VICTORY PARK

CAPITAL

# VPC SPECIALTY LENDING INVESTMENTS PLC

HALF-YEAR FINANCIAL REPORT (UNAUDITED)

FOR THE SIX MONTH PERIOD TO 30 JUNE 2017

COMPANY NUMBER 9385218

# VPC SPECIALTY LENDING INVESTMENTS PLC
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## FINANCIAL AND OPERATIONAL HIGHLIGHTS

| | (UNAUDITED) ORDINARY SHARES AS AT 30 JUNE 2017 | (UNAUDITED) ORDINARY SHARES AS AT 30 JUNE 2016 | (AUDITED) ORDINARY SHARES AS AT 31 DECEMBER 2016 |
|---|---|---|---|
| Total Net Assets attributable to equity shareholders of the Parent Company (on a consolidated basis) | £ 351,240,190 | £ 378,271,740 | £ 363,057,307 |
| Net Asset Value per share | 93.04p | 98.86p | 95.26p |
| Share price | 82.75p | 84.00p | 78.75p |
| Premium (Discount) to Net Asset Value | -11.06% | -15.03% | -17.33% |
| | | | |
| Total Shareholder Return (based on share price)[1] | 5.08% | -11.11% | -16.67% |
| Total Net Asset Value Return[2] | 0.82% | 1.51% | 0.85% |
| | | | |
| Dividends per Ordinary Share (in the period) | 3.20p | 3.00p | 6.00p |
| | | | |
| New shares issued (in the period) | - | 182,615,665 | 182,615,665 |
| Shares repurchased (in the period) | (3,606,294) | - | (1,500,000) |

[1]Based on a share price of 100p
[2]Net of issue costs

# VPC SPECIALTY LENDING INVESTMENTS PLC
## CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to present the interim statement of VPC Specialty Lending Investments PLC ("VSL" or the "Company") for the six-month period to 30 June 2017. During the period under review, the Company delivered a total income return of 3.41%, offset by capital return of -2.59% for a total return of 0.82%.

Total declared quarterly dividends for the first half of the year were 3.20p per share and were fully covered by income generated during the period. The increase in the declared dividend for the second quarter to 1.70p followed five consecutive quarters of 1.50p, and reflected the Company's improving income.

During the period, the Company's monthly net income returns steadily improved as capital has been re-allocated from marketplace investments to balance sheet investments. Balance sheet investments have historically generated higher returns with lower volatility. Conversely, the Company's capital returns have been impacted by higher than expected losses on marketplace loans and fair value adjustments on securitisation residuals. Marketplace loan positions continue to shrink as a percentage of the Company's NAV and reflected only 19% of NAV on a combined basis at the end of the period. This is a reduction from 31% at the beginning of the calendar year. Marketplace loans and securitisation residuals, in aggregate, have declined to 33% from 50% of gross assets over the same period. As a result, the Company's Look-through Gearing Ratio has declined to 0.39x from 0.63x.

The buyback programme, which was announced in December 2016, has been active in the first half of the year, buying a total of 3,606,294 shares, representing 6% of the traded volume, at an average price of 78.11p. This programme will continue while it is accretive to shareholder value. In addition, the Investment Manager has continued to commit 20% of its monthly management fee to the purchase of shares.

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

### INVESTMENTS

To date, the Investment Manager has operated its business using two primary structures for providing debt capital to Portfolio Companies, known as the "Balance Sheet Model" and the "Marketplace Model" (see descriptions below). While to date, the Investment Manager has utilised both models to achieve the investment objectives of the Company, the performance from the balance sheet investments has been stronger; generating higher returns with less volatility.

Under the Balance Sheet Model, the Company typically 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.

In the Marketplace Model, an SPV is formed by the Company to purchase Debt Instruments originated by the Portfolio Company. The Company funds the SPV with equity capital and typically uses a gearing facility from a global bank to enhance the risk-adjusted return for shareholders. All interest payments are for the account of the SPV and the SPV bears the loss for any defaulted loans.

During the first half of 2017, the Company made significant progress in reallocating capital from the Marketplace Model to the Balance Sheet Model. The Investment Manager sold the majority of the Company's Funding Circle US and Upstart loans and redeploying the capital into both existing and new balance sheet investments. The pipeline of available balance sheet investment opportunities remains strong. At the end of June, balance sheet investments accounted for 66% of NAV up from 51% at the beginning of the year. The annualised gross revenue return on average NAV for balance sheet investments during the period has been 14%, compared to only 3% from marketplace loans. The ongoing capital reallocation is therefore likely to considerably increase total returns for the Company over time. The Company continues to target a dividend of 2.00p per quarter, in the medium term, equivalent to an 8% dividend yield by reference to the IPO price.

### MARKET OUTLOOK

Online direct lenders continue to experience robust loan demand from credit-worthy consumers and SMEs ("small and medium sized enterprises") and this seems likely to continue given the increase in banks' capital requirements and regulatory costs in recent years. Against this backdrop, the Company seems well positioned to generate attractive risk-adjusted returns for investors for many years to come, enabled by the Investment Manager's technical expertise and strong network of relationships within the specialty lending sector.

Andrew Adcock
Chairman
29 September 2017

# VPC SPECIALTY LENDING INVESTMENTS PLC
## INVESTMENT MANAGER'S REPORT

### SUMMARY

The Company experienced a trend of steadily increasing monthly net income in the first half of 2017, driven by an increasing allocation to balance sheet investments that continued to perform well with no credit losses incurred. This trend of increasing income over the course of the first half of 2017 enabled the Company to declare an increased dividend of 1.70p for the second quarter of 2017 after five consecutive quarters with a 1.50p dividend. We see further potential upside for the Company's dividend based on current trends and continue to target a 2.00p per quarter dividend.

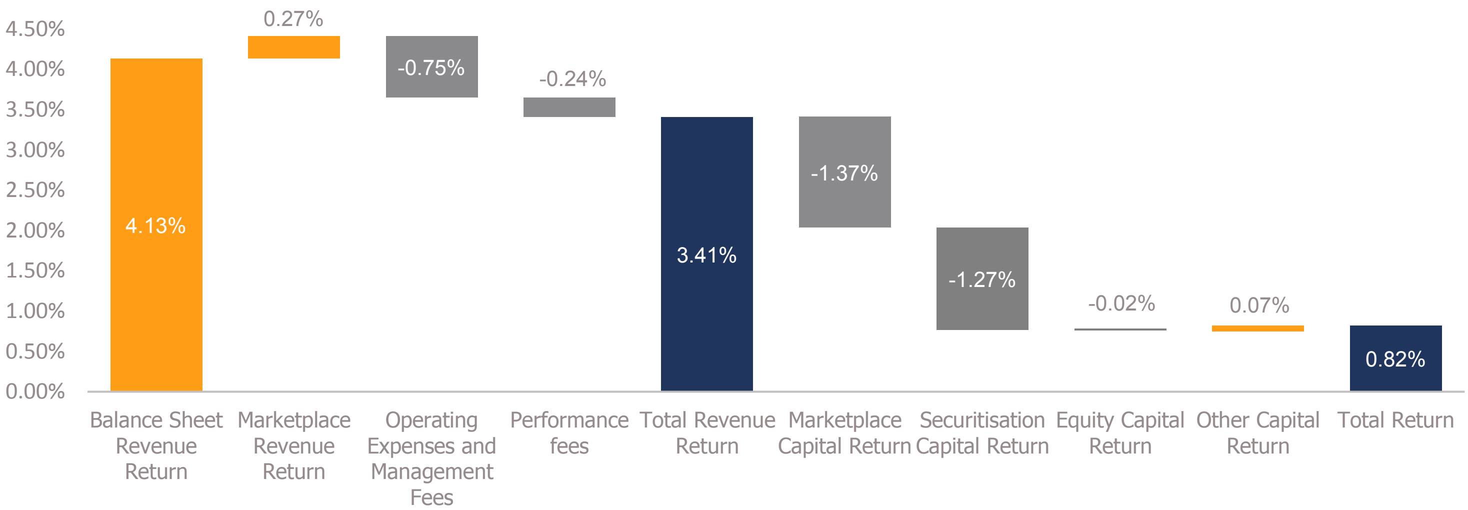
The Company's allocation to marketplace loans and securitisation residuals were a drag on performance in the period. The combined exposure to these areas has reduced to 19% of NAV compared to 31% at the beginning of the year.

### PERFORMANCE REVIEW

During the first half of 2017, the Company generated an NAV return of 0.82% for shareholders. Dividends declared for the period were 3.20 pence per share (compared to 3.00 pence per share for the first half of 2016). The NAV per share (Cum Income) at the end of the period was 93.04p compared to a share price of 82.75p at the end of June, implying a price to NAV discount of 11.06%.

The Company generated gross income returns of 4.40% as a percentage of NAV during the period, of which 4.13% was derived from balance sheet investments and 0.27% from marketplace investments. Expenses were -0.99% for a net revenue return of 3.41%. Capital returns contributed -2.59%, comprised of -1.37% from marketplace investments, -1.27% from securitisation residuals, -0.02% from equity investments and 0.07% from other capital returns, for a net total return of 0.82%.

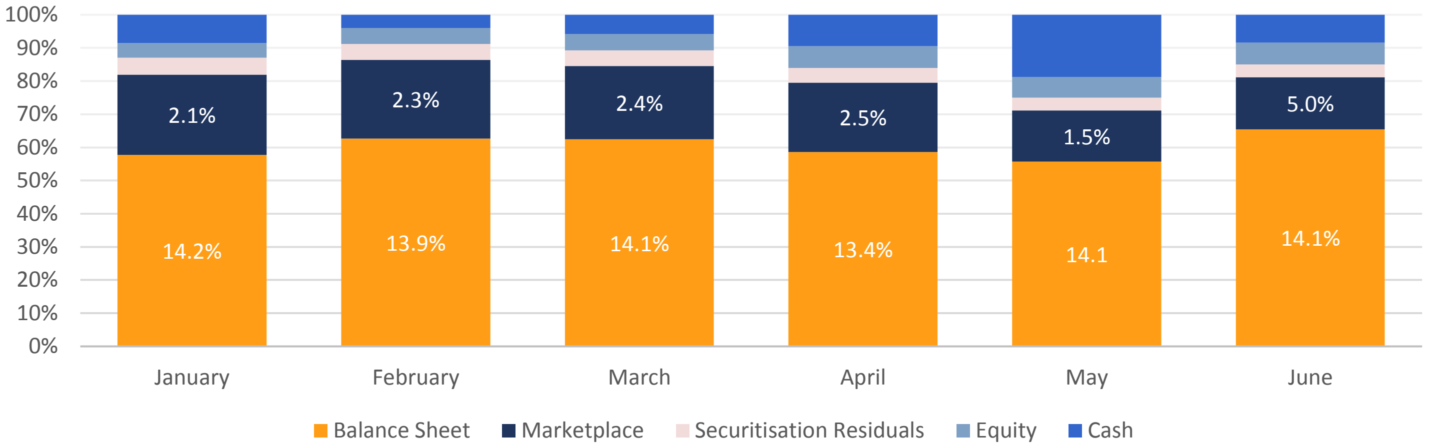
**JANUARY TO JUNE 2017 TOTAL RETURN PROFILE**




We believe that the majority of the potential total cumulative loss on the securitisation and marketplace loan positions have already been incurred, however, it is likely too soon to conclude that the trend of negative returns has abated. The remaining residual positions account for only 4% of NAV at the end of June, down from 5% at the beginning of the year. The marketplace portfolio underperformed in the period due to higher than expected loss curves and an adverse seasoning effect. The sale of loans from Funding Circle US and Upstart and the natural amortisation of the positions reduced the marketplace portfolio allocation to 15% of NAV at the end of June from 26% at the beginning of the year.

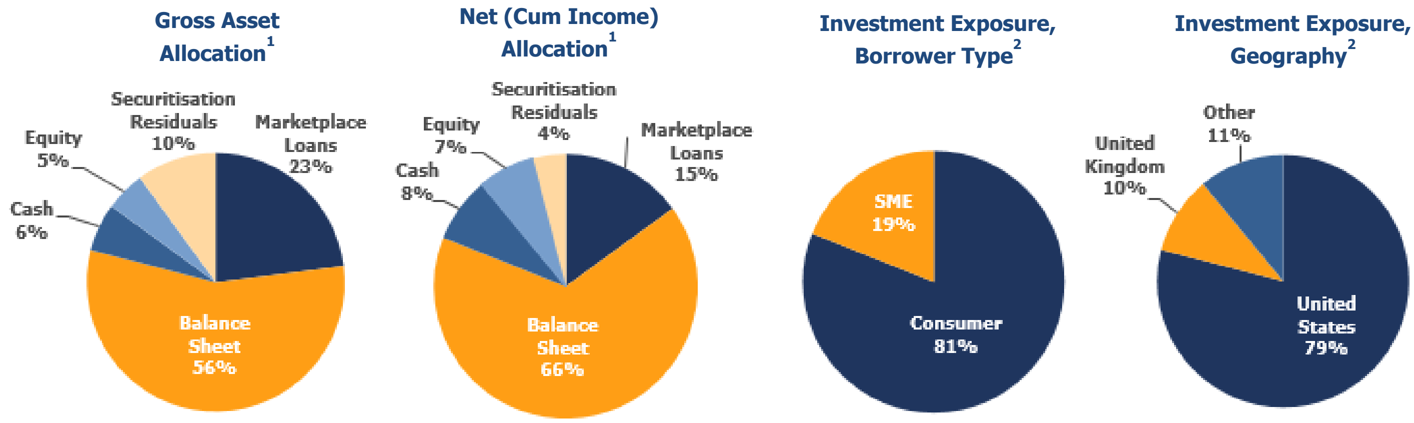
During the first half of 2017, we have continued to reallocate capital from marketplace to balance sheet investments. The returns on NAV from these balance sheet investments have been higher than from marketplace loans in each month, averaging levered income returns of 14% on an annualised basis, compared to 3% for marketplace investments.

### 2017 MONTHLY REVENUE RETURNS ON ALLOCATED NAV, ANNUALISED (%)




## PORTFOLIO COMPOSITION

As at 30 June 2017, Consumer exposure accounted for 81% of the invested portfolio, while small business exposure accounted for 19%. Investments in U.S. Portfolio Companies accounted for 79% of the invested portfolio, Investments in U.K. Portfolio Companies accounted for 10% with the remainder being European, Latin American and Australian exposure. Investments in the balance sheet portfolio accounted for 66% of NAV, compared to 51% of NAV at 31 December 2016.




[1]Percentages calculated on a look-through basis to the Company's investee entities and SPVs.
[2]Calculations using gross asset exposure and not reduced for gearing. Excludes cash.

At the end of June, the Company had investments in 27 Portfolio Companies across the U.S., U.K., Europe, Latin America and Australia originating consumer and small business loans. Of these, 22 were structured as balance sheet investments, up from 17 at the end of 2016. As part of these investments, at the end of June the Company had equity exposure to 21 Portfolio Companies through equity securities or convertible notes.

## SUMMARY HIGHLIGHTS FOR THE FIRST HALF OF 2017

- January 2017: made a new balance sheet investment into iZettle.
- January 2017: made new balance sheet investments into both Cognical and Kueski.
- January 2017: declared a dividend of 1.50 pence per share for the three-month period to 31 December 2016.
- April 2017: converted a portion of the Company's investment in Elevate to 1,012,000 shares via the Elevate IPO.
- May 2017: announced the introduction of a hurdle in respect of the performance fees payable to the Investment Manager with the payment of any performance fees to the Investment Manager becoming conditional on the Company achieving at least a 5.0% per annum total return for shareholders.
- May 2017: sold the majority of the Company's Funding Circle US and Upstart marketplace loans.
- May 2017: declared a dividend of 1.50 pence per share for the three-month period to 31 March 2017.

- June 2017: made a new balance sheet investment into Community Choice Financial, Inc., a leading provider of alternative financial services to underbanked consumers across the United States.
- June 2017: made a new balance sheet investment into Bread, a financial technology company, that provides online point-of-sale private label financing solutions for retailers.

### SUBSEQUENT EVENTS

- August 2017: declared a dividend of 1.70 pence per share for the three-month period to 30 June 2017, the first increase in the dividend after 5 quarters with a 1.50p dividend.
- August 2017: sold a majority of the Company's equity exposure in a portfolio company, zipMoney, (Australian point of sale credit provider), taking advantage of significant share price appreciation following the announcement of a strategic investment by Westpac. The shares sold were equivalent to 0.5% of the Company's end-June NAV. The sale price equated to a 3.9x multiple of the original investment, following a 20-month holding period.

### RISKS AND UNCERTAINTIES

- Impact of IFRS 9: From 1 January 2018, the Company will be required to adopt the IFRS 9 accounting standard for its financial assets. While this will not affect the total returns from the portfolio, it will change the timing of recognition of potential credit losses and therefore the Company's reported NAV, potentially resulting in a larger one-off adjustment to reserves as the standard is adopted.
- Potential credit impact of a higher federal reserve interest rate: In the first half of 2017, the Federal Reserve increased rates by 0.50% with a further increase of 0.25% forecast, by the Federal Reserve itself, before the end of 2017. These increases may start to result in a deterioration in credit quality for both consumers and SMEs in the United States. However, we believe the Company's investment portfolio is well positioned for this scenario given its increased allocation to balance sheet deals with first loss protection and significant excess spread which provide insulation from any potential deterioration in credit conditions as interest rates rise. In many instances, the Company also benefits from a guarantee from the Portfolio Company Lenders' operating companies, adding a further degree of protection. Furthermore, a significant portion of the Company's balance sheet investments coupon includes a floating component tied to LIBOR, providing further protection if interest rates rise.

### OUTLOOK

During the first half of 2017, we made significant progress towards redeploying the portfolio into new and pre-existing balance sheet investments. This redeployment has continued in the second half of the year and we are confident that this portfolio repositioning will increase both the returns and resilience of the Company. During the transition, we continue to closely monitor the portion of the marketplace portfolio that has underperformed, including exploring ways to further reduce exposure. More broadly, we believe that the risk-adjusted returns available for investors within the specialty lending sector are likely to remain attractive for the foreseeable future.

Victory Park Capital Advisors, LLC
Investment Manager
29 September 2017

# VPC SPECIALTY LENDING INVESTMENTS PLC
## RESPONSIBILITY STATEMENT OF THE DIRECTORS
### FOR THE SIX MONTH PERIOD TO 30 JUNE 2017

The Directors acknowledge responsibility for the Half-Year Financial Report and confirm that to the best of their knowledge:

(a) the consolidated set of financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit for the period of the Group as required by the Disclosure and Transparency Rules ("DTR") 4.2.4 R;

(b) the Interim Management Report (including the Chairman's Statement and the Investment Manager's Report) includes a fair review of the information required by DTR 4.2.7 R (indication of important events that have occurred during the six month period to 30 June 2017 and their impact on the set of consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year); and

(c) the Half-Year Financial Report includes a fair review of the information concerning related party transactions as required by DTR 4.2.8 R.

Signed on behalf of the Board by:

Andrew Adcock
Chairman
29 September 2017

# VPC SPECIALTY LENDING INVESTMENTS PLC

## INTERIM MANAGEMENT REPORT

### FOR THE SIX MONTH PERIOD TO 30 JUNE 2017

### CAUTIONARY STATEMENT

This Interim Management Report has been prepared solely to provide additional information to Shareholders to assess the strategies of VPC Specialty Lending Investments PLC (the "Company") with its subsidiaries (together "the Group"). The Interim Management Report should not be relied on by any other party or for any other purpose.

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

### ACTIVITIES

The activities of the Group are described in the Chairman's Statement and in the Investment Manager's Report. Refer to the Chairman's Statement on page 3 and the Investment Manager's Report on pages 4 through 6 of the Half-Year Financial Report. Further refer to Note 1 to the consolidated financial statements.

### STRATEGY AND INVESTMENT OBJECTIVES

The important events that have occurred during the period under review and the key factors influencing the consolidated financial statements are described in the Chairman's Statement and in the Investment Manager's Report.

Refer to the Chairman's Statement on page 3 and the Investment Manager's Report on pages 4 through 6 of the Half-Year Financial Report.

### GOING CONCERN

As stated in Note 2 to the consolidated financial statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period not less than 12 months from the date of the Half-Year Financial Report. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

### RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial period and could cause actual results to differ materially from expected and historical results. Refer to the Investment Manager's Report on pages 4 through 6 of the Half-Year Financial Report as well as Note 5 to the consolidated financial statements for the potential risks and uncertainties. The principal risks and uncertainties are consistent with those disclosed in the annual report for the year ended 31 December 2016 which can be found on the Company's website.

### FINANCIAL PERFORMANCE

The financial and operational highlights of the Group can be found on page 2 of the Half-Year Financial Report.

### RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 12 to the consolidated financial statements.

# VPC SPECIALTY LENDING INVESTMENTS PLC
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
### AS AT 30 JUNE 2017

| | NOTE | (UNAUDITED) 30 JUNE 2017 £ | (UNAUDITED) 30 JUNE 2016 £ | (AUDITED) 31 DECEMBER 2016 £ |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Loans at amortised cost | 3 | 377,814,156 | 562,051,893 | 469,956,519 |
| Investment assets designated as held at fair value through profit or loss | 3 | 60,486,000 | 60,421,858 | 61,637,121 |
| **Total non-current assets** | | 438,300,156 | 622,473,751 | 531,593,640 |
| **Current assets** | | | | |
| Cash and cash equivalents | | 31,144,135 | 57,498,553 | 56,302,627 |
| Cash posted as collateral | | 7,356,550 | 25,210,000 | 10,706,410 |
| Interest receivable | | 4,904,920 | 5,636,573 | 5,340,216 |
| Derivative financial assets | | 681,996 | - | - |
| Dividend and distribution receivable | | 453,959 | 762,843 | 807,329 |
| Other assets and prepaid expenses | | 2,010,679 | 2,904,830 | 2,944,352 |
| **Total current assets** | | 46,552,239 | 92,012,799 | 76,100,934 |
| **Total assets** | | 484,852,395 | 714,486,550 | 607,694,574 |
| **Non-current liabilities** | | | | |
| Notes payable | 6 | 96,424,531 | 251,698,194 | 185,868,711 |
| **Total non-current liabilities** | | 96,424,531 | 251,698,194 | 185,868,711 |
| **Current liabilities** | | | | |
| Management fee payable | 8 | 892,159 | 998,893 | 841,126 |
| Performance fee payable | 8 | 844,771 | 912,780 | 459,410 |
| Derivative financial liabilities | | - | 23,853,675 | 6,932,184 |
| Amounts payable under agreements to repurchase | | 9,285,358 | 8,730,045 | 9,811,072 |
| Unsettled share buyback payable | | 1,155 | - | 1,166,866 |
| Dividend withholding tax payable | | - | 1,026,211 | 1,018,889 |
| Deferred income | | 1,101,314 | 638,415 | 773,509 |
| Other liabilities and accrued expenses | 8 | 5,180,057 | 7,919,953 | 2,854,884 |
| **Total current liabilities** | | 17,304,814 | 44,079,972 | 23,857,940 |
| **Total liabilities** | | 113,729,345 | 295,778,166 | 209,726,651 |
| **Total assets less total liabilities** | | 371,123,050 | 418,708,384 | 397,967,923 |

*See notes to the consolidated financial statements*

# VPC SPECIALTY LENDING INVESTMENTS PLC
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
### AS AT 30 JUNE 2017

| | NOTE | (UNAUDITED) 30 JUNE 2017 £ | (UNAUDITED) 30 JUNE 2016 £ | (AUDITED) 31 DECEMBER 2016 £ |
|---|---|---|---|---|
| **Capital and reserves** | | | | |
| Called-up share capital | 10 | 20,300,000 | 20,300,000 | 20,300,000 |
| Share premium account | | 161,040,000 | 161,040,000 | 161,040,000 |
| Other distributable reserve | | 185,557,710 | 191,474,230 | 188,394,286 |
| Capital reserve | | (25,683,514) | 1,123,645 | (16,095,401) |
| Revenue reserve | | 8,968,882 | 3,845,958 | 8,340,831 |
| Currency translation reserve | | 1,057,112 | 487,907 | 1,077,591 |
| **Total equity attributable to equity shareholders of the Parent Company** | | 351,240,190 | 378,271,740 | 363,057,307 |
| Non-controlling interests | 14 | 19,882,860 | 40,436,644 | 34,910,616 |
| **Total equity** | | 371,123,050 | 418,708,384 | 397,967,923 |
| **Net Asset Value per Ordinary Share** | 9 | 93.04p | 98.86p | 95.26p |

These consolidated financial statements of VPC Specialty Lending Investments PLC registered number 9385218 were approved and authorised for issue by the Board of Directors on 29 September 2017.

Signed on behalf of the Board by:

Andrew Adcock
Chairman of the Board
29 September 2017

*See notes to the consolidated financial statements*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE SIX MONTH PERIOD 30 JUNE 2017

| | NOTE | (UNAUDITED) REVENUE £ | (UNAUDITED) CAPITAL £ | (UNAUDITED) TOTAL £ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gain / (loss) on investments | 4 | - | (5,238,605) | (5,238,605) |
| Foreign exchange gain / (loss) | | - | (173,136) | (173,136) |
| Income | 4 | 17,049,821 | 18,764,329 | 35,814,150 |
| **Total return** | | 17,049,821 | 13,352,588 | 30,402,409 |
| **Expenses** | | | | |
| Management fee | 8 | 1,727,222 | 771,766 | 2,498,988 |
| Performance fee | 8 | 844,773 | - | 844,773 |
| Impairment charge | 7 | - | 17,127,255 | 17,127,255 |
| Other expenses | 8 | 1,148,655 | 2,837,405 | 3,986,060 |
| **Total operating expenses** | | 3,720,650 | 20,736,426 | 24,457,076 |
| Finance costs | | 1,341,498 | 3,407,609 | 4,749,107 |
| **Total finance costs** | | 1,341,498 | 3,407,609 | 4,749,107 |
| **Net return on ordinary activities before taxation** | | 11,987,673 | (10,791,447) | 1,196,226 |
| **Taxation on ordinary activities** | | - | - | - |
| **Net return on ordinary activities after taxation** | | 11,987,673 | (10,791,447) | 1,196,226 |
| **Attributable to:** | | | | |
| Equity shareholders | | 11,987,673 | (9,588,113) | 2,399,560 |
| Non-controlling interests | 14 | - | (1,203,334) | (1,203,334) |
| **Return per Ordinary Share (basic and diluted)** | | 3.18p | -2.54p | 0.64p |
| **Other comprehensive income** | | | | |
| Currency translation differences | | - | (1,939,669) | (1,939,669) |
| **Total comprehensive income** | | 11,987,673 | (12,731,116) | (743,443) |
| **Attributable to:** | | | | |
| Equity shareholders | | 11,987,673 | (9,608,592) | 2,379,081 |
| Non-controlling interests | 14 | - | (3,122,524) | (3,122,524) |

*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*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued

### FOR THE SIX MONTH PERIOD 30 JUNE 2016

| | NOTE | (UNAUDITED) REVENUE £ | (UNAUDITED) CAPITAL £ | (UNAUDITED) TOTAL £ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gain / (loss) on investments | 4 | - | (2,933,726) | (2,933,726) |
| Foreign exchange gain / (loss) | | - | 72,970 | 72,970 |
| Income | 4 | 41,140,925 | 433,851 | 41,574,776 |
| **Total return** | | 41,140,925 | (2,426,905) | 38,714,020 |
| **Expenses** | | | | |
| Management fee | 8 | 3,035,832 | - | 3,035,832 |
| Performance fee | 8 | 912,781 | - | 912,781 |
| Impairment charge | 7 | 16,247,732 | 1,066,730 | 17,314,462 |
| Other expenses | 8 | 5,698,986 | 213,931 | 5,912,917 |
| **Total operating expenses** | | 25,895,331 | 1,280,661 | 27,175,992 |
| Finance costs | | 4,635,062 | 22,879 | 4,657,941 |
| **Total finance costs** | | 4,635,062 | 22,879 | 4,657,941 |
| **Net return on ordinary activities before taxation** | | 10,610,532 | (3,730,445) | 6,880,087 |
| **Taxation on ordinary activities** | | - | - | - |
| **Net return on ordinary activities after taxation** | | 10,610,532 | (3,730,445) | 6,880,087 |
| **Attributable to:** | | | | |
| Equity shareholders | | 8,842,053 | (3,477,761) | 5,364,292 |
| Non-controlling interests | 14 | 1,768,479 | (252,684) | 1,515,795 |
| **Return per Ordinary Share (basic and diluted)** | | 2.31p | -0.91p | 1.40p |
| **Other comprehensive income** | | | | |
| Currency translation differences | | - | 8,676,277 | 8,676,277 |
| **Total comprehensive income** | | 10,610,532 | 4,945,832 | 15,556,364 |
| **Attributable to:** | | | | |
| Equity shareholders | | 8,842,053 | (3,192,858) | 5,649,195 |
| Non-controlling interests | 14 | 1,768,479 | 8,138,690 | 9,907,169 |

*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*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued

### FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTE | (AUDITED) REVENUE £ | (AUDITED) CAPITAL £ | (AUDITED) TOTAL £ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gain / (loss) on investments | 4 | - | (12,767,502) | (12,767,502) |
| Foreign exchange gain / (loss) | | - | (1,303,726) | (1,303,726) |
| Income | 4 | 63,921,990 | 25,128,692 | 89,050,682 |
| **Total return** | | 63,921,990 | 11,057,464 | 74,979,454 |
| **Expenses** | | | | |
| Management fee | 8 | 5,026,537 | 1,059,942 | 6,086,479 |
| Performance fee | 8 | 459,410 | - | 459,410 |
| Impairment charge | 7 | 20,156,693 | 20,947,574 | 41,104,267 |
| Other expenses | 8 | 3,678,016 | 3,576,385 | 7,254,401 |
| **Total operating expenses** | | 29,320,656 | 25,583,901 | 54,904,557 |
| Finance costs | | 7,710,562 | 6,653,424 | 14,363,986 |
| **Total finance 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** | | - | - | - |
| **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 | 14 | 3,988,454 | (483,054) | 3,505,400 |
| **Return per Ordinary Share (basic and diluted)** | | 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 | 14 | 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*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTH PERIOD TO 30 JUNE 2017

| | (UNAUDITED) CALLED UP SHARE CAPITAL £ | (UNAUDITED) SHARE PREMIUM £ | (UNAUDITED) OTHER RESERVE £ | (UNAUDITED) CAPITAL RESERVE £ | (UNAUDITED) REVENUE RESERVE £ | (UNAUDITED) CURRENCY TRANSLATION RESERVE £ | (UNAUDITED) TOTAL SHAREHOLDERS' EQUITY £ | (UNAUDITED) NON-CONTROLLING INTERESTS £ | (UNAUDITED) 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 | - | - | (2,836,576) | - | - | - | (2,836,576) | - | (2,836,576) |
| Contributions by non-controlling interests | - | - | - | - | - | - | - | - | - |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | (11,905,232) | (11,905,232) |
| Return on ordinary activities after taxation | - | - | - | (9,588,113) | 11,987,673 | - | 2,399,560 | (1,203,334) | 1,196,226 |
| Dividends declared and paid | - | - | - | - | (11,359,622) | - | (11,359,622) | - | (11,359,622) |
| **Other comprehensive income** | | | | | | | | | |
| Currency translation differences | - | - | - | - | - | (20,479) | (20,479) | (1,919,190) | (1,939,669) |
| **Closing balance at 30 June 2017** | 20,300,000 | 161,040,000 | 185,557,710 | (25,683,514) | 8,968,882 | 1,057,112 | 351,240,190 | 19,882,860 | 371,123,050 |

*See notes to the consolidated financial statements*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

### FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

| | (UNAUDITED) CALLED UP SHARE CAPITAL £ | (UNAUDITED) SHARE PREMIUM £ | (UNAUDITED) OTHER RESERVE £ | (UNAUDITED) CAPITAL RESERVE £ | (UNAUDITED) REVENUE RESERVE £ | (UNAUDITED) CURRENCY TRANSLATION RESERVE £ | (UNAUDITED) TOTAL SHAREHOLDERS' EQUITY £ | (UNAUDITED) NON-CONTROLLING INTERESTS £ | (UNAUDITED) 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 | - | - | - | - | - | - | - | - | - |
| Contributions by non-controlling interests | - | - | - | - | - | - | - | 6,120,948 | 6,120,948 |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | (49,785,235) | (49,785,235) |
| Return on ordinary activities after taxation | - | - | - | (3,477,761) | 8,842,053 | - | 5,364,292 | 1,515,795 | 6,880,087 |
| Dividends declared and paid | - | - | (2,525,770) | - | (9,171,565) | - | (11,697,335) | - | (11,697,335) |
| **Other comprehensive income** | | | | | | | | | |
| Currency translation differences | - | - | - | - | - | 284,903 | 284,903 | 8,391,374 | 8,676,277 |
| **Closing balance at 30 June 2016** | 20,300,000 | 161,040,000 | 191,474,230 | 1,123,645 | 3,845,958 | 487,907 | 378,271,740 | 40,436,644 | 418,708,384 |

*See notes to the consolidated financial statements*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

### FOR THE YEAR ENDED 31 DECEMBER 2016

| | (AUDITED) CALLED UP SHARE CAPITAL £ | (AUDITED) SHARE PREMIUM £ | (AUDITED) OTHER RESERVE £ | (AUDITED) CAPITAL RESERVE £ | (AUDITED) REVENUE RESERVE £ | (AUDITED) CURRENCY TRANSLATION RESERVE £ | (AUDITED) TOTAL SHAREHOLDERS' EQUITY £ | (AUDITED) NON-CONTROLLING INTERESTS £ | (AUDITED) 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 |

*See notes to the consolidated financial statements*

# VPC SPECIALTY LENDING INVESTMENTS PLC
## CONSOLIDATED STATEMENT OF CASH FLOWS
### FOR THE SIX MONTH PERIOD TO 30 JUNE 2017

| | NOTE | (UNAUDITED) 30 JUNE 2017 £ | (UNAUDITED) 30 JUNE 2016 £ | (AUDITED) 31 DECEMBER 2016 £ |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Total comprehensive income | | (743,443) | 15,556,364 | 21,590,762 |
| Adjustments for: | | | | |
| - Interest income | | (34,261,725) | (40,374,737) | (86,118,449) |
| - Dividend and distribution income | | (1,137,619) | (1,195,496) | (2,674,538) |
| - Finance costs | | 4,749,107 | 4,657,941 | 14,363,986 |
| - Exchange (gains)/losses on cash and cash equivalents | | 1,939,669 | (8,676,277) | (15,879,851) |
| **Total** | | (29,454,011) | (30,032,205) | (68,718,090) |
| Unrealised depreciation (appreciation) on investment assets designated as held at fair value through profit or loss | | 4,562,884 | 2,933,726 | 8,519,841 |
| Unrealised depreciation (appreciation) on derivative financial instruments | | (7,614,180) | 13,972,788 | (2,948,703) |
| Decrease (increase) in other assets and prepaid expenses | | 933,673 | (1,298,363) | (1,337,885) |
| Increase in management fee payable | | 51,033 | 162,352 | 4,585 |
| Increase (decrease) in performance fee payable | | 385,361 | (389,124) | (824,494) |
| Increase (decrease) in unsettled share buyback payable | | (1,165,711) | | 1,166,866 |
| Increase (decrease) in dividend withholding tax payable | | (1,018,889) | 1,026,211 | 1,018,889 |
| Increase in deferred income | | 327,805 | 638,415 | 773,509 |
| Increase (decrease) in accrued expenses and other liabilities | | 1,949,188 | 1,403,354 | (3,811,385) |
| Impairment of loans | | 17,127,255 | 17,314,462 | 41,104,267 |
| **Net cash inflow/(outflow) from operating activities** | | (13,915,592) | 5,731,616 | (25,070,600) |
| **Cash flows from investing activities:** | | | | |
| Interest received | | 34,697,021 | 38,994,547 | 85,034,615 |
| Dividends received | | 1,490,989 | 989,264 | 2,423,821 |
| Purchase of investment assets designated as held at fair value through profit or loss | | (3,411,763) | (23,083,005) | (28,897,345) |
| Sale of investment assets designated as held at fair value through profit or loss | | - | 987,038 | - |
| Purchase of loans | | (121,523,822) | (372,492,175) | (483,430,880) |
| Sale of loans | | 196,538,930 | 284,357,824 | 463,602,098 |
| Cash posted as collateral | | 3,349,860 | (16,730,000) | (2,226,410) |
| Contributions by non-controlling interests | | - | 6,120,948 | 8,388,713 |
| Distributions to non-controlling interests | | (11,905,232) | (49,785,235) | (66,182,523) |
| Increase (decrease) in amounts payable under agreements to repurchase | | (525,714) | 8,730,045 | 9,811,072 |
| Increase (decrease) in note payable | | (89,444,180) | 84,997,886 | 19,168,403 |
| **Net cash inflow/(outflow) from investing activities** | | 9,266,089 | (36,912,863) | 7,691,564 |

*See notes to the consolidated financial statements*

## CONSOLIDATED STATEMENT OF CASH FLOWS continued

### FOR THE SIX MONTH PERIOD TO 30 JUNE 2017

| | NOTE | (UNAUDITED) 30 JUNE 2017 £ | (UNAUDITED) 30 JUNE 2016 £ | (AUDITED) 31 DECEMBER 2016 £ |
|---|---|---|---|---|
| **Cash flows from financing activities:** | | | | |
| Proceeds from subscription of shares | | - | - | - |
| Dividends distributed | | (11,359,622) | (11,697,335) | (23,175,805) |
| Buyback of shares | | (2,836,576) | - | (1,166,866) |
| Proceeds from issue of management shares | | - | - | - |
| Share issue costs | | - | - | - |
| Finance costs paid | | (4,373,122) | (4,200,884) | (13,757,259) |
| Redemption of management shares | | - | - | - |
| **Net cash inflow/(outflow) from financing activities** | | (18,569,320) | (15,898,219) | (38,099,930) |
| | | | | |
| Net change in cash and cash equivalents | | (23,218,823) | (47,079,466) | (55,475,966) |
| Exchange gains/(losses) on cash and cash equivalents | | (1,939,669) | 8,676,277 | 15,879,851 |
| Cash and cash equivalents at the beginning of the period | | 56,302,627 | 95,901,742 | 95,901,742 |
| **Cash and cash equivalents** | | 31,144,135 | 57,498,553 | 56,302,627 |

*See notes to the consolidated financial statements*

## 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 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 30 June 2017 the Company had total issued equity in the form of 382,615,665 Ordinary Shares (31 December 2016: 382,615,665; 30 June 2016: 382,615,665) of which 377,509,371 were outstanding (31 December 2016: 381,115,665; 30 June 2016: 382,615,665) and 5,106,294 were held as treasury shares (31 December 2016: 1,500,000; 30 June 2016: Nil). These shares are listed on the Premium listing 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, www.vpcspecialtylending.com. The audited financial statement information contained within the consolidated financial statements are also available on the Parent Company's website.

## 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 six month period to 30 June 2017. These statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and International Accounting Standard ("IAS") 34, Interim Financial Reporting, as adopted by the European Union.

The consolidated financial statements for the period ended 30 June 2017 have not been audited or reviewed by the Group's auditors and do not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. They do not include all financial information required for full annual financial statements. The consolidated financial statements and the comparative financial statements have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 December 2016.

The consolidated 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 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The 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.

### 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.

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. The period ends for the subsidiaries are consistent with the Company.

### 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.

### 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.

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

### 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 30 June 2017, management fees of £771,766 (31 December 2016: £1,059,942; 30 June 2016: £Nil) 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 8 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 and investments in funds.

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

Investments in funds are carried at fair value through profit or loss and designated as such at inception. This is determined using the NAV for the units at the balance sheet date.

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.

### *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 period. The agreement matures on 31 December 2017 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.

## Equity securities

Equity securities are measured at fair value. These securities are considered either Level 2 or Level 3 investments. Further details of the valuation of equity securities are included in Note 3.

## Other receivables

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

## Cash and cash equivalents

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

### Accrued income

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

### 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.

### 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 and assumptions

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 7.

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 13.

### Accounting standards issued but not yet effective

The following new standard is not applicable to this financial information but it is anticipated that the new standard will have an impact when it becomes effective:

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. Some of the new concepts and changes to the approach compared to the current methodology under IAS 39 are:

- Expected credit losses are based on an assessment of the probability of default, loss given default and exposure at default. The estimation of expected credit losses are to be probability weighted, considering all reasonable and supportable information, including forward looking assumptions and a range of possible outcomes.
- Where loans held at amortised cost less impairment are determined to have experienced a significant deterioration in credit, the recognition of the associated impairment charge may be accelerated under IFRS 9.
- This new requirement will bring forward recognition of impairment losses relative to IAS 39 which requires provisions to be recognised only where there is objective evidence of credit impairment. On initial recognition, and for financial assets where there has not been evidence of credit impairment since the date of advance, IFRS 9 provisions will be made for expected credit default events within the next 12 months.

The Directors have commenced an assessment of the impact of IFRS 9 on the Group and Parent Company and the implementation of the new provision may have a material financial impact to the Group, but it will not be practical to disclose reliable financial impact estimates until the assessment and implementation of IFRS 9 is completed.

## 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 recent transactions, discounted cash flow models 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.

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 30 June 2017:

| Investment assets designated as held at fair value | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Investments in funds | 24,564,955 | - | - | 24,564,955 |
| Equity securities | 35,921,045 | 6,157,363 | 1,766,713 | 27,996,969 |
| **Total** | 60,486,000 | 6,157,363 | 1,766,713 | 52,561,924 |

| Derivative financial assets | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | 681,996 | - | - | 681,996 |
| **Total** | 681,996 | - | - | 681,996 |

There were no movements between Level 1 and Level 2 fair value measurements during the period ended 30 June 2017 and no transfers into and out of Level 3 fair value measurements for the Group.

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 30 June 2016:

| Investment assets designated as held at fair value | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Investments in funds | 32,463,431 | - | - | 32,463,431 |
| Equity securities | 27,958,427 | 1,593,229 | - | 26,365,198 |
| **Total** | 60,421,858 | 1,593,229 | - | 58,828,629 |

| Derivative financial liabilities | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | 23,853,675 | - | 23,853,675 | - |
| **Total** | 23,853,675 | - | 23,853,675 | - |

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 | (AUDITED) TOTAL £ | (AUDITED) LEVEL 1 £ | (AUDITED) LEVEL 2 £ | (AUDITED) 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 | (AUDITED) TOTAL £ | (AUDITED) LEVEL 1 £ | (AUDITED) LEVEL 2 £ | (AUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | 6,932,184 | - | 6,932,184 | - |
| **Total** | 6,932,184 | - | 6,932,184 | - |

The following table presents the movement in Level 3 positions for the period for the Group at 30 June 2017:

| | (UNAUDITED) INVESTMENTS IN FUNDS £ | (UNAUDITED) EQUITY SECURITIES £ |
|---|---|---|
| Beginning balance, 1 January 2017 | 31,298,331 | 28,316,506 |
| Purchases | - | 9,280,666 |
| Sales | (3,673,097) | (5,292,680) |
| Transfers in / (out) | - | - |
| Net change in unrealised foreign exchange gains / (losses) | (1,073,780) | (458,607) |
| Net change in unrealised gains / (losses) | (1,986,499) | (3,848,916) |
| **Ending balance, 30 June 2017** | 24,564,955 | 27,996,969 |

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

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

| DESCRIPTION | (UNAUDITED) FAIR VALUE AT 30 JUNE 2017 £ | VALUATION TECHNIQUE | UNOBSERVABLE INPUT | RANGE |
|---|---|---|---|---|
| Investments in funds | 24,564,955 | Net asset value | N/A | N/A |
| Equity securities | 16,431,256 | Discounted Cash Flows | Discount Rate | 16.00% |
| | | | Assumed Default Rate | 25.87% - 26.77% |
| Equity securities | 9,935,076 | Transaction price | N/A | N/A |
| Equity securities | 1,630,637 | Black Scholes Model | Risk Free Rate | 1.49% - 2.33% |
| | | | Volatility | 35% |
| | | | Strike Price | AU$0.20 - €1,275.82 |
| | | | Current Price | AU$0.65 - €1,275.82 |

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 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 £348,660 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 £857,212 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 funds and equity securities of £2,628,096 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 30 June 2017 but for which fair value is disclosed. The carrying value has been used where it is a reasonable approximation of fair value:

| | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| **Assets** | | | | |
| Loans | 379,354,771 | - | - | 379,354,771 |
| Cash and cash equivalents | 31,144,135 | 31,144,135 | - | - |
| Cash posted as collateral | 7,356,550 | 7,356,550 | - | - |
| Interest receivable | 4,904,920 | - | 4,904,920 | - |
| Dividend receivable | 453,959 | - | 453,959 | - |
| Other assets and prepaid expenses | 2,010,679 | - | 2,010,679 | - |
| **Total** | 425,225,014 | 38,500,685 | 7,369,558 | 379,354,771 |

| | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Notes payable | 96,424,531 | - | - | 96,424,531 |
| Management fee payable | 892,159 | - | 892,159 | - |
| Performance fee payable | 844,771 | - | 844,771 | - |
| Unsettled share buyback payable | 1,155 | - | 1,155 | - |
| Accrued deferred income | 1,101,314 | - | 1,101,314 | - |
| Other liabilities and accrued expenses | 5,180,056 | - | 5,180,056 | - |
| **Total** | 104,443,986 | - | 8,019,455 | 96,424,531 |

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 30 June 2016 but for which fair value is disclosed. The carrying value has been used where it is a reasonable approximation of fair value:

| | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| **Assets** | | | | |
| Loans | 566,379,067 | - | - | 566,379,067 |
| Cash and cash equivalents | 57,498,553 | 57,498,553 | - | - |
| Cash posted as collateral | 25,210,000 | 25,210,000 | - | - |
| Interest receivable | 5,636,573 | - | 5,636,573 | - |
| Dividend receivable | 762,843 | - | 762,843 | - |
| Other assets and prepaid expenses | 2,904,830 | - | 2,904,830 | - |
| **Total** | 658,391,866 | 82,708,553 | 9,304,246 | 566,379,067 |

| | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Notes payable | 251,698,194 | - | - | 251,698,194 |
| Management fee payable | 998,893 | 998,893 | - | - |
| Performance fee payable | 912,780 | 912,780 | - | - |
| Dividend withholding tax payable | 1,026,211 | 1,026,211 | - | - |
| Accrued deferred income | 638,415 | 638,415 | - | - |
| Other liabilities and accrued expenses | 7,919,953 | 7,919,953 | - | - |
| **Total** | 263,194,446 | 11,496,252 | - | 251,698,194 |

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 2016 but for which fair value is disclosed. The carrying value has been used where it is a reasonable approximation of fair value:

| | (AUDITED) TOTAL £ | (AUDITED) LEVEL 1 £ | (AUDITED) LEVEL 2 £ | (AUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| **Assets** | | | | |
| Loans | 472,930,178 | - | - | 472,930,178 |
| Cash and cash equivalents | 56,302,627 | 56,302,627 | - | - |
| Cash posted as collateral | 10,706,410 | 10,706,410 | - | - |
| Interest receivable | 5,340,216 | - | 5,340,216 | - |
| Dividend receivable | 807,329 | - | 807,329 | - |
| Other assets and prepaid expenses | 2,944,352 | - | 2,944,352 | - |
| **Total** | 549,031,112 | 67,009,037 | 9,091,897 | 472,930,178 |

| | (AUDITED) TOTAL £ | (AUDITED) LEVEL 1 £ | (AUDITED) LEVEL 2 £ | (AUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Notes payable | 185,868,711 | - | - | 185,868,711 |
| Management fee payable | 841,126 | - | 841,126 | - |
| Performance fee payable | 459,410 | - | 459,410 | - |
| Unsettled share buyback payable | 1,166,866 | - | 1,166,866 | - |
| Dividend withholding tax payable | 1,018,889 | - | 1,018,889 | - |
| Deferred income | 773,509 | - | 773,509 | - |
| Other liabilities and accrued expenses | 2,854,884 | - | 2,854,884 | - |
| **Total** | 192,983,395 | - | 7,114,684 | 185,868,711 |

## 4. INCOME AND GAINS ON INVESTMENTS AND LOANS

| | (UNAUDITED) 30 JUNE 2017 £ | (UNAUDITED) 30 JUNE 2016 £ | (AUDITED) 31 DECEMBER 2016 £ |
|---|---|---|---|
| **Income** | | | |
| Interest income | 34,261,725 | 40,374,738 | 86,118,449 |
| Distributable income from investments in funds | 1,060,496 | 1,174,704 | 2,445,312 |
| Dividend income | 77,123 | 20,791 | 229,226 |
| Other income | 414,806 | 4,543 | 257,696 |
| **Total** | 35,814,150 | 41,574,776 | 89,050,682 |

| | (UNAUDITED) 30 JUNE 2017 £ | (UNAUDITED) 30 JUNE 2016 £ | (AUDITED) 31 DECEMBER 2016 £ |
|---|---|---|---|
| **Net gains (losses) on investments** | | | |
| Realised loss on sale of investments | (675,721) | - | (4,247,661) |
| Unrealised gain (loss) on investment in funds | 169,734 | (2,740,922) | 757,836 |
| Unrealised loss on equity securities | (4,732,618) | (192,804) | (9,277,677) |
| **Total** | (5,238,605) | (2,933,726) | (12,767,502) |

## 5. 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 21 to 23 of the Annual Report for the year ended 31 December 2016.

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.

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 30 June 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.

### *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 30 June 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.

## 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.

### 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 6.

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

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 Platform. The Group (as a lender member) will receive payments under any loans it acquires through a Platform only if the corresponding borrower through that Platform (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 Platforms, asset classes, geographies (primarily United States and Europe) and credit bands in order to ensure diversification and to seek to mitigate concentration risks.

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.

## 6. NOTE 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 outstanding debt of the Group at 30 June 2017 is £62,981,117 (31 December 2016: £153,377,796; 30 June 2016: £223,371,575).

The table below provides details of the outstanding debt of the Group at 30 June 2017:

| 30 JUNE 2017 | INTEREST RATE | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|---|
| Credit Facility 07-2015 | 4.25% | 11,796,610 | 23 January 2018 |
| Credit Facility 08-2015 | 3.50% | 42,230,512 | 14 December 2018 |
| Credit Facility 08-2016 | 3.00% | 8,953,995 | 15 December 2025 |

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 outstanding principal at 30 June 2017 is £33,443,414 (31 December 2016: £32,490,915; 30 June 2016: £28,326,619).

The table below provides details of the outstanding first-out participation liabilities of the Group at 30 June 2017:

| 30 JUNE 2017 | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|
| First-Out Participation 06-2015 | 7,303,738 | 30 June 2018 |
| First-Out Participation 03-2016 | 17,861,258 | 3 March 2019 |
| First-Out Participation 12-2016 | 6,530,703 | 17 November 2021 |
| First-Out Participation 03-2017 | 1,747,715 | 30 January 2021 |

## 7. 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 30 June 2017:

| | COST BEFORE IMPAIRMENT £ | LOAN LOSS RESERVE £ | LOANS WRITTEN-OFF £ | CARRYING VALUE £ |
|---|---|---|---|---|
| Loans at amortised cost | 407,188,123 | 10,388,436 | 18,985,531 | 377,814,156 |
| **Total** | 407,188,123 | 10,388,436 | 18,985,531 | 377,814,156 |

The table below provides details of the investments at amortised cost held by the Group for the period ended 30 June 2016:

| | COST BEFORE IMPAIRMENT £ | LOAN LOSS RESERVE £ | LOANS WRITTEN-OFF £ | CARRYING VALUE £ |
|---|---|---|---|---|
| Loans at amortised cost | 580,019,417 | 1,951,427 | 16,016,097 | 562,051,893 |
| **Total** | 580,019,417 | 1,951,427 | 16,016,097 | 562,051,893 |

The table below provides details of the investments at amortised cost held by the Group for the year 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 30 June 2017 comprises of the following:

| | IMPAIRMENT CHARGE 30 JUNE 2017 £ |
|---|---|
| Loans written off | 18,985,531 |
| Change in loan loss reserve | (2,411,258) |
| Currency translation on loan loss reserve | 552,982 |
| **Impairment charge** | 17,127,255 |

### 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 £18,985,531 (31 December 2016: £36,505,295; 30 June 2016: £16,016,097) 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.

### 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 30 June 2017, the Group has created a reserve provision on the outstanding principal of the Group's loans of £10,388,436 (31 December 2016: £12,799,694; 30 June 2016: £9,071,544), 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.

## 8. FEES AND EXPENSES

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.

### Investment management fees

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 Manger 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 of the Group for the period is £2,498,988 (31 December 2016: £6,086,479; 30 June 2016: £3,035,832).

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.

### 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 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 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 of the Group for the period is £844,773 (31 December 2016: £459,410; 30 June 2016: £912,781).

### Earn-out fee

Certain loans purchased by the Group through a Platform are subject to a performance fee that the seller may be entitled to receive from the Group with respect to the performance of the loans. This fee may be due to the Platform 12 months after the purchase of the loans from the Platform. At 30 June 2017, the amount the Group has recognised is £2,144,874 (31 December 2016: £1,551,457; 30 June 2016: £5,117,807) and it is included in Other liabilities and accrued expenses on the Consolidated Statement of Financial Position.

### 9. NET ASSET VALUE PER SHARE

| | (UNAUDITED) AS AT 30 JUNE 2017 £ | (UNAUDITED) AS AT 30 JUNE 2016 £ | (AUDITED) AS AT 31 DECEMBER 2016 £ |
|---|---|---|---|
| **Ordinary Shares** | | | |
| Net assets | 351,240,190 | 378,271,740 | 363,057,307 |
| Shares in issue | 377,509,371 | 382,615,665 | 381,115,665 |
| Net asset value per Ordinary Share | 93.04p | 98.86p | 95.26p |

### 10. SHAREHOLDERS' CAPITAL

Set out below is the issued share capital of the Company as at 30 June 2017:

| | NOMINAL VALUE £ | NUMBER OF SHARES |
|---|---|---|
| Ordinary Shares | 0.01 | 377,509,371 |

Set out below is the issued share capital of the Company as at 30 June 2016:

| | NOMINAL VALUE £ | NUMBER OF SHARES |
|---|---|---|
| Ordinary Shares | 0.01 | 382,615,665 |

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 Ordinary Shares

The holders of the Shares are entitled to receive, and to participate in, any dividends declared in relation to the Shares. The holders of the Shares shall be entitled to all of the Parent Company's remaining net assets after taking into account any net assets attributable to other share classes in issue. The Shares shall carry the right to receive notice of, attend and vote at general meetings of the Parent Company. The consent of the holders of the 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 related to each share class.

### Voting rights

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

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

### Variation of Rights & Distribution on Winding Up

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

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

The Parent Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Parent Company will be proposed at the annual general meeting of the Parent Company to be held in 2020 and, if passed, every five years thereafter. Upon any such resolution not being passed, proposals will be put forward within 3 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 during the period through 30 June 2017:

| FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017 | 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 | 381,115,665 | - | (3,606,294) | 377,509,371 |

The table below shows the movement in shares during the period though 30 June 2016:

| FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 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 | - | 382,615,665 |
| C Shares | 183,000,000 | (183,000,000) | - | - |

The table below shows the movement in shares during the period 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

During the period, the Company continued to repurchase shares through the share buyback programme. All shares bought back are held in treasury as at 30 June 2017.

Details of the programme are as follows:

| MONTH 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 | 1,071,462 |
| February 2017 | 466,206 | 76.96p | 76.59p | 77.75p | 466,206 |
| March 2017 | 1,138,738 | 76.28p | 75.16p | 77.50p | 1,138,738 |
| April 2017 | 142,643 | 75.82p | 74.89p | 77.50p | 142,643 |
| May 2017 | 464,480 | 81.07p | 80.50p | 81.97p | 464,480 |
| June 2017 | 322,765 | 81.91p | 81.72p | 82.00p | 322,765 |

## Other distributable reserve

During 2017, the cost of the buyback of ordinary shares as detailed above was funded by the other distributable reserve of £2,836,576. The closing balance in the other distributable reserve has been reduced to £185,557,710.

### 11. DIVIDENDS PER SHARE

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

| | 30 JUNE 2017<br>£ | 30 JUNE 2016<br>£ | 31 DECEMBER 2016<br>£ |
|---|---|---|---|
| 2015 interim dividend of 2.00 pence per Ordinary Share paid on 7 March 2016 | - | 4,000,000 | 4,000,000 |
| 2015 interim dividend of 1.07 pence per C Share paid on 7 March 2016 | - | 1,958,100 | 1,958,100 |
| 2016 interim dividend of 1.50 pence per Ordinary Share paid on 30 June 2016 | - | 5,739,235 | 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 | - | - |
| **Total** | 11,359,622 | 11,697,335 | 23,175,805 |

An interim dividend of 1.70 pence per Ordinary Share was declared by the Board on 23 August 2017 in respect of the period to 30 June 2017, was paid to shareholders on 21 September 2017. The interim dividend has not been included as a liability in these accounts in accordance with International Accounting Standard 10: Events After the Balance Sheet Date.

### 12. 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 chairmen of such a committee. The current fee for serving as the chairman of the Audit and Valuation Committee is £5,000 per annum.

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. Mr. Richard Levy is appointed as a non-executive Director of the Parent Company. 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.

As at 30 June 2017, the Directors' interests in the Parent Company's Shares were as follows:

| | | 30 JUNE 2017 | 30 JUNE 2016 | 31 DECEMBER 2016 |
|---|---|---|---|---|
| Andrew Adcock | Ordinary Shares | 50,000 | 50,000 | 50,000 |
| Kevin Ingram | Ordinary Shares | 34,968 | 34,968 | 34,968 |
| Richard Levy | Ordinary Shares | 1,580,642 | 800,000 | 1,120,188 |
| Elizabeth Passey | Ordinary Shares | 10,000 | 10,000 | 10,000 |
| Clive Peggram | Ordinary Shares | 194,740 | 74,948 | 74,948 |

As at 30 June 2017, Richard Levy's beneficial interests included 780,642 (31 December 2016: 320,188; 30 June 2016: Nil) Ordinary Shares held by Victory Park Capital Advisors LLC, deemed a person closely associated with Richard Levy under the EU Market Abuse Regulation (MAR). From 1 July 2017 to 28 September 2017, Victory Park Capital Advisors LLC have purchased a further 144,366 Ordinary Shares.

Investment management fees for the period ended 30 June 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 8.

As announced in 2016, Victory Park Capital Advisors LLC continued purchasing shares of the Company with 20% of the Investment Manager's monthly management fee. The shares were purchased at the prevailing market price. As at 30 June 2017, the Investment Manager has purchased 780,642 Ordinary Shares (31 December 2016: 320,188; 30 June 2016: Nil).

As at 30 June 2017, Partners and Principals of the Investment Manager held Ordinary Shares 1,385,000 (31 December 2016: 1,385,000; 30 June 2016: 1,385,000) 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 30 June 2017 the Group owned 26 per cent. of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. (31 December 2016: 26 per cent.; 30 June 2016: 26 per cent.) and the value of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. was £21,026,449 (31 December 2016: £25,775,540; 30 June 2016: £23,606,218).

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 30 June 2017, the Group owned 52 per cent. of Larkdale III, L.P. (31 December 2016: 52 per cent.; 30 June 2016: 52 per cent.) and the value of the Group's investment in Larkdale III, L.P. was £3,538,506 (31 December 2016: £5,522,791; 30 June 2016: £8,857,213).

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 30 June 2017, £15,139 was due to the Investment Manager (31 December 2016: £32,750; 30 June 2016: £21,049), and is included in the Accrued expenses and other liabilities balance on the Consolidated Statement of Financial Position.

## 13. SUBSIDIARIES

| NAME | PRINCIPAL ACTIVITY | COUNTRY OF INCORPORATION | NATURE OF INVESTMENT | (UNAUDITED) 30 JUNE 2017 PERCENTAGE OWNERSHIP | (UNAUDITED) 30 JUNE 2016 PERCENTAGE OWNERSHIP | (AUDITED) 31 DECEMBER 2016 PERCENTAGE OWNERSHIP |
|---|---|---|---|---|---|---|
| VPC Specialty Lending Investments Intermediate, L.P. | Investment vehicle | USA | Limited partner interest | Sole limited partner | Sole limited partner | Sole limited partner |
| VPC Specialty Lending Investments Intermediate GP, LLC | General partner | USA | Membership interest | Sole member | Sole member | Sole member |
| LIAB, L.P. | Investment vehicle | UK | Limited partner interest | Sole limited partner | Sole limited partner | Sole limited partner |
| LIAB GP, LLC | General partner | UK | Membership interest | Sole member | Sole member | Sole member |
| SVTW, L.P. | Investment vehicle | USA | Limited partner interest | 99% | 99% | 99% |
| SVTW GP, LLC | General partner | USA | Membership interest | 99% | 99% | 99% |
| Duxbury Court I, L.P. | Investment vehicle | USA | Limited partner interest | 94% | 97% | 95% |
| Duxbury Court I GP, LLC | General partner | USA | Membership interest | 94% | 97% | 95% |
| Drexel I, L.P. | Investment vehicle | USA | Limited partner interest | 53% | 51% | 52% |
| Drexel I GP, LLC | General partner | USA | Membership interest | 53% | 51% | 52% |
| Larkdale I, L.P. | Investment vehicle | USA | Limited partner interest | 61% | 61% | 61% |
| Larkdale I GP, LLC | General partner | USA | Membership interest | 61% | 61% | 61% |
| Larkdale II, L.P. | Investment vehicle | USA | Limited partner interest | 50% | 50% | 50% |
| Larkdale II GP, LLC | General partner | USA | Membership interest | 50% | 50% | 50% |
| Larkdale IV, L.P. | Investment vehicle | USA | Limited partner interest | 61% | N/A | 61% |
| Larkdale IV GP, LLC | General partner | USA | Membership interest | 61% | N/A | 61% |

## 14. 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 30 June 2016 represents the portion of the NAV of the controlled subsidiaries attributable to the other investors. As at 30 June 2017, the portion of the NAV attributable to non-controlling interests investments totalled £19,882,861 (31 December 2016: £34,910,616; 30 June 2016: £40,436,644). 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.

## 15. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Company declared a dividend of 1.70 pence per Ordinary Share for the three-month period ending 30 June 2017 and paid the dividend on 21 September 2017.

From 1 July 2017 to 28 September 2017, the Company repurchased an additional 3,758,000 Ordinary Shares at an average price of 80.31p under the share buyback programme, bringing the cumulative total to 8,864,294 Ordinary Shares (2.32% of gross share issuance).

## 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 Gearing Ratio** – The aggregate gearing of the Company and any investee entity (on a look through basis, including borrowing through securitisations using SPVs) which shall not exceed 1.50 times its NAV.

**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.

**Return per Ordinary Share (basic and diluted) –** Net return on ordinary activities after taxation attributable to Equity shareholders divided by the number of shares in issue.

**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 accounts in gauging the profit levels of the Group. All APMs relate to past performance:

- NAV (Cum Income) Return;
- NAV (Ex Income) Return;
- Return per Ordinary Share (basic and diluted);
- Revenue Return; and
- Total Shareholder Return (based on share price).

## CONTACT DETAILS OF THE ADVISORS

| | |
|---|---|
| **Directors** | Andrew Adcock (Chairman)<br>Kevin Ingram<br>Richard Levy<br>Elizabeth Passey<br>Clive Peggram<br>*all of the registered office below* |
| **Registered Office** | 40 Dukes Place<br>London EC3A 7NH<br>United Kingdom |
| **Company Number** | 9385218 |
| **Website Address** | vpcspecialtylending.com |
| **Corporate Brokers** | Jefferies International Limited<br>Vintners Place<br>68 Upper Thames Street<br>London EC4V 3BJ<br>United Kingdom |
| **Investment Manager and AIFM** | Victory Park Capital Advisors, LLC<br>227 West Monroe Street<br>Suite 3900<br>Chicago<br>IL 60606<br>United States |
| **Company Secretary** | Capita Company Secretarial Services Limited<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU<br>United Kingdom |
| **Administrator** | Northern Trust Hedge Fund Services LLC<br>50 South LaSalle Street<br>Chicago<br>Illinois 60603<br>United States |
| **Registrar** | Capita Asset Services<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU<br>United Kingdom |
| **Custodians** | Merrill Lynch, Pierce, Fenner & Smith Incorporated<br>101 California Street<br>San Francisco<br>CA 94111<br>United States<br><br>Millennium Trust Company<br>2001 Spring Road<br>Oak Brook<br>IL 60723<br>United States |
| **English Legal Adviser to the Company** | Stephenson Harwood LLP<br>1 Finsbury Circus<br>London EC2M 7SH<br>United Kingdom |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>7 More London Riverside<br>London SE1 2RT<br>United Kingdom |