	SALE AMOUNT	FAIR VALUE £
13 January 2017	GBP	209,424,084	USD	258,000,000	(6,595,114)
13 January 2017	GBP	40,586,063	USD	50,000,000	(482,610)
Unrealised losses on forward foreign exchange contracts					(7,077,724)

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:

				Related amounts not eligible to be set-off in the Statement of Financial Position		
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 £	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

				Related amounts not eligible to be set-off in the Statement of Financial Position		
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 £	Financial instruments £	Collateral received £	Net Amount £
Goldman Sachs	201,590	(201,590)	–	–	–	–
Morgan Stanley	49,227	(49,227)	–	–	–	–
Total	250,817	(250,817)	–	–	–	–

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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 2016 for both the Parent Company and the Group:

				Related amounts not eligible to be set-off in the Statement of Financial Position		
As at 31 December 2016	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 £	Financial instruments £	Collateral received £	Net Amount £
Goldman Sachs	145,540	(145,540)	–	–	–	–
Total	145,540	(145,540)	–	–	–	–

				Related amounts not eligible to be set-off in the Statement of Financial Position		
As at 31 December 2016	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 £	Financial instruments £	Collateral received £	Net Amount £
Goldman Sachs	6,595,114	(145,540)	6,449,574	–	–	6,449,574
Morgan Stanley	482,610	–	482,610	–	–	482,610
Total	7,077,724	(145,540)	6,932,184	–	–	6,932,184

5. INCOME AND GAINS ON INVESTMENTS AND LOANS

	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Income		
Interest income	58,070,136	86,118,449
Distributable income from investments in funds	2,030,615	2,445,312
Dividend income	143,215	229,226
Other income	1,376,142	257,695
Total	61,620,108	89,050,682

Interest income in the amount of £32,941,444 (31 December 2016: £62,423,182) has been allocated to revenue and £25,128,692 (31 December 2016: £23,695,267) has been allocated to capital in line with the Group's policy as set out in Note 2.

	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Net gains (losses) on investments		
Realised loss on sale of investments	(11,992,291)	(4,247,661)
Realised gain on sale of investments	1,875,039	–
Unrealised gain on investment in funds	246,939	757,836
Unrealised gain (loss) on equity securities	(8,752,818)	(9,277,677)
Total	(18,623,131)	(12,767,502)

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.

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 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 2017, the Group has limited exposure to variations in interest rates as all current 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 2017 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.

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.

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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 of 31 December 2017 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, Australian Dollars and Euros.

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.

Leverage 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 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

If the GBP exchange rate simultaneously increased/decreased by ten per cent. against the above currencies, the impact on profit would be an increase/decrease of £502,054. Ten per cent. 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 2016. 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 2016 £	LIABILITIES 31 DECEMBER 2016 £	FORWARD CONTRACTS 31 DECEMBER 2016 £	NET EXPOSURE 31 DECEMBER 2016 £
Euro	28,723,028	(13,078,047)	17,302,634	(1,657,653)
US Dollar	463,331,117	(182,601,736)	242,858,296	37,871,085
Swiss Francs	624,046	–	–	624,046
Australian Dollar	26,330,359	–	–	26,330,359

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

If the GBP exchange rate simultaneously increased/decreased by ten per cent. against the above currencies, the impact on profit would be an increase/decrease of £417,802. Ten per cent. 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 2016. 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 2016 £	LIABILITIES 31 DECEMBER 2016 £	FORWARD CONTRACTS 31 DECEMBER 2016 £	NET EXPOSURE 31 DECEMBER 2016 £
Euro	15,644,980	–	17,302,634	(1,657,654)
US Dollar	245,818,765	–	242,858,296	2,960,469
Swiss Francs	624,046	–	–	624,046
Australian Dollar	26,330,359	–	–	26,330,359

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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.

Current financial liabilities consisting of fees payable, accrued expenses and other liabilities are all due within three months.

The Investment Manager manages the Group's liquidity risk by investing primarily in a diverse portfolio of assets. At 31 December 2017, the Group has investments in 36 Portfolio Companies. At 31 December 2017, 1% of the loans have a stated maturity date of less than a year (31 December 2016: 2%). 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.

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.

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 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	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	TOTAL 31 DECEMBER 2016
A - 1	66,668,633	9,703,400	7,386,170	–	83,758,203
A - 2	142,268,256	40,117,041	32,489,493	33,117,076	247,991,866
B	89,309,899	14,530,962	–	13,082,693	116,923,554
C	29,206,751	2,317,230	–	2,558,609	34,082,590
	327,453,539	66,668,633	39,875,663	48,758,378	482,756,213

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 2017

7. CASH AND CASH EQUIVALENTS

	GROUP 31 DECEMBER 2017 £	GROUP 31 DECEMBER 2016 £	PARENT COMPANY 31 DECEMBER 2017 £	PARENT COMPANY 31 DECEMBER 2016 £
Cash held at bank	18,353,574	56,302,627	16,137,420	38,153,271
Total	18,353,574	56,302,627	16,137,420	38,153,271

The Parent Company has posted cash of £2,060,000 of collateral as at 31 December 2017 (31 December 2016: £9,570,000) with Goldman Sachs and cash of £2,367,301 (31 December 2016: £1,136,410) with Morgan Stanley in relation to the outstanding derivatives.

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 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 table below provides details of the outstanding debt of the Group at 31 December 2016:

31 DECEMBER 2016	INTEREST RATE	OUTSTANDING PRINCIPAL £	MATURITY
Credit Facility 07-2015	4.25%	35,795,822	23 January 2018
Credit Facility 08-2015	3.50%	68,932,231	14 December 2018
Credit Facility 03-2016	3.15%	35,571,696	23 September 2018
Credit Facility 08-2016	3.00%	13,078,047	15 December 2025
Total		153,377,796	

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 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 details of the outstanding first-out participation liabilities of the Group at 31 December 2016:

31 DECEMBER 2016	OUTSTANDING PRINCIPAL £	MATURITY
First-Out Participation 06-2015	7,717,258	30 June 2018
First-Out Participation 03-2016	21,510,613	3 March 2019
First-Out Participation 12-2016	3,263,044	17 November 2021
Total	32,490,915	

The table below provides the movement of the notes payable for the year ended 31 December 2017 for the Group.

	NOTES PAYABLE £
Beginning balance, 1 January 2017	185,868,711
Purchases	5,691,412
Sales	(150,632,807)
Net change in unrealised foreign exchange gains (losses)	3,371,105
Ending balance, 31 December 2017	44,298,421

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 period ended 31 December 2017:

	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

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

The table below provides details of the investments at amortised cost held by the Group for the period ended 31 December 2016:

	COST BEFORE IMPAIRMENT £	LOAN LOSS RESERVE £	LOANS WRITTEN-OFF £	CARRYING VALUE £
Loans at amortised cost	519,261,508	12,799,694	36,505,295	469,956,519
Total	519,261,508	12,799,694	36,505,295	469,956,519

The Parent Company does not hold any loans.

Impairment charge

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

	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

The impairment charge of the Group as at 31 December 2016 comprises of the following:

	IMPAIRMENT CHARGE 31 DECEMBER 2016 £
Loans written off	36,505,295
Change in loan loss reserve	5,679,577
Currency translation	(1,080,605)
Impairment charge	41,104,267

Impairment of loans written off

A financial asset is past due when the counterparty has failed to make a payment when contractually due. The Group assesses at each reporting date whether there is objective evidence that a loan or group of loans, classified as loans at amortised cost, is impaired. In performing such analysis, the Group assesses the probability of default based 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 Group.

Impairment charges of loans written off £26,288,295 (31 December 2016: £36,505,295) are included in impairment charges on the Consolidated Statement of Comprehensive Income.

Impairment of loans reserved against

Loans are judged for impairment primarily based on payment delinquency. General expectations with regards to expected losses on loans at a given level of delinquency were assessed based on historical roll rates on the loans purchased by the Group. Impairments are recognised once a loan was deemed to have a non-trivial likelihood of facing a material loss. The reserve reflects the increasing likelihood of loss as loans progress to more advanced stages of delinquency 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 reserves a greater amount of the loan balance. If a loan is delinquent for more than 90 days or has four missed payments, the Group reserves at least 85% of the balance of the delinquent loan.

As at 31 December 2017, the Group has created a reserve provision on the outstanding principal of the Group's loans of £2,343,021 (31 December 2016: £12,799,694), which have been recorded in the Group's Consolidated Statement of Financial Position and are included in impairment charges on the Consolidated Statement of Comprehensive Income. The 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 £52,692. A decrease in these assumptions would have an opposite effect.

The impairment of loans reserved against comprises the following:

	31 DECEMBER 2017 £
Beginning balance 1 January 2017	12,799,694
Change in loan loss reserve	(10,456,673)
Ending balance 31 December 2017	2,343,021

Below is a breakout of the impairment of loans reserved against by maturity:

	31 DECEMBER 2017 £
Reserves on loans with payments less than 30 days past due	205,178
Reserves on loans with payments between 30 and 60 days past due	167,458
Reserves on loans with payments between 60 and 90 days past due	595,093
Reserves on loans with payments more than 90 days past due	1,375,292
Loan loss reserve	2,343,021

The majority of the loans reserved against by the Group would be classified as secured other when being assessed for the credit quality of the loans.

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 period is £4,568,316 (31 December 2016: £6,086,479), of which £420,339 (31 December 2016: £841,126) was payable as of 31 December 2017.

Notwithstanding the above, where such investment fund or special purpose vehicle employs leverage 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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. With effect from 1 May 2017, 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.

A performance fee was calculated in respect of the period starting on 1 January 2017 to 30 April 2017. Going forward, the performance fee will be calculated starting from 1 May 2017 to 31 December 2017, and, thereafter, 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.

For the period from 1 January 2017 to 30 April 2017, the performance fee will be a sum equal to 15% of such amount (if positive) and will only be payable if the Adjusted Net Asset Value at the end of a Calculation Period exceeds the High Water Mark. The performance fee shall be payable to the Investment Manager in arrears within 30 calendar days of the end of the relevant Calculation Period.

For the period from 1 January to 30 April 2017, "Adjusted Net Asset Value" for this calculation means the NAV adjusted for: (i) any increases or decreases in NAV arising from issues or repurchases of Ordinary Shares during the relevant Calculation Period; (ii) adding back the aggregate amount of any dividends or distributions (for which no adjustment has already been made under (i)) made by the Parent Company at any time during the relevant Calculation Period; and (iii) before deduction for any accrued performance fees.

For the Calculation Period beginning 1 May 2017, 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 per cent. 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" for the Calculation Period beginning 1 May 2017 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 period is £884,773 (31 December 2016: £459,410).

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 of 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 Company Matters Limited (formerly known as Capita Registrars Limited) is entitled to an annual fee of £60,000 (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.

Auditors' remuneration

For the year ended 31 December 2017, the remuneration for work carried out for the by PricewaterhouseCoopers LLP, the statutory auditors, was as follows:

	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Fees charged by PricewaterhouseCoopers LLP:		
❖ the audit of the Parent Company and Consolidated Financial Statements;	150,000	95,000
❖ the audit of the Company's subsidiaries;	10,000	10,000
❖ audit related assurance services; and	–	47,400
❖ tax services; and	–	5,500
❖ 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.

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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 20.00%	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	–	–	–

The following table presents the tax chargeable on the Group for the period ended 31 December 2016:

	REVENUE	CAPITAL	TOTAL
Net return on ordinary activities before taxation	26,890,772	(21,179,861)	5,710,911
Tax at the standard UK corporation tax rate of 20.00%	5,378,154	(4,235,972)	1,142,182
Effects of:			
Non-taxable income	(5,378,154)	–	(5,378,154)
Capital items exempt from corporation tax	–	4,235,972	4,235,972
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 2017 £	AS AT 31 DECEMBER 2016 £
Ordinary Shares		
Net assets	339,401,017	363,057,307
Shares in issue	370,187,947	381,115,665
Net asset value per Ordinary Share	91.68p	95.26p

13. RETURN PER ORDINARY SHARE

Basic earnings per share is calculate using the number of Shares held at year end, excluding the number of Shares purchased by the Parent Company and held as Treasury Shares.

	31 DECEMBER 2017 £	31 DECEMBER 2016 £
Profit for the year	9,181,616	2,205,511
Number of Shares held at year end	370,187,947	381,115,665
Earnings per Share (basic and diluted)	2.48p	0.58p

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 2017:

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

Set out below is the issued share capital of the Company as at 31 December 2016:

	NOMINAL VALUE £	NUMBER OF SHARES
Ordinary Shares	0.01	381,115,665

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 Ordinary Shares and C 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.

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.

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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 2017:

FOR THE PERIOD 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

There were no C Shares in issue during the year or as at 31 December 2017.

The table below shows the movement in shares through 31 December 2016:

FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016	SHARES IN ISSUE AT THE BEGINNING OF THE PERIOD	CONVERSION OF C SHARES	SHARES REPURCHASED	SHARES IN ISSUE AT THE END OF THE PERIOD
Ordinary Shares	200,000,000	182,615,665	(1,500,000)	381,115,665
C Shares	183,000,000	(183,000,000)	–	–

Share buyback programme

All Shares bought back through the share buyback programme are held in treasury as at 31 December 2017. 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 2017	1,071,462	78.43p	77.75p	79.00p	2,571,462
February 2017	466,206	76.96p	76.59p	77.75p	3,037,668
March 2017	1,138,738	76.28p	75.16p	77.50p	4,176,406
April 2017	142,643	75.82p	74.89p	77.50p	4,319,049
May 2017	464,480	81.07p	80.50p	81.97p	4,783,529
June 2017	322,765	81.91p	81.72p	82.00p	5,106,294

DATE OF PURCHASE	ORDINARY SHARES PURCHASED	AVERAGE PRICE PER SHARE	LOWEST PRICE PER SHARE	HIGHEST PRICE PER SHARE	TOTAL TREASURY SHARES
July 2017	1,600,000	81.47p	81.00p	82.00p	6,706,294
August 2017	1,333,000	80.36p	80.00p	81.00p	8,039,294
September 2017	825,000	78.00p	78.00p	78.00p	8,864,294
October 2017	1,219,767	78.00p	78.00p	78.00p	10,084,061
November 2017	1,539,540	76.55p	74.45p	78.00p	11,623,601
December 2017	804,117	75.51p	74.50p	77.25p	12,427,718

Other distributable reserve

During 2017, the Company declared and paid dividends of £Nil (2016: £4,438,848) 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 £8,632,496 (2016: £1,166,866). The closing balance in the other distributable reserve has been reduced to £179,761,790 (31 December 2017: £188,394,286).

15. DIVIDENDS PER SHARE

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

	31 DECEMBER 2017 £	31 DECEMBER 2016 £
2015 interim dividend of 2.00 pence per Ordinary Share paid on 7 March 2016	–	4,000,000
2015 interim dividend of 1.07 pence per C Share paid on 7 March 2016	–	1,958,100
2016 interim dividend of 1.50 pence per Ordinary Share paid on 30 June 2016	–	5,739,235
2016 interim dividend of 1.50 pence per Ordinary Share paid on 20 September 2016	–	5,739,235
2016 interim dividend of 1.50 pence per Ordinary Share paid on 19 December 2016	–	5,739,235
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	–
Total	24,409,550	23,175,805

An interim dividend of 1.80 pence per Ordinary Share was declared by the Board on 1 March 2018 in respect of the period to 31 December 2017, was paid to shareholders on 5 April 2018. 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.

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. At 31 December 2017, £163,362 (31 December 2016: £161,064) was paid to the Directors and £0 (31 December 2016: £0) was owed for services performed.

All of 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.

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As at 31 December 2017, the Directors' interests in the Parent Company's Shares were as follows:

		31 DECEMBER 2017	31 DECEMBER 2016
Andrew Adcock	Ordinary Shares	50,000	50,000
Kevin Ingram	Ordinary Shares	34,968	34,968
Richard Levy	Ordinary Shares	1,300,000	800,000
Elizabeth Passey	Ordinary Shares	10,000	10,000
Clive Peggram	Ordinary Shares	194,740	74,948

Investment management fees for the year ended 31 December 2017 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 period are disclosed in Note 10.

During 2017, as part of an amendment to its management agreement, the Investment Manager purchased 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 2017, the Investment Manager has purchased 1,364,896 (31 December 2016: 320,188) Shares.

As at 31 December 2017, Partners and Principals of the Investment Manager held 1,885,000 (31 December 2016: 1,385,000) 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 2017 the Group owned 26 per cent. of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. (31 December 2016: 26 per cent) and the value of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. was £23,845,238 (31 December 2016: £25,775,540).

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 2017, the Group owned 52 per cent. of Larkdale III, L.P. (31 December 2016: 52 per cent.) and the value of the Group's investment in Larkdale III, L.P. was £3,116,896 (31 December 2016: £5,522,791).

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 2017, £41,686 was due to the Investment Manager (31 December 2016: £32,750), 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 2017	PERCENTAGE OWNERSHIP AS AT 31 DECEMBER 2016
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
ODVM II, L.P.	Investment vehicle	USA	Limited partner interest	N/A	Sole limited partner
ODVM II GP, LLC	General partner	USA	Membership interest	N/A	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%
Larkdale II, L.P.	Investment vehicle	USA	Limited partner interest	N/A	50%
Larkdale II GP, LLC	General partner	USA	Membership interest	N/A	50%
Larkdale IV, L.P.	Investment vehicle	USA	Limited partner interest	N/A	61%
Larkdale IV GP, LLC	General partner	USA	Membership interest	N/A	61%

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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
ODVM II, L.P.	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
ODVM II 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
Larkdale II, L.P.	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Larkdale II GP, LLC	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Larkdale IV, L.P.	150 North Riverside Plaza, Suite 5200, Chicago, IL 60606
Larkdale IV 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 2017	258,763,168
Purchases	196,067,355
Sales	(166,226,619)
Impairment of investments in subsidiaries	(1,989,449)
Ending balance, 31 December 2017	286,614,455

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 2017 represents the portion of the NAV of the controlled subsidiaries attributable to the other investors. As at 31 December 2017, the portion of the NAV attributable to non-controlling interests investments totalled £842,521 (31 December 2016: £34,910,616). 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 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**

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

The following entities have been consolidated which have material non-controlling interests as at 31 December 2016:

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS HELD BY NON-CONTROLLING INTERESTS AS AT 31 DECEMBER 2016	PROFIT OR LOSS OF SUBSIDIARY ALLOCATED TO NON-CONTROLLING INTERESTS DURING THE PERIOD ENDED 31 DECEMBER 2016 £	ACCUMULATED NON-CONTROLLING INTERESTS IN SUBSIDIARY AS AT 31 DECEMBER 2016 £
Drexel I, L.P.	USA	48%	(233,692)	10,716,608
Duxbury Court I, L.P.	USA	5%	(5,286)	1,170,735
Larkdale I, L.P.	USA	39%	3,295,789	20,694,097
Larkdale II, L.P.	USA	50%	33,690	2,189,608
Larkdale IV, L.P.	USA	39%	(35,398)	73,438
SVTW, L.P.	USA	1%	(17,087)	66,130
Totals			**3,505,400**	**34,910,616**

NAME OF SUBSIDIARY		SUMMARISED FINANCIAL INFORMATION FOR SUBSIDIARY 31 DECEMBER 2016 £
Drexel I, L.P.	Distributions to non-controlling interests	11,397,091
	Profit/(loss) of subsidiary for period ended 31 December 2016	904,681
	Assets as at 31 December 2016	56,886,081
	Liabilities as at 31 December 2016	36,847,652
Duxbury Court I, L.P.	Distributions to non-controlling interests	1,493,363
	Profit/(loss) of subsidiary for period ended 31 December 2016	(748,478)
	Assets as at 31 December 2016	24,665,976
	Liabilities as at 31 December 2016	1,121,392
Larkdale I, L.P.	Distributions to non-controlling interests	50,410,609
	Profit/(loss) of subsidiary for period ended 31 December 2016	8,722,301
	Assets as at 31 December 2016	95,945,413
	Liabilities as at 31 December 2016	43,397,556
Larkdale II, L.P.	Distributions to non-controlling interests	2,881,459
	Profit/(loss) of subsidiary for period ended 31 December 2016	118,747
	Assets as at 31 December 2016	4,700,591
	Liabilities as at 31 December 2016	340,490

FINANCIAL STATEMENTS continued

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

NAME OF SUBSIDIARY		SUMMARISED FINANCIAL INFORMATION FOR SUBSIDIARY 31 DECEMBER 2016 £
Larkdale IV, L.P.	Distributions to non-controlling interests	–
	Profit/(loss) of subsidiary for period ended 31 December 2016	(97,031)
	Assets as at 31 December 2016	236,190
	Liabilities as at 31 December 2016	49,896
SVTW, L.P.	Distributions to non-controlling interests	–
	Profit/(loss) of subsidiary for period ended 31 December 2016	(3,083,596)
	Assets as at 31 December 2016	94,552,403
	Liabilities as at 31 December 2016	72,917,802

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 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 holds 52% interest in Larkdale III 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 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 2016 £	MAXIMUM EXPOSURE TO LOSS AS AT 31 DECEMBER 2016 £
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	25,775,540	25,775,540
Larkdale III, L.P.	USA	Investment vehicle	52%*	Designated as held at fair value through profit or loss – using NAV	5,522,791	5,522,791

NAME OF ASSOCIATE		SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATE 31 DECEMBER 2016 £
VPC Offshore Unleveraged	Profit/(loss) of associate for period ended 31 December 2016	12,249,103
Private Debt Fund Feeder, L.P.	Assets as at 31 December 2016	99,362,405
	Liabilities at 31 December 2016	2,502,387
Larkdale III, L.P.	Profit/(loss) of associate for period ended 31 December 2016	(14,583,848)
	Assets as at 31 December 2016	11,035,836
	Liabilities at 31 December 2016	338,127

The Group's investments in associates all consist of limited partner interests 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 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 agent for a number of the Investment Manager's funds.

20. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Company declared a dividend of 1.80 pence per Ordinary Share for the three-month period ended 31 December 2017 and paid the dividend on 5 April 2018.

From 1 January 2018 to 27 April 2018, the Company had repurchased an additional 3,371,050 Ordinary Shares at an average price of 78.85 pence per Ordinary Share under the share buyback programme bringing the cumulative total to 15,798,768 Ordinary Shares (4.13% of gross share issuance).

The Group was refinanced from its balance sheet investment into Kreditech Holding SSL GmbH and repaid a majority of its balance sheet investment in The Credit Junction, Inc. The Group has made initial investments into Konfio Ltd. and follow on investments into existing deals.

There were no other significant events subsequent to the year end.

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

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 Company or financial services entities.

The Company invests across various Portfolio Companies, asset classes, geographies (primarily U.S., U.K. 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.

PORTFOLIO COMPANY 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 leverage against any of its assets).

The Company may, in connection with seeking such leverage 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 leverage 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 levered portfolio from group level bankruptcy or financing risks.

The aggregate leverage 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.

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 Company 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	370,187,947
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

12 June 2018	Annual General Meeting
June 2018	Payment of interim dividend to 31 March 2018
30 June 2018	Half-year End
September 2018	Announcement of half-yearly results
September 2018	Payment of interim dividend to 30 June 2018
December 2018	Payment of interim dividend to 30 September 2018
31 December 2018	Year End

DIVIDENDS

The following table summarises the amounts recognised as distributions to equity shareholders relating to 2017:

	£
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 14 December 2017	6,682,130
2017 interim dividend of 1.80 pence per Ordinary Share paid on 5 April 2018	6,627,384
Total	25,344,794

SHAREHOLDER INFORMATION continued

GLOSSARY OF TERMS

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 Leverage Ratios – The aggregate leverage 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.

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.

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 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.

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.

Share Price – Closing share price at month end (excluding dividends reinvested).

THE USE OF ALTERNATIVE PERFORMANCE MEASURES ("APMS")

The Group uses the following APMs 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 financial statements in gauging the profit levels of the Group. All APMs relate to past performance:

- NAV (Cum Income) Return;
- Revenue Return;
- NAV (Ex Income) Return;
- Dividend yield on average Ordinary Share NAV;
- Total Shareholder Return (based on share price);
- Twelve month trailing current dividend yield;
- ROIC of balance sheet investments;
- Non-recurring Capital Return on portfolio sales;
- Unlevered weighted average yield on balance sheet investments; and
- Total Net Asset Value Return.

CONTACT DETAILS OF THE ADVISERS

Directors	Andrew Adcock 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	https://vpcspecialtylending.com
Corporate Broker	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 Devon EX4 4EP United Kingdom
Administrator	Northern Trust Hedge Fund Services LLC 50 South LaSalle Street Chicago IL 60603 United States
Registrar	Link Market Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

SHAREHOLDER INFORMATION continued

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 60723 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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150 North Riverside Plaza
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