VPC Specialty Lending Investments PLC

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2019

VPC SPECIALTY LENDING INVESTMENTS PLC

CONTENTS

Company Number 9385218

INTRODUCTION

INTRODUCTION TO THE COMPANY AND THE GROUP

VPC Specialty Lending Investments PLC (the "Company" or "VSL") provides asset-backed lending solutions to emerging and established businesses ("Portfolio Companies") with the goal of building long-term, sustainable income generation. VSL focuses on providing capital to vital segments of the economy, which for regulatory and structural reasons are underserved by the traditional banking industry. Among others, these segments include small business lending, working capital products, consumer finance and real estate. VSL offers shareholders access to a diversified portfolio of opportunistic credit investments originated by non-bank lenders with a focus on the rapidly developing technology-enabled lending sector. Through rigorous diligence and credit monitoring by the Investment Manager, VSL generates stable income with significant downside protection. The Company (No. 9385218) is incorporated in the UK, listed on the premium segment of the Official List and admitted to trading on the London Stock Exchange's main market.

The Company's investing activities have been delegated by the Directors to Victory Park Capital Advisors, LLC (the "Investment Manager" or "VPC"). VPC is an established private capital manager headquartered in the United States with a global presence. VPC identifies and finances emerging and established businesses globally and seeks to provide the Company with attractive yields on its portfolio of credit investments. VPC offers a differentiated private lending approach by financing Portfolio Companies through asset-backed delayed draw term loans, which is referred to as "Balance Sheet Lending," designed to limit downside risk while providing shareholders with strong income returns.

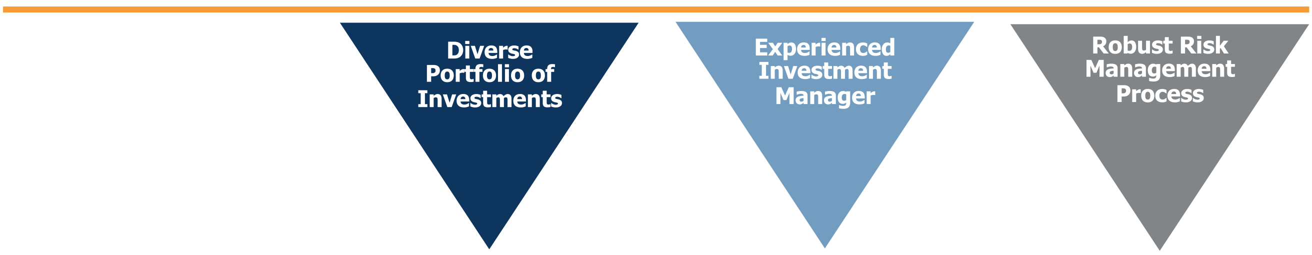
This annual report for the year to 31 December 2019 (the "Annual Report") includes the results of the Company (also referred to as the "Parent Company") and its consolidated subsidiaries (together the "Group"). The Company was admitted to the premium listing segment of the Official List of the UK Listing Authority (the "Official List") and to trading on the London Stock Exchange's main market for listed securities (the "Main Market") on 17 March 2015, raising £200 million by completing a placing and offer for subscription (the "Issue"). The Company raised a further £183 million via a C Share issue on 2 October 2015. The C Shares were converted into Ordinary Shares and were admitted to the Official List and to trading on the Main Market on 4 March 2016. The Company provides its investors access to an illiquid asset class and is committed to generating attractive risk-adjusted returns through a diversified, liquid vehicle traded on the premium segment of the Main Market.

A summary of the principal terms of the Investment Manager's appointment can be found on pages 51 and 52 and a statement relating to their continuing appointment can be found on page 52. The investment policy can be found beginning on page 131 of this Annual Report. Founded in 2007 and headquartered in Chicago, VPC is an SEC-registered investment adviser that has been actively involved in the financial services marketplace since 2010.

INVESTMENT OBJECTIVES

The Company's investment objectives are to:

- generate an attractive total return for shareholders of consistent distributable income and capital growth through asset-backed lending;
- achieve portfolio diversification to emerging and established businesses across different industries and geographies with the goal of building long-term, sustainable value; and
- enable shareholders to benefit from equity upside through equity-linked securities issued in conjunction asset-backed lending.



The Company's Net Asset Value (the "NAV") as at 31 December 2019 was £291.5 million (cum income).

STRATEGIC REPORT

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Strategic Report comprises a review of the Company's performance for the year ended 31 December 2019, the Chairman's Statement, Investment Manager's Report and Strategy and Business Model, including principal risks and disclosures on environmental matters, human rights, employee, social and community issues.

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

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

PERFORMANCE

COMMENTARY

During the year ended 31 December 2019, the Company:

- generated a revenue return of 9.83% and a total NAV (Cum Income) return of 11.34% for the Ordinary Shares;
- declared quarterly dividends of 2.00 pence per Ordinary Share for each quarter of 2019;
- invested 87% of the of the Company's NAV in balance sheet investments as at 31 December 2019 compared to 85% as at 31 December 2018; and
- continued the share buyback programme, purchasing 47,808,578 shares during the year at an average price of 73.31 pence per Ordinary Share representing 12.5% of the Ordinary Shares issued by the Company.

STRATEGIC REPORT continued

CAPITAL STRUCTURE AND NET ASSET VALUE AS AT 31 DECEMBER 2019

	ORDINARY SHARES 31 DECEMBER 2019	ORDINARY SHARES 31 DECEMBER 2018
Total Net Assets attributable to equity shareholders of the Parent Company (on a consolidated basis)	£291,479,251	£327,733,367
Net Asset Value per Ordinary Share	93.33p	91.01p
Ordinary Share price	78.20p	76.80p
Discount to Net Asset Value	–16.21%	–15.61%
Total Shareholder Return (based on share price)	12.24%	8.46%
Net return on ordinary activities after taxation	£25,643,176	£28,952,340
NAV (Cum Income) Return[1]	11.34%	8.96%
Revenue Return on ordinary activities after taxation	£27,054,994	£37,044,878
Revenue Return	9.83%	11.41%
Dividends per Ordinary Share[2]	8.00p	8.00p
Ordinary Shares repurchased (in the year)	(47,808,578)	(10,077,064)
Percentage of Ordinary Shares repurchased (in the year)	12.50%	2.63%

All the terms and alternative performance measures above are defined on pages 134 and 135.

[1] Net of issue costs.
[2] Dividends declared and paid relating to 31 December 2019 include the dividend declared in February 2020 relating to the three-month period ended 31 December 2019. Dividends declared and paid relating to 31 December 2018 include the dividend declared in February 2019 relating to the three-month period ended 31 December 2018.

COMPANY PERFORMANCE

The inception to date total NAV return for the Company, as seen below, were 27.47% of which income accounted for 38.01% while capital returns were –10.54%.

NAV (Cum Income) Return

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2019	0.58%	0.46%	0.73%	1.03%	0.56%	2.39%	1.04%	0.84%	0.98%	0.95%	0.96%	0.73%	11.34%	
2018	–0.17%	0.49%	0.62%	0.95%	1.03%	1.38%	1.15%	1.01%	1.03%	0.51%	0.52%	0.46%	8.96%[3]	
2017	0.51%	0.31%	0.57%	0.06%	–0.68%	0.04%	0.51%	0.26%	0.42%	0.26%	0.55%	0.29%	3.07%	27.47%
2016	0.33%	0.41%	0.41%	0.37%	–0.62%	0.58%	0.60%	0.10%	0.16%	–1.25%	–0.28%	0.04%	0.85%	
2015	–	–	–0.12%	0.63%	0.33%	0.81%	0.77%	0.51%	0.63%	0.68%	0.69%	0.77%	5.80%	

Revenue Return

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2019	0.78%	0.56%	0.72%	0.91%	0.59%	0.93%	0.96%	0.85%	0.82%	0.92%	0.92%	0.80%	9.83%	
2018	0.99%	0.81%	0.89%	0.86%	0.94%	0.99%	0.93%	0.93%	1.20%	1.41%	0.82%	0.56%	11.41%	
2017	0.48%	0.51%	0.56%	0.58%	0.62%	0.66%	0.76%	0.83%	0.75%	0.85%	0.82%	0.96%	8.23%	38.01%
2016	0.63%	0.47%	0.23%	0.36%	0.38%	0.27%	1.22%	0.42%	0.40%	0.78%	0.48%	0.49%	6.00%	
2015	–	–	–0.10%	0.09%	0.29%	0.65%	0.74%	0.43%	0.72%	0.44%	0.62%	0.35%	4.31%	

NAV (Ex Income) Return

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2019	–0.20%	–0.10%	0.01%	0.12%	–0.03%	1.46%	0.08%	–0.01%	0.16%	0.03%	0.04%	–0.07%	1.51%	
2018	–1.16%[3]	–0.32%	–0.27%	0.09%	0.09%	0.39%	0.22%	0.08%	–0.17%	–0.90%	–0.30%	–0.10%	–2.45%[3]	
2017	0.03%	–0.20%	0.01%	–0.52%	–1.30%	–0.62%	–0.25%	–0.57%	–0.33%	–0.59%	–0.27%	–0.67%	–5.17%	–10.54%
2016	–0.30%	–0.06%	0.18%	0.01%	–1.00%	0.31%	–0.62%	–0.32%	–0.24%	–2.03%	–0.76%	–0.45%	–5.15%	
2015	–	–	–0.02%	0.54%	0.04%	0.16%	0.03%	0.08%	–0.09%	0.24%	0.07%	0.42%	1.49%	

Share Price Performance

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2019	1.56%	–0.77%	–6.46%	–1.38%	–2.24%	3.44%	8.03%	–3.46%	5.44%	–4.53%	0.00%	3.17%	1.82%	
2018	3.85%	–3.70%	–0.51%	0.52%	0.26%	1.02%	5.05%	–4.33%	1.01%	–1.50%	–2.78%	0.00%	–1.54%	
2017	–1.27%	–1.93%	–1.31%	6.64%	2.18%	0.91%	–2.72%	–1.86%	–1.27%	–0.64%	–3.55%	4.35%	–0.95%	–21.80%
2016	0.00%	–3.44%	–4.66%	5.46%	–5.45%	–3.17%	–4.76%	1.25%	–1.23%	–0.31%	–10.03%	9.76%	-16.67%	
2015	–	–	0.50%	0.25%	1.24%	0.00%	1.96%	–2.88%	1.98%	–4.37%	–2.54%	–1.56%	–5.50%	

Dividend Per Share

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	ITD
2019	–	–	2.00p	–	2.00p	–	–	2.00p	–	–	2.00p	–	8.00p	
2018	–	–	1.80p	–	2.00p	–	–	2.00p	–	–	2.00p	–	7.80p	
2017	–	–	1.50p	–	–	1.50p	–	–	1.70p	–	1.80p	–	6.50p	31.59p
2016	2.00p	–	–	–	1.50p	–	–	1.50p	–	–	1.50p	–	6.50p	
2015	–	–	–	–	–	–	–	0.90p	–	–	1.89p	–	2.79p	

All the alternative performance measures above are defined on pages 134 and 135.

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

STRATEGIC REPORT continued

TOP TEN POSITIONS

The table below provides a summary of the top ten positions of the Group, net of gearing and excluding equity exposure, as at 31 December 2019. The summary includes a look-through of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. to illustrate the exposure to underlying Portfolio Companies as it is a requirement of the investment policy (set out on pages 131 and 132) to consider the application of the restrictions in this policy on a look-through basis. All balance sheet investments are disclosed as loans at amortised cost in accordance with the International Financial Reporting Standards ("IFRS") within the Statement of Financial Position.

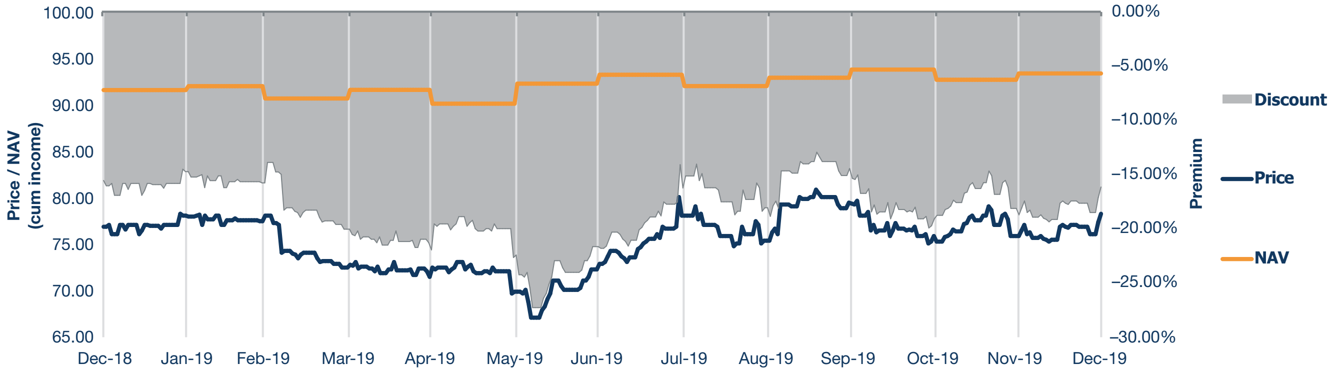
INVESTMENT	COUNTRY	INVESTMENT TYPE	PERCENTAGE OF NAV
Applied Data Finance, LLC	United States	Balance Sheet	15.56%
Elevate Credit, Inc.	United States	Balance Sheet	14.97%
Caribbean Financial Group	Latin America	Balance Sheet	12.33%
West Creek Financial LLC	United States	Balance Sheet	6.49%
Konfio Ltd.	Latin America	Balance Sheet	4.77%
ATA-KS Holdings, LLC	United States	Balance Sheet	4.36%
Counsel Financial Holdings LLC	United States	Balance Sheet	3.87%
NCP Holdings, LP	United States	Balance Sheet	3.37%
Oakam Ltd.	United Kingdom	Balance Sheet	3.08%
Deinde Group	United States	Balance Sheet	2.91%

The table below provides a summary of the top ten positions of the Group, net of gearing and excluding equity exposure, as at 31 December 2018. The summary includes a look-through of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.

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

ORDINARY SHARE PERFORMANCE

The Company's discount to its Ordinary Share NAV remained relatively consistent over the year with the discount increasing to 16.21% from 15.61%. The largest discount during the year was 27.36% while the smallest discount was 13.00%. The graph below illustrates the movement between the trading price of the Ordinary Shares and the announced NAV adjusted for dividends declared.



STRATEGIC REPORT continued

CHAIRMAN'S STATEMENT

Our record-breaking performance in 2019 has been overshadowed by the outbreak of COVID-19 (the global pandemic) and the resulting impact of this crisis on the world economy. Our current investment exposure is predominantly in the U.S. and our investment portfolio and returns will be impacted by this crisis. However, VPC has always focused on protecting the downside when underwriting and structuring our investments so that we should be well positioned to withstand significant stress in our underlying credits. These are challenging times, and the Investment Manager's Report provides information on how the portfolio risks have, and are being managed.

RECORD PERFORMANCE IN 2019

The Company delivered record total NAV return performance in 2019 with a total NAV (Cum Income) return of 11.34% for the year. The Total Shareholder Return (based on share price)[4] for the year was 12.24%, up from 8.46% in 2018. Comparisons of the returns to the FTSE All Share Index can be found on page 59, and to European and US high yield indices on page 13. The Group generated revenue returns of £27,054,994 and paid dividends of £26,627,820 for the year. Total interest income generated during the year of £43,847,431 was relatively consistent with interest income of £45,836,424 in 2018, even as the Company repurchased £35,049,382 of Ordinary Shares through the buyback programme.

The total return for the year comprised revenue returns of 9.83% and capital returns of 1.51%. Dividends approved for the year were 8.00 pence per share[5], representing an 8.70%[6] yield on the average NAV (Cum Income) of the Company and a 10.23%[7] yield on the 31 December 2019 market price of 78.20 pence per share. This represents a dividend in line with the target dividend set out in the 2015 Prospectus.

INVESTMENTS

As at 31 December 2019, the Group was fully invested in a diversified portfolio of balance sheet investments that continued to deliver strong returns. The investment portfolio consisted of 87% balance sheet loans, 10% equity investments and 1% marketplace loans and securitisation residuals combined. The remaining 2% was cash held by the Group as at year end.

The balance sheet loan portfolio comprised 19 Portfolio Companies that ranged in position size from 0.14% to 15.56% of the Company's NAV (Cum Income) as at 31 December 2019. Further, at year end, the weighted average coupon rate of the balance sheet investment portfolio (excluding gearing) was 11.82% and the weighted average remaining life of the balance sheet investments was 34 months. The total expected credit losses as at 31 December 2019, which also included reserves on the residual marketplace loans, was £9,631,612, up slightly from £7,259,430 as at 31 December 2018. The reserve as at 31 December 2019 represented 2.6% of the cost before the expected credit losses, which increased marginally from 2.3% as at 31 December 2018.

The vast majority of the balance sheet investments are delayed draw, floating rate senior secured loans that have subordinated equity contributed by the individual Portfolio Companies. The balance sheet investments are backed by underlying collateral consisting of consumer loans, small business loans and other types of collateral. During the year the Group made an initial investment in one new balance sheet loan and had five existing balance sheet loans fully repaid. The repayments on the balance sheet loans were via refinancing and primarily in the case where the Group and Investment Manager had the right to match the terms via Rights of First Refusal, but instead chose not to because of the revised terms not being deemed adequate for the risk taken.

The equity portfolio comprised 25 investments in Portfolio Companies, many of the investments being warrants and common stock that are often received in conjunction with funding the Group's balance sheet loan investments. During the year, the Company announced that VPC had reached an agreement to sell the Group's equity investment in Upstart Network, Inc. The sale, which closed in July, resulted in a USD$3.1 million (£2.5 million) realised gain for the Group. Many of our other equity investments closed on recent equity rounds, leading to strong capital returns during the year from all equity investments.

COSTS

The Company's annualised ratio of ongoing charges for the calendar year 2019 stands at 1.70% (1.49% in 2018). After factoring in the change in the average NAV over 2019 as compared to the 2018 ratio, the ongoing charges ratio would be 1.57%. Ongoing charges comprise management fees, advisory, legal, professional and other operating costs of the Company. Expenses incurred at any investment fund or special purpose vehicle in which the Company invests and performance fees are excluded from the ongoing charges calculation of the Company. The average NAV of the Company used in the calculation of ongoing charges decreased due to the significant share buyback programme during the year.

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[4] Based on a share price of 100 pence. Calculated as the change in the traded share price from 31 December 2019 and 31 December 2018 plus dividends declared during 2019 divided by the traded share price from 31 December 2018.

[5] Includes the dividend for the three months ending 31 December 2019 that was declared and paid in 2020.

[6] This return denotes the average return calculated by the dividends declared for 2019 divided by the average Net Asset Value (Cum Income) of the Company for the year. This is an Alternative Performance Measure as defined on page 134.

[7] The trailing twelve-month dividend yield is calculated as the total dividends declared over the last twelve months as at 31 December 2019 divided by the 31 December 2019 closing share price. This is an Alternative Performance Measure as defined on page 135.

SHARE PRICE DISCOUNT MANAGEMENT POLICY

It is disappointing to report that the Company's shares moved from a discount of 15.61% as at 1 January 2019 to 16.21% as at 31 December 2019, especially given the strong revenue and dividend return generated by the Company in 2019. During the year, the Company continued to implement the share buyback programme in light of the significant disparity between the Company's share price and its NAV.

The Company bought back a total of 47,808,578 shares at an average price of 73.31 pence per share, representing 12.50% of the Company's issued shares during 2019. There were significant trading volumes during the year as a result of events we believe to be unrelated to the fundamental performance of the Company. These included the sale of the holding by a fund managed by Woodford Investment Management Ltd. ("Woodford") as well as the ejection and subsequent reinstatement of the Company in the FTSE All Share Index. These events presented a favourable opportunity to buy back shares in sizeable numbers.

The Board believes that the best form of discount management over time is to have strong and consistent investment performance and to be able to communicate and demonstrate this to existing and potential shareholders. We have also taken measures to broaden our contact with the market through the appointment of Winterflood as joint broker as well as a variety of other initiatives that are starting to bear fruit. The Board continually monitors the share buyback programme, as well as the Company's premium or discount, and has the ability to issue or buy back shares to limit the volatility of the share price discount or premium. For more information on the Company's authorities in relation to its share capital, see page 38.

In addition to the measures which form part of the continuation vote, the Board is committed to seeking to narrow the discount to NAV if it persists via the buyback strategy, which from inception to 20 May 2020, has resulted in the repurchase 76.8 million shares (20.1% of the total issued share capital as at 20 May 2020). Until it is possible for the Investment Manager to recommence investor roadshows in person, there will continue to be an active programme of calls, incuding by video link if feasible. In addition, the Board and the Investment Manager will continue their strategy of open and active communication through the quarterly newsletters and presentations posted on the Company's website.

FTSE ALL SHARE INDEX

In June 2019, we were notified by the index provider FTSE Russell that the Company's shares no longer met the FTSE Index liquidity requirements to be included within the FTSE All Share Index. We undertook the analysis ourselves, and concluded that the index provider's analysis was incorrect. We promptly filed a formal appeal to protect the interests of the Company's shareholders that cited an omission of data in the formula used by FTSE Russell to calculate the liquidity requirements. On 29 July 2019, our successful formal appeal resulted in FTSE Russell confirming the reinstatement of the Company in the FTSE All Share Index with effect from 1 August 2019, following the recognition of a liquidity data error in their calculation at the June 2019 Index review.

GEARING

The Company closed the year with a look-through gearing ratio of 0.38x, which is well below the limit of 1.50x outlined in the IPO Prospectus, and is a conservative level of gearing for a portfolio of senior debt investments. Since the coronavirus (COVID-19) crisis, the Company has taken a more conservative approach to liquidity and risk management with the gearing facilities. The gearing is in the form of US Dollar borrowings, which also assist the Company to hedge its US Dollar exposure in a flexible and cost-effective manner. It should be noted that approximately half the borrowings (0.18x) are non-recourse to the Company and are linked to specific investments.

ANNUAL GENERAL MEETING & CONTINUATION VOTE

In accordance with the Company's articles of association, it is necessary to propose at this year's AGM an additional ordinary resolution that the Company continues in existence as an investment company.

The Board has considered a number of factors that have led to its unanimous recommendation that shareholders vote in favour of continuation. In coming to its unanimous recommendation, the Board consulted its professional advisers and drew on discussions the Board and or its professional advisers had with, or feedback received from, shareholders, holding in aggregate over two-thirds of the Company's shares in issue.

In February 2020, Winterflood and Jefferies (joint brokers to the Company) were asked by the Board to advise on the Company's continuation vote options. To ensure the views of shareholders were considered, Winterflood were asked to canvass the opinions of shareholders. This consultation process continued into May so that shareholders could be provided with the Investment Manager's analysis of the unfolding impact of the COVID-19 pandemic on the Company's investments. This analysis was provided to shareholders in the Q1 newsletter issued on 7 May 2020 by the Investment Manager, along with the NAV and monthly report for March. After this I spoke directly to a range of shareholders to get their views and then discussed the outcome of these consultations with the Board and its advisers.

The form of the continuation vote has been carefully structured to reflect the advice the Board has received, the views of the shareholders and the Directors' assessment of what is in the best interests of shareholders as a whole.

STRATEGIC REPORT continued

In response to the wide spread of COVID-19, the Stay at Home Measures were passed into law in England and Wales on 26 March 2020, with immediate effect. These measures dictate that gatherings of more than two people are not permitted. However, the legal requirement to hold an AGM remains in force and we are therefore obliged to convene this year's AGM, during June 2020. Please refer to the AGM Notice of Meeting for further details.

As the attendance of more than two people at an AGM (other than where this is essential for work purposes) is not permitted under the Stay at Home Measures, the Chairman will exercise his statutory powers to exclude other attendees. The meeting will take place with the minimum necessary quorum of two shareholders, which will be facilitated by the Company in line with the Government's strict social distancing advice.

With this in mind, this year's AGM will run with a substantially reduced programme. The meeting will be restricted to the formal business of the meeting as set out in the separate AGM circular and voting on the resolutions therein. The Investment Manager will not attend the meeting; however, the Investment Manager's presentation will be made available on the Company's website as soon as practicable.

It is not the Board's intention to exclude or discount the views of the Company's shareholders, but at the moment, the health of all investors, workforce and officers must be paramount. We urge all shareholders to vote electronically and to appoint the Chair of the meeting as their proxy with their voting instructions. If you hold shares through a nominee (and not directly in your own name) please contact the company with which you hold your shares to determine alternative options (if available) for lodging your voting instructions.

We thank you for your cooperation and sincerely hope to resume the meeting's usual format in future.

SUBSEQUENT EVENTS

Since the year ended 31 December 2019:

- In February 2020, the Company declared a dividend of 2.00 pence per Ordinary Share relating to the three-month period ending 31 December 2019.
- In February 2020, the Company announced that SVS Opportunity Fund, L.P., a newly formed investment vehicle, whose underlying investor is a large US insurance company, managed by the Investment Manager, acquired 16.61% of the Outstanding Ordinary Shares in the Company from a major shareholder and that the entity now owns 18.12% of the Company. Invesco announced to the market that it had sold its entire position held in the Company.
- In May 2020, the Company declared a dividend of 2.00 pence per Ordinary Share for the three-month period ended 31 March 2020 on 7 May 2020 to be paid on 11 June 2020. The Company also released its March NAV and the Investment Manager published its Q1 2020 quarterly letter.
- From 1 January 2020 to 20 May 2020 a total of 6,491,024 shares had been repurchased under the buyback programme at an average price of 71.27 pence per Ordinary Share. The Ordinary Shares repurchased represent 2.10% of the Ordinary Shares outstanding as at 31 December 2019.

OUTLOOK

We are focused on continuing the positive momentum from the last two years through the continuation vote and beyond. We are acutely aware of the continued discount of the Ordinary Share price to NAV and we are determined to continue to use the variety of tools at our disposal to mitigate this.

The Board believes that, following the Woodford exit in 2019 and the Invesco exit in 2020, the share register of the Company comprises a much more diverse base that is not dependent on two large shareholders, removing any perceived downward pressure on the Ordinary Share price due to the uncertainty around both Woodford and Invesco. We believe that prior to the coronavirus outbreak, shareholders were starting to appreciate the strength and consistency of our investment performance as well as the efforts we have made to attract new shareholders. We continue to monitor the Company's foreign currency exposure closely and the Company's US Dollar investment exposure remains fully hedged. The Investment Manager has built the Company's investment portfolio on expertise in managing credit and performance through multiple credit cycles along with the processes and systems that have been put in place to monitor risk.

As the COVID-19 outbreak continues to spread, there has been increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Board and Investment Manager have been reviewing business continuity plans and operational resilience strategies on an ongoing basis and will take all reasonable steps to continue meeting the Company's regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support the Company's shareholders. The Company's other third-party service providers have also confirmed the implementation of similar measures to ensure no business disruption.

Given the current state of the market, we believe it is important to continue monitoring COVID-19 and its current and future impacts on the global economy. From early March the Investment Manager began to take a more active operational approach to working with and advising the Company's portfolio companies' management teams through the crisis. The VPC risk team with direction from senior management is working with each individual portfolio investment team to develop a coordinated response across the entire portfolio. This includes daily internal meetings to address specific updates and issues as well as a full portfolio review twice a week. With the benefit of some hindsight, we believe these initial steps along with the daily information we receive on the underlying portfolio have proven invaluable to properly manage the risks due to the current crisis.

The Directors have also taken into account the recent share price volatility and further information is provided in the Investment Manager's Report. As at 20 May 2020, the Company's published NAV per Ordinary Share was 88.89p and the latest share price was 58.00p.

Finally, the Board would like to express the hope that you, your family, friends and colleagues are, and remain, healthy.

Kevin Ingram
Chairman
20 May 2020

STRATEGIC REPORT continued

INVESTMENT MANAGER'S REPORT

SUMMARY

The Company completed the year with a total NAV return of 11.34% and a total net revenue return of 9.83%, setting a full year total return record for the Company. The strong revenue returns were driven by positive performance of our balance sheet investments as our portfolio companies performed in line with underwriting. Capital returns included a mix of strong equity performance offset by foreign exchange hedging costs and some additional reserves.

The investment portfolio delivered strong credit performance during the year and we did not see signs of a broad-based weakening in credit fundamentals at the underlying portfolio companies in which the Company was invested.

During 2019 and into 2020 we continued to use 20.0% of our management fees to buy shares in the open market to ensure our incentives are aligned with the shareholders. As of the date of this report, we have purchased 3,159,635 Ordinary Shares with proceeds from our management fees. The Company's dividend was fully covered for the year by the revenue returns of the Company and as of year-end, the trailing twelve-month dividend yield was 10.23%[8]. While we prefer to analyse the Company on an absolute return basis, as seen below, the Company also delivered strong relative value returns when compared against other fixed income asset classes.

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

In summary, we are pleased with the Company's record NAV (Cum Income) return for 2019. However, we recognise that to close the discount on the Company's stock price, investors expect consistent strong performance and a covered dividend. As such, both the performance and dividend of the Company remain as our primary focus heading into 2020. Over the last few months, the market has seen a rapid reversal of consumer sentiment as COVID-19 has continued to spread globally. While the market has reacted sharply and governments have worked to contain the spread, the economic effects in the coming months are highly uncertain. We remain cautious as the situation develops and have instructed our portfolio companies to do the same. We have expertise in managing credit and performance through multiple credit cycles and we continue to work with the Company's portfolio investments along with continuing to develop the processes and systems that have been put in place to monitor risk.

COMPANY PERFORMANCE

NAV (Cum Income) Return Analysis

During the year, the Company generated a record NAV return of 11.34% for the Ordinary Shares and declared dividends relating to the period totalled 8.00 pence per Ordinary Share. The NAV per share (Cum Income) at year end 2019 was 93.33 pence per Ordinary Share. The Company generated gross revenue returns of 14.82% as a percentage of NAV in 2019 from the Company's balance sheet investments, a record in performance for the Company. The other revenue return of 0.62% comprises of interest earned on the Company's outstanding cash balances and the impact of the share buyback programme on revenue returns. Expenses were –5.61% for a net revenue return of 9.83%. Capital returns contributed 1.51%, comprised of –1.17% from balance sheet expected credit loss reserves, 0.38% from marketplace investments, 0.20% from securitisation residuals, 1.77% from equity investments and 0.33% from other capital returns primarily relating to the cost of the Company's foreign exchange hedging program, offset with the impact of the share buyback programme, for a net total return of 11.34%.

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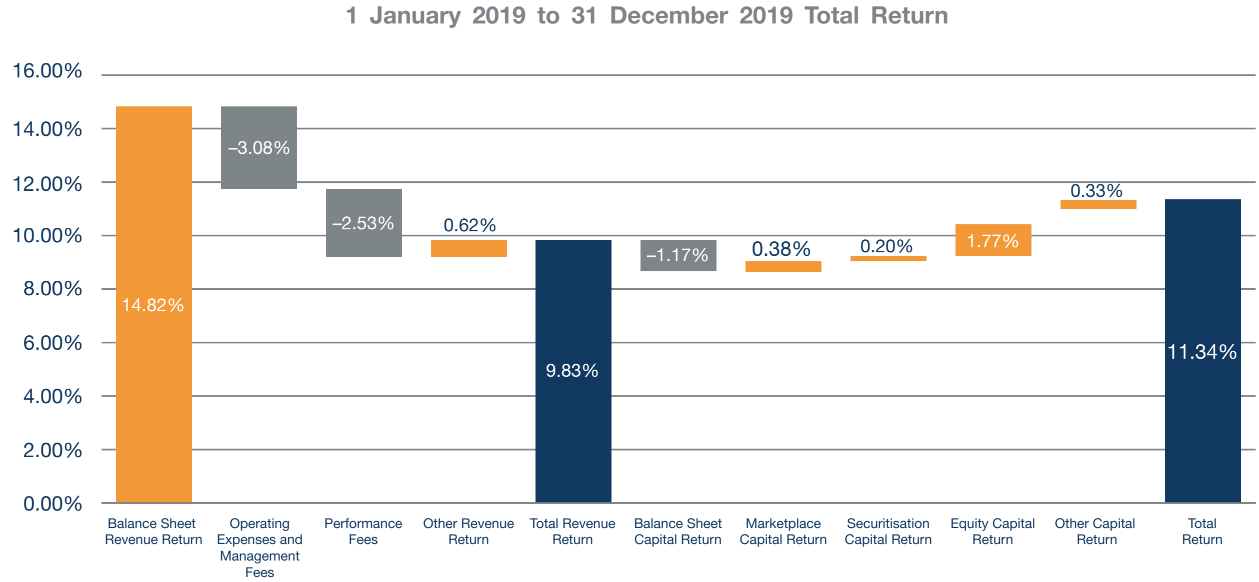
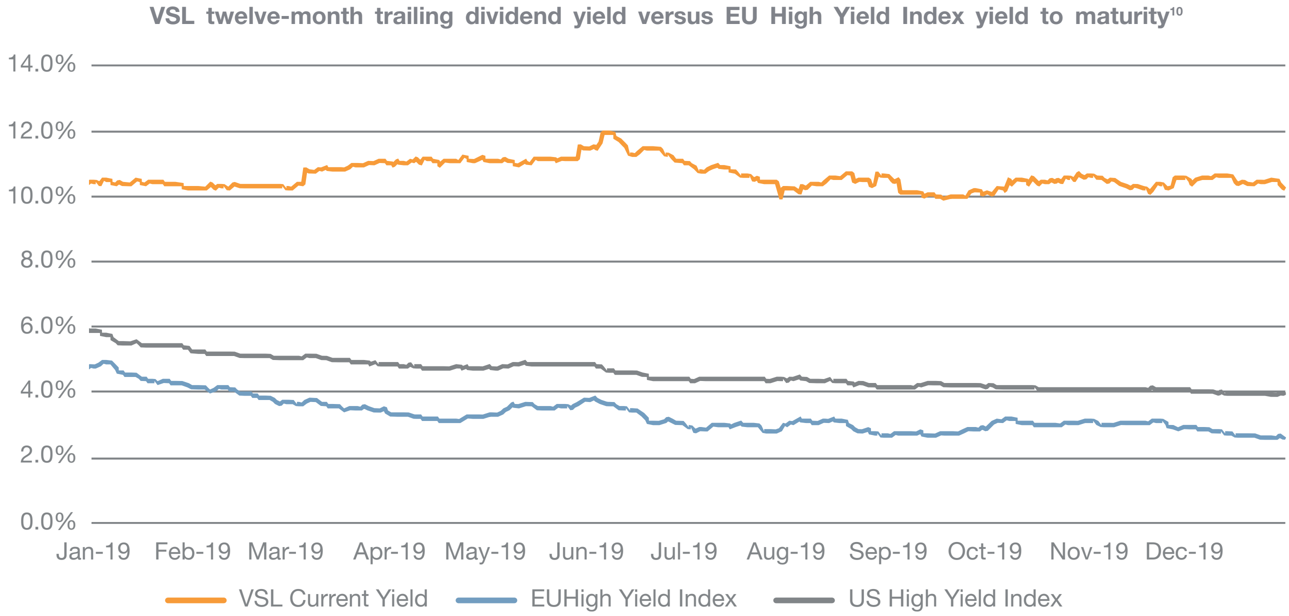
[8] Calculated as the total dividends declared over the last twelve months, including the current reporting month, divided by the 31 December 2019 closing share price.



The Group generated revenue returns of £27,054,994 and paid dividends of £26,627,820 for the year. Total interest income generated during the year of £43,847,431 was relatively consistent with interest income of £45,836,424 in 2018, even as the Company repurchased £35,049,382 of Ordinary Shares through the buyback programme. As described below, the Group continued to utilise a modest level of gearing throughout the year to minimise the cash drag on the Company created by the buyback and hedging programmes.

2019 Yield Versus High Yield Bonds

The Company's twelve month trailing current dividend yield was 10.23%[9] at the end of 2019 which compared favourably with returns available elsewhere in the fixed income market such as the European and U.S. High Yield Index[10], as shown below.



[9] The trailing twelve-month dividend yield is calculated as the total dividends declared over the last twelve months as at 31 December 2019 divided by the 31 December 2019 closing share price. This is an Alternative Performance Measure as defined on page 135.

[10] Source: VPC; Bloomberg; ICE Benchmark Administration Limited (IBA), ICE BofAML Euro High Yield Index Effective Yield [BAMLHE00EHYIEY], retrieved from FRED, Federal Reserve Bank of St. Louis; trailing twelve-month average dividend yield (based on ex div dates).

STRATEGIC REPORT continued

INVESTMENTS

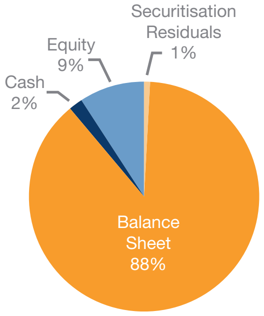
In order to meet the Company's investment objectives within the pre-defined portfolio limits, we allocate capital across several Portfolio Companies with a focus on portfolio level diversification. As at 31 December 2019, the Company's investments were diversified across 34 different Portfolio Companies across the U.S., UK, Europe and Latin America. As at 31 December 2019, the Company had exposure to 19 Portfolio Companies through balance sheet loans and 25 portfolio companies through equity securities or convertible notes.

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

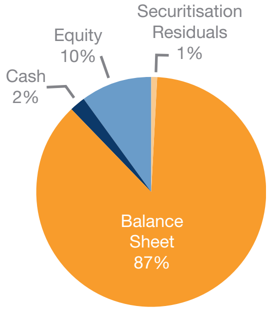
Portfolio Composition as at 31 December 2019

We continue to implement our strategy of deploying capital across a broad range of Portfolio Companies with diversity of geographies, borrower types and credit quality. As at 31 December 2019, consumer exposure accounted for 85.0% of the investment portfolio, while SME exposure accounted for 15.0%. As referenced above, the Company has investments in the U.S., UK, Europe and Latin America.

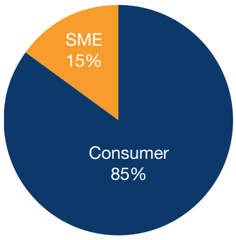
Gross Asset Allocation[11]



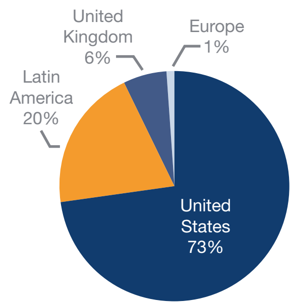
Net (Cum Income) Allocation[11]



Investment Exposure, Borrower Type[12]



Investment Exposure, Geography[12]



Corporate Protection

While we often discuss the underlying credit performance of our balance-sheet investments, it is also important to emphasise that we have additional layers of protection beyond our direct asset security. Due to the structured nature of our balance sheet investments, including (in most cases) corporate guarantees and significant first-loss protection, the Company is not affected by changes in credit performance until an investment defaults and all corporate resources (separate from our borrowing base of loan collateral) are exhausted. In addition to monitoring the credit performance, we monitor the overall corporate performance of the portfolio companies, including attending board meetings as an observer and having weekly update calls with management.

VPC has continued to structure investments with tight covenant packages designed for downside protection in a variety of credit environments. VPC can do this because we operate in niche markets and do not participate in broadly syndicated deals, allowing us to control the exact make up the Company's portfolio and dictate the terms of investments. We believe that these structural protections combined with a disciplined and rigorous credit and diligence process are the best form of risk management. Remaining disciplined in our underwriting approach allows for continued success through multiple credit cycles. Our team continues to focus on sourcing and structuring since our investment approach requires a higher touch than simply receiving allocations of broadly syndicated deals.

The success and overall health of the Portfolio Companies is our first line of defence, and we only rely on our asset security in the case of corporate default. Although each investment has different corporate resources, which shift quarter-over-quarter, this source of security offers an additional layer of protection beyond the first-loss protection directly within our borrowing base of loan assets. In particular, the current make-up of our portfolio has strong corporate credit protection. The larger positions are

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

profitable and operate at significant scale with large cash balances, while some of our smaller positions have recently raised significant amounts of equity and are in the process of scaling their credit portfolios.

VPC was founded in late 2007, just before the emergence of the Global Financial Crisis. Our goal is to take many of the lessons learned then and use them in our approach to the volatile markets today. We have always been a trusted partner and capital provider to our portfolio companies, and we will do everything we can to continue that way in the current environment.

Stress Scenario Performance and Wind-down Analysis

Our risk management team performs regular analysis to stress test each Portfolio Company's lending performance to determine a portfolio level downside scenario. The largest risk mitigant in the downside scenarios is the first-loss protections that are structured into the Company's balance sheet investments. This ensures that the Portfolio Companies and their equity investors' capital would have to be fully impaired before a balance sheet facility loses any interest income or principal invested. In the Company's recourse investments, this means the portfolio companies would also lose the cash and other assets that are outside of the borrowing base to cover the first-loss protections. We pride ourselves on our structural protections, risk management and portfolio monitoring as this is an important area of focus that is constantly evaluated.

As we move through this uncertainty caused by COVID-19, the focus continues to centre on risk management and risk controls with a particular emphasis on liquidity across the spectrum. Our dedicated VPC risk management team continues to work collaboratively with the VPC investment teams to limit deployment considerably as we seek further information on performance. In addition, we are closely monitoring the Company's investment portfolio and proactively working with the Portfolio Companies to ensure that they are taking prudent steps to mitigate risk and manage through the ongoing situation. In early March 2020, VPC instituted an all-hands call at the beginning and end of each day, to ensure everyone on the VPC team is updated on any new developments given this rapidly changing environment.

Geographic Diversification

While a majority of the Company's investments are concentrated within the U.S., we continue to leverage our extensive sponsor network to build our international exposure and we expect this trend to continue over time. Furthermore, we are evaluating unique opportunities to partner with leading entrepreneurs in emerging markets. In addition to the Company's exposure in the U.S., the Company also has investments in UK, Europe and Latin America.

Expected Credit Losses

During the year, the Group continued to carry expected credit loss reserves on only two of the Group's balance sheet investments, Oakam, Ltd. and Borro, Ltd. The total expected credit losses as at 31 December 2019, which also includes reserves on the residual marketplace loans, was £9,631,612 which is up slightly from £7,259,430 as at 31 December 2018. The reserve as at 31 December 2019 represents 2.6% of the cost before the expected credit losses, which increased slightly from 2.3% as at 31 December 2018.

GEARING AND CAPITAL MARKETS

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

At the beginning of 2019, the Company had a Look-Through Gearing Ratio of 0.16x and the Company finished the year with a Look-Through Gearing Ratio of 0.38x. During the year, we closed on a low cost, non-recourse gearing facility on the Elevate Elastic product. At the time of the closing of this facility in April 2019, it reduced the Company's exposure to Elevate by 6.34%. VPC also completed two USD$25.0 million upsizes on the Pacific Western Bank facility during 2019, bringing the total facility to USD$125.0 million. As at 31 December 2019, the Company had USD$76.8 million outstanding on the Pacific Western Bank facility.

MARKET UPDATE AND OUTLOOK

Market Update

Over the last few months, the market has seen a rapid reversal of consumer sentiment as COVID-19 has continued to spread globally and economies have been locked down. While the market has reacted sharply and governments have worked to contain the spread, the economic effects in the coming months are highly uncertain but with near certainty the global economy is entering a recession, which is likely to be prolonged. We remain cautious as the situation develops and have instructed our portfolio companies to do the same.

STRATEGIC REPORT continued

As we enter this period of uncertainty caused by COVID-19, we continue to exercise caution on the macro front, structuring our portfolios with the goal to perform in any economic environment. We structure and underwrite our investments with a focus on downside protection in addition to stress-testing our loan pools across various scenarios. From a purely macroeconomic standpoint, we continue to believe that our current portfolio's main advantages include the floating rate, short duration and fully amortising underlying collateral. Specifically, the weighted average duration of VPC's underlying collateral as of year-end was less than one year. We believe that duration is a misunderstood risk, which has been added to fixed income portfolios in recent years as interest rates have come down and borrowers have looked to lock in long duration fixed rate credit. In the extremely competitive credit markets over the past few years, borrowers have inevitably succeeded, and as a result, investors are largely exposed to long duration covenant-lite loans and bonds. From a credit ratings perspective, this can be demonstrated by the continual degradation of quality of investment grade bonds. For the first time, the lowest rating level needed to achieve an investment grade rating from Moody's (Baa) makes up a majority of corporate debt outstanding.[13]

As of the publication of this report, we are two months into what may be the worst economic and social crisis of our lifetimes. But the data we have seen thus far gives us reason to be cautiously optimistic that the downside protection structured into our portfolio of balance sheet investments will remain resilient to the shocks we are seeing in the economy. We do not expect a "V" shaped recovery, but instead expect the global economy to remain depressed for an extended period, albeit with lockdowns easing gradually in the coming months. While the future remains uncertain, our investments have been structured conservatively in order to sustain a prolonged and sharp downturn in the economy and early indications have proven that the portfolio is well positioned to withstand the worst impacts of the crisis.

Our cautious optimism is based on the following factors addressed below:

- **Structure:** First and foremost, the Company's deals are structured with first loss cushions sitting below our debt position. Therefore, our balance sheet deals do not take a loss when delinquencies and charge offs increase at our portfolio companies, unless the entirety of the first loss capital is eroded (along with other additional credit enhancements). This aligns incentives and ensures that the portfolio company and its equity owners would take a complete loss before we experienced any loss on our balance sheet positions. At this point, all portfolio companies remain supportive of the respective credit facilities and are current on all interest payments. If this were to change, we would then seek to recover our capital by winding down the underlying loan portfolios and paying ourselves down over time.
- **Loan performance**: The majority of the underlying exposure in the Group is to the U.S. consumer. As of the publication of this report, while we have seen modest deterioration in loan performance, it is not as drastic as might have been expected when quarantines began. Further, all portfolio companies have revised underwriting criteria, the result of which is that originations have been significantly reduced if not completely stopped depending on the company. Given the short duration of the overall portfolio and reduction of originations, our portfolio companies have generated a significant amount of cash in March and April 2020, which has either been repaid to the Group as a prepayment on the credit facility or remains at the portfolio company and is directly collateralising our investment. In total the Group has received USD$60 million of prepayments since the beginning of March 2020, USD$25 million of which has been used to pay down part of the revolving credit facility with Pacific Western Bank in April 2020. The Group retains the right, but not the obligation, to redeploy this capital back to the portfolio companies on the same terms once the situation stabilises. The Group will only redeploy capital when it feels completely comfortable it will be used prudently and at good risk adjusted yields. A few highlights below:
  - **Payment Relief**: The earliest indicator of distress across all portfolios is the number of borrowers seeking payment relief. Portfolio companies can offer payment relief in many forms depending on the nature of the product, but this often includes payment deferral or forbearance, revised repayment plans or payment reductions, often resulting from a job loss. We have encouraged portfolio companies to offer fair and transparent options to borrowers both because of the number of individuals facing true hardship, but also because historical data suggests that such programmes are the best way to maximise the ultimate collectability of debt. Specifically, borrowers that proactively reach out to seek such relief are demonstrating a willingness to pay in the future (once they regain the ability to pay), which can be a positive signal. In early April, we began to see an increase in the number of borrowers seeking hardship relief, though over the past several weeks that trend has slowed significantly and seems to be levelling off. While it varies by platform, the range of portfolio hardship relief is approximately 2%-12% across the consumer portfolios, which is consistent with broader industry data and compared to 0%-6% pre-COVID-19. While this represents a decrease in the credit quality of the portfolios, current trend levels suggest a less severe impact than many predicted and that the impact is likely to be manageable from the perspective of the Company's investments. Lastly, while we do not discount the possibility that these trends may still worsen, given the short duration of the underlying portfolios, time is on our side and each week that goes by without accelerating deterioration allows each of these investments to further de-risk and de-lever.

[13] Source: Market Insights - Guide to the Markets (J.P. Morgan Asset Management – January 2020).

- **Borrower Delinquency and Payment Rates**: Aside from borrowers seeking payment relief, overall delinquency rates have remained relatively stable, if not decreasing, and as a result the overall payment rates on the underlying portfolios have continued to generate significant amounts of cash, reducing VPC's net portfolio exposures across the portfolio. Similar to modification trends, payment rates have improved in the second half of April compared to the beginning of the month. While we can only speculate on the cause, the unprecedented level of government support for individuals in the U.S. has likely played a role in stabilising the finances of the underlying borrowers.

While there is no guarantee it will continue, some credit segments of the portfolio have held up particularly well at this point in the crisis relative to the broader impacts. In particular, we have seen consumers prioritising payments on debt associated with specific purchases, particularly where they have made a down payment on the purchase, such as with our point of sale financing companies (Sunbit, Cognical, West Creek). The legal lending platforms (ATA-KS Holdings LLC, Counsel Financial) have also been strong performers, which we expect will remain uncorrelated to the overall economy as the underlying loans are to law firms secured by highly diversified contingency fee receivables and other claims which are not dependent on economic growth.

Portfolio company liquidity is a significant factor for ensuring that each portfolio company can meet its contractual obligations under the credit facility. In the vast majority of our balance sheet investments, (>93% of balance sheet exposure) we are secured not only by our direct portfolio collateral, but also by a guarantee from the portfolio company. This guarantee often includes additional assets beyond those that are counted towards the borrowing base of the credit facility, including significant cash balances in excess of the cash required under the credit facility. Furthermore, in some instances, excess cash balances represent a significant percentage of the Company's investment exposure making it highly unlikely we would experience a loss regardless of underlying loan performance.

If we see a sustained downturn with losses beginning to approach the level of the financial crisis, the equity holders of a small number of our portfolio companies may need to support the business with more capital. In this instance if a sponsor chooses not to invest more capital we would then enforce our rights at which point we can decide to 1) operate the business as a going concern 2) attempt to raise equity from a new sponsor to recapitalise the business or 3) to wind down the portfolio and seek recovery on our secured debt. While we have structured our deals assuming a wind down, in all cases we would prefer that the portfolio company continue operating, assuming our position is adequately collateralised, and we are being compensated for the risk. Continuing operations is the best outcome for employees, customers, unsecured creditors and secured creditors alike. We have intentionally partnered with well capitalised sponsors to ensure in a scenario like this they would have the means (if not the intention) to support the business if necessary. Given the unprecedented situation that has developed in March and April 2020, and while not necessary immediately, in certain cases we have begun having these discussions should an equity injection become more necessary in the coming months. While we do not consider equity support in any of our valuation scenarios, as of now we are optimistic that certain sponsors will likely be supportive of their platform companies should the situation worsen in the coming months in order to avert a portfolio liquidation.

Portfolio Update

As of the publication of this report, the Company has received all contractual interest payments through the month of April. During the first quarter, the Company took what is hoped will be one-time loss reserve adjustments to incorporate the potential economic changes from the COVID-19 crisis as well as reductions in valuations of our venture equity portfolio, where we utilise public market comparables to estimate fair value. Equity valuations accounted for –3.02% during the first quarter of 2020, to reflect unrealised valuation adjustments resulting from general market deterioration caused by the COVID-19 pandemic in addition to the decline in Elevate's (NYSE: ELVT) stock price which is marked to market monthly. Our equity portfolio has been a strong performer for us in recent years and we remain bullish on the long-term prospects of these investments. The equity portfolio remains well diversified with investments in 25 portfolio companies across several geographies and the Company's venture equity investments as a whole remain in an unrealised gain position after these adjustments.

The Company also increased its estimate of expected credit losses on the Company's balance sheet investments by 2.55% (£6.9 million) to 4.33% of the Company's gross balance sheet investment portfolio, which reflects revised loss given default assumptions of loan performance over the next 12 months. Our accounting is the same standard used by commercial banks to determine the level of losses estimated to occur over a 12 month period depending on a range of scenarios. As of the date of this report we have sustained no permanent losses of capital and all portfolio companies are current on interest payments. However given the unprecedented situation our valuations have been updated to account for the likelihood of a severe and sustained recession similar to the 2008 Financial Crisis. Given the high levels of credit support we have in the portfolio, in most cases we have not historically carried a loss reserve against most performing positions as the structural protections would be expected to absorb any foreseeable losses, even in times of stress. Considering the current circumstances and ensuing uncertainty over what the next 12 months might look like, we have revised our modelling assumptions to reflect a 100% likelihood of a stress scenario, which assumes a significant level of incremental stress beyond the amounts witnessed thus far and comparable to loss rates on similar asset performance during the 2008 Financial Crisis. Our updated reserves reflect the possibility that some of these portfolio companies may default in the future under such adverse scenarios (hopefully this is not the case), and there is some probability we may not fully recover on the investment.

STRATEGIC REPORT continued

These reserves are calculated using a probability weighted estimate of losses that could reasonably be sustained if a portfolio company defaulted and we were forced to seek recovery by winding down the underlying collateral. Our loss reserves are based on the default performance on similar asset classes during the 2008 Financial Crisis and include credit support from portfolio company assets we are secured by outside our direct borrowing base, as discussed above. These reserves also include operating reserves for the cost of winding down the portfolio including an estimate of legal and servicing costs that would occur in a downside. During the 2008 Financial Crisis peak loss rates on U.S. consumer credit ranged from 1.15x to 2.60x base case losses on a portfolio level based on the type of product and the credit quality of underlying debtor. We have used these historical data points to inform our current loss reserve estimates.

The change in our reserves reflects the immediacy of the onset of the current crisis as well as the increased likelihood of stress in the portfolios over the next 12 months, and we are making these changes to our loss reserves now with a view to expected additional stress to come. In the coming months, we will continue to modify these reserves as the situation develops and we receive additional information, but we believe our downside scenario incorporates a significant level of stress that we have not yet seen within the portfolio. If the situation improves, we would then release these reserves over time.

Market Outlook

Given the current state of the market, we believe it is important to continue monitoring COVID-19 and its current and future impacts on the global economy. From early March we began to take a more active operational approach to working with and advising our portfolio companies' management teams through the crisis. The VPC risk team with direction from senior management is working with each individual portfolio investment team to develop a coordinated response across the entire portfolio. This includes daily internal meetings to address specific updates and issues as well as a full portfolio review twice a week. With the benefit of some hindsight, we believe these initial steps along with the daily information we receive on the underlying portfolio have proven invaluable to properly manage the risks due to the current crisis.

The first and possibly most important step we took was to coordinate rapidly with portfolio companies to revise underwriting and originations strategies to ensure that any new originations were only being made to the most creditworthy customers. This resulted in a decrease of new originations of approximately 75-95% depending on the platform. Underwriting credit is fundamentally about using data signals to assess and price risk. Under the circumstances, it quickly became clear that the data sources that typically inform underwriting decisions (i.e., income and employment information, credit bureau data, etc.) were no longer providing relevant, accurate and timely signals and thus few lenders could adequately assess and price risk across any sector of the economy. Considering the short duration of the underlying loan portfolios, if a platform ceases new lending, cash begins to accumulate inside the SPV's quickly. As we anticipated this would happen, we waived prepayment penalties so that portfolio companies could repay our debt, therefore taking risk off for our investors and saving on interest expense for the portfolio company. In all cases we have retained the right to redeploy this capital on the same terms in the coming months if we feel it is appropriate. Since early March, we have received USD$60 million of prepayments on the Company's balance sheet investments, of which we have used 1) USD$25 million to pay down the PacWest credit facility (which we can redraw in the future) 2) made opportunistic investments into our Legal Finance strategy which is uncorrelated to the economic outlook and 3) the other proceeds we retained for new investment opportunities or to redeploy into existing portfolio companies. Additionally, in almost all cases (even after the paydowns) the cash levels within our SPVs have continued to grow, which we expect to continue in the coming weeks, ultimately de-risking our investments.

In the normal course of our portfolio management process we receive a significant amount of data and reporting from our portfolio companies, including loan tapes and payment statistics directly from the servicing systems. Usually we require this information at least monthly and in some cases more frequently. In light of COVID-19, we increased our overall communication with portfolio companies as well as the frequency of obtaining additional detailed data and reporting. Our portfolio companies have been very cooperative in a collaborative effort to achieve the best outcome. We are currently analysing several gigabytes of data daily through our internal risk systems to identify trends that allow us to make timely decisions as the situation develops.

We have also worked closely with our portfolio companies with regard to collection and borrower contact strategies. This includes: (a) ensuring companies have adequate resources to manage collections and servicing of the portfolio, including geographically redundant call centres and remote employee access; (b) developing fair and transparent hardship relief options (as referenced above) which allow the portfolio companies to provide relief to borrowers facing difficulty, but also positioning the portfolio companies to maximise the collectability of those loans once borrowers regain the ability to make payments; and (c) generally making sure that portfolio companies are employing best practices in servicing the portfolio. In certain instances, we have brought in external collections experts via a third-party consulting firm with deep expertise in consumer credit and collections to ensure portfolio companies further enhance collections capabilities. While the situation we are facing is novel, there have been many instances of natural disasters which disrupt regional economies and believe this historical data can provide insights regarding best practices, including:

- Borrowers ending modification in a crisis performed significantly better than borrowers that miss payments in normal times, which can be used to ascertain a lower bound expectation on collectability;

- Borrowers taking modifications during a crisis had almost half the losses of borrowers taking modifications during normal times; and
- Borrowers who were not modified but became delinquent in a crisis had a similar propensity to roll to default as those populations did in a non-crisis. This supports the notion that taking a modification is a strong positive signal compared to simply not paying.

While we hope for the best, we must be prepared for the worst. As such, we will continue to monitor the portfolio very closely and proactively work with our portfolio companies to manage the situation as it unfolds. In addition, we continue to coordinate with our portfolio companies to ensure they are equipped to manage employee illness/dislocation during the lockdown orders and react to any impact to borrowers and manage any resulting liquidity needs in the short term.

For VPC, risk management entails being proactive in managing issues as they arise, but also being prudent in those responses. We will have a better understanding of the initial impacts, if any, on the portfolio as we receive additional data from our companies.

STRATEGY AND BUSINESS MODEL

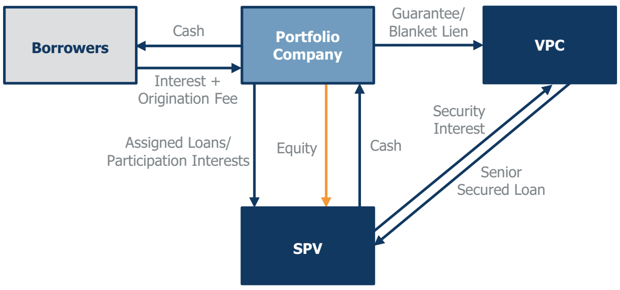
Differentiated proposition

During 2019, the Company's strong returns continued to be driven by the success of the Company's assets invested in the "Balance Sheet Model" for providing debt capital to Portfolio Companies (see descriptions below). Under the Balance Sheet Model, the Company provides a floating rate Credit Facility to the Portfolio Company via a Special-Purpose Vehicle ("SPV"), which retains Debt Instruments that are originated by the Portfolio Company. The debt financing is typically arranged in the form of a senior secured facility and the Portfolio Company injects junior capital in the SPV, which provides significant first loss protection to the Company and excess spread, which provides downside protection.

STRATEGIC REPORT continued

SUMMARY

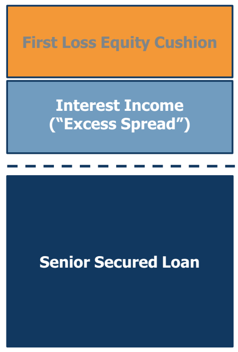
- **Overview:** Loans originated and retained by portfolio company, which will access capital through a combination of equity, mostly from venture investors, and credit facilities from VPC
- **Structure:** VPC's investments are typically structured as loans to a SPV, with a guarantee and lien, transparency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



STRUCTURAL PROTECTIONS

- VPC narrowly defines collateral eligibility for the borrowing base and lends against cost basis of collateral (excluding income generated by the assets)
- Loans that do not comply are excluded from the borrowing base
- VPC applies a dynamic "borrowing base" concept where the LTV is based on the company's loss ratio
- The portfolio company contributes an equity tranche, which is required to protect VPC's investment and also align incentives with equity investors
- VPC is exposed to the default risk of underlying loans only to the extent the realized losses exceed the equity cushion put in place plus any accumulated profits in the SPV

Typical Credit Enhancement at Borrower "SPV" level



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

Competitive advantage

The hunt for yield is extremely competitive in an environment of negative interest rates. This means that we compete with some of the largest and most recognised firms in the world when sourcing new investments. However, we believe that we have created a sustainable competitive advantage in our investment strategy, having invested and committed over $7.0 billion across more than 50 financial services investments. With more than a decade of experience lending in this sector, we benefit from sourcing relationships, pattern recognition and an intense focus on process. The Company's performance for 2019 reflects less of a standalone event, but rather the accumulated results of VPC's decade-plus track record of investing in asset-backed, balance sheet investments. Our investment approach has consistently paid off, as we have been successful in backing earlier-stage companies with excellent management and marquee venture capital backing, allowing for locked-up terms that would otherwise be difficult to negotiate at a later stage. Not only does this provide better economics, but VPC can also structure its investments more conservatively than we might be able to negotiate in a more competitive process. VPC benefits from working with companies as they scale under a conservative structure. As investments approach maturity several years later, VPC has an informed opinion to approach an extension and/or upsize negotiations. We believe that the Company's investment performance in 2019 is a reflection of the successful execution of its investment approach over the past decade.

Since the Company invests alongside VPC's private funds into the underlying balance sheet investments, many of the portfolio's investments precede the listing of the Company in 2015 and have grown significantly over time. The Company, alongside VPC's private funds, also receives the benefit of scale from the arrangement. We are in a position to negotiate better terms and grow with the portfolio companies, ultimately resulting in the ability to provide larger facilities. All investors benefit, as we continue to have significant undrawn investment opportunities from longstanding investments, some of which were initiated a decade ago. The scale of the relationships also serves to minimise the cash drag within the Company. Investments are funded based on draw requests received on a weekly basis. As the Company receives a repayment on an investment, capital can be redeployed quickly, and in some cases even the same day.

Proprietary sourcing and structuring

Deal Sourcing & Screening

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

Underwriting & Due Diligence

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

Investment Committee Approval

- IC meets weekly to review opportunities throughout the investment process
- Consistently reviews internal memoranda which include investment opportunity, risks, structure, pricing and due diligence plan
- IC has final approval on all deals
- Over the past three years, VPC has closed on 1% of nearly 2,000 deals sourced and reviewed

Risk Management & Monitoring

- Iterative and analytical approach to underwriting and actively managing investments throughout the entire course of the transaction
- Customised risk management tools offer meaningful, insightful, and actionable data that highlights trends and anomalies
- Team of 10+ dedicated risk and operations professionals assist with monitoring investments and work closely with investment professionals to create value and minimise loss
- IC has final approval on all material loan amendments and modifications.

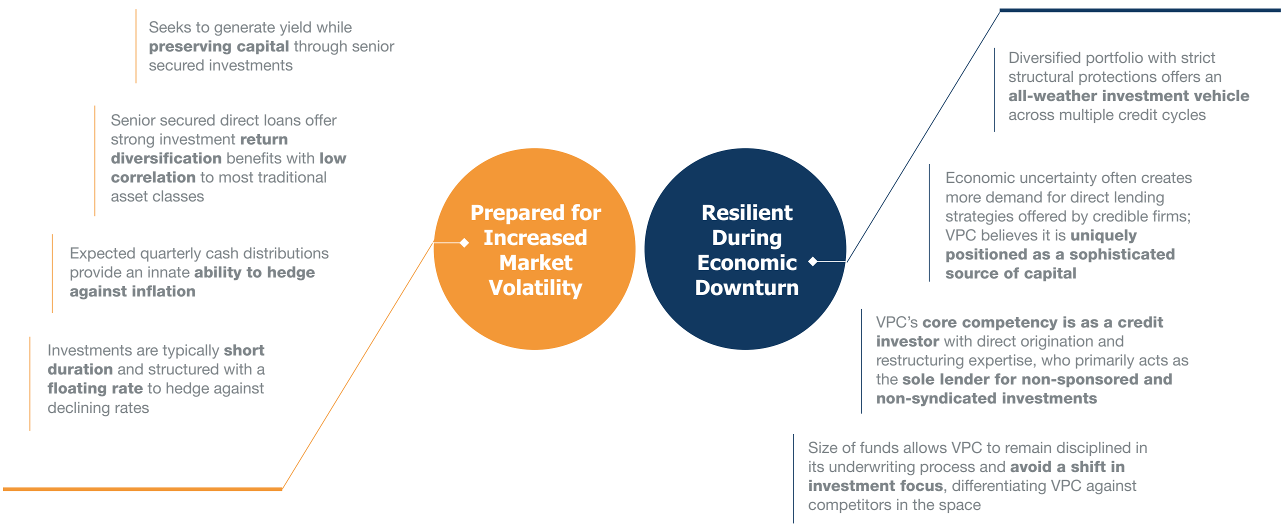
The Company has exposure to several proprietary investments in Portfolio Companies with attractive risk/reward characteristics that other investors in the sector are typically unable to access. We believe this is due to the Investment Manager's long experience in the sector as an early participant with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

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

STRATEGIC REPORT continued

Portfolio management

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



Shareholder Outreach and Marketing

Our focus as the Investment Manager of the Company will, first and foremost, always be to deliver strong risk-adjusted returns and build a portfolio that will perform in all economic environments. We also recognise that for the Company to succeed we need to deliver strong share-price performance to our shareholders. The Board and the Investment Manager have continued to focus on the trading discount to our NAV and have made efforts to reduce it. The discount remains challenging as we have delivered strong performance over the past two years and believe our current investment portfolio is as strong as it has ever been. While it may take some time for the discount to narrow, the Company has taken significant steps, through both capital markets and marketing efforts, to attract new long-term shareholders. A few key aspects of our plan include the following:

- **Buybacks:** During the year, the Company executed a large and consistent buyback programme which we will continue to execute while the discount remains wide. Up to the date of this report, the Company has repurchased a total of 76,804,384 Ordinary Shares since December 2016, as part of the buyback programme.
- **New Shareholders:** There has been high turnover in our shareholder register this year for reasons which the Chairman discussed, and which we believe are largely unrelated to the Company. We have significantly increased our outreach to potential shareholders to broaden and diversify our register. We have had success on this front and acquired several new, high-quality shareholders. We will continue to focus on this initiative in the coming year. In addition, our shareholder register is already significantly less concentrated among the top five shareholders, which has improved liquidity and, overall, we feel this is healthy for the long-term success of the Company.
- **Broker Relationships:** During the year, the Company onboarded Winterflood as a joint broker alongside Jefferies, our existing broker, to help acquire additional shareholders. Winterflood has been an excellent addition and we are impressed with the team, who has been fully engaged in helping to broaden our distribution reach. We appreciate the combined efforts from both Jefferies and Winterflood and look forward to the ongoing partnerships.
- **Roadshows:** We have worked with both of our brokers to organise numerous roadshows during the year, mainly focusing on both potential and existing shareholders. We remain dedicated to meeting with shareholders to share the Company's story and its compelling investment opportunity.
- **Third-Party Research:** In order to reach more retail shareholders, the Company has also engaged Kepler Partners to produce third-party research for potential and existing shareholders who are unable to access broker-produced research.

- **Redesigned Website:** In July 2019, we redesigned the Company's website, which we believe is more user friendly for both new and existing shareholders. The website provides access to all of our monthly reports, quarterly letters and shareholder presentations. We also redesigned the monthly NAV announcement.

SUMMARY AND HIGHLIGHTS FOR THE YEAR

The financial and business highlights for the year ended 31 December 2019 are as follows:

- **January 2019:** The Company announced that it had fully exited its investment in Fundbox, Ltd. ("Fundbox") via refinancing. The investment in Fundbox represented 7.24% of the Company's NAV at the time of the paydown and substantially all of the proceeds from the paydown were used to lower the Company's gearing facility or were reinvested into existing balance sheet investments.
- **February 2019:** Elevate Credit, Inc. ("Elevate" NYSE: ELVT) announced amended terms of its facility with the Investment Manager. Both the Company and the Investment Manager view this as a positive impact for the Company and its shareholders as Elevate will continue to be a key investment in the Company's portfolio for the foreseeable future. The Company also announced a dividend of 2.00 pence per Ordinary Share for the three-month period to 31 December 2018.
- **April 2019:** The Company announced that Kevin Ingram was appointed as Chairman of the Company and Clive Peggram was appointed as Chairman of the Audit and Valuation Committee. The Company also announced that Mark Katzenellenbogen was appointed as a new independent non-executive director of the Company. Woodford Investment Management Ltd. notified the Company of its sale of its shares in the Company.
- **May 2019:** The Company announced a dividend of 2.00 pence per Ordinary Share for the three-month period to 31 March 2019.
- **June 2019:** The Investment Manager closed on the first of two built-in USD$25 million upsizes of the existing gearing facility to USD$100 million from USD$75 million.
- **July 2019:** The Investment Manager completed a sale of the Company's equity investment in Upstart Network, Inc. for a realised gain of USD$3.1 million (£2.5 million) and a cash on cash return of 3.5x for the Company. FTSE Russell confirmed the reinstatement of the Company to the FTSE All Share Index with effect from 1 August 2019 following the recognition of a liquidity data error at the June 2019 index review. Despite the impact, the Company posted strong performance since the erroneous removal which took place at the beginning of June.
- **August 2019:** The Company declared a dividend of 2.00 pence per Ordinary Share for the three-month period ending 30 June 2019.
- **October 2019:** The Company received a full repayment of its balance sheet investment in Branch International, Ltd. ("Branch"). The investment in Branch comprised 1.56% of the Company's NAV at the time of the repayment. The proceeds from the repayment were reinvested into existing balance sheet investments.
- **November 2019:** The Company declared a dividend of 2.00 pence per Ordinary Share for the three-month period ending 30 September 2019.
- **December 2019:** The Investment Manager closed on the second of two built-in USD$25 million upsizes of the existing gearing facility to USD$125 million from USD$100 million.

Victory Park Capital Advisors, LLC
Investment Manager
20 May 2020

STRATEGIC REPORT continued

PERFORMANCE MANAGEMENT

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

NAV AND TOTAL RETURN

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

At each meeting, the Board receives reports detailing the Company's NAV and total return performance, portfolio composition and related analyses. A full description of performance and the investments is contained in the Investment Manager's Report, commencing on page 12.

DIVIDEND YIELD

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends. Including the distribution made in April 2020, which related to the three-month period ended 31 December 2019 the Company has distributed 95% of its distributable income earned through the year ended 31 December 2019.

GEARING RATIO

As at 31 December 2019, the look-through gearing ratio was 0.38x for the Company. As disclosed in the investment policy starting on page 131, the aggregate gearing of the Company and any investee entity (on a look-through basis, including borrowing through securitisation using SPVs) shall not exceed 1.5 times its NAV (1.5x). The Board and Investment Manager monitor the look-through gearing ratio to ensure it is in line with the investment policy.

SHARE PRICE PREMIUM/DISCOUNT

As a closed-ended listed investment trust, the Company's share price can and does deviate from its NAV. This results in either a premium or a discount to NAV. This is another component of the long-term shareholder return. The Board continually monitors the Company's premium or discount to NAV and has the ability to issue or buy back shares to limit the volatility of the share price discount or premium. For more information on the Company's authorities in relation to its share capital, see page 38.

During the trading period, the Ordinary Shares moved in a discount range of between 13.0% to 27.4%. This was partly a result of the sale of the Company's shares by one of the Company's largest shareholders and the incorrect withdrawal from the FTSE All Share Index as referenced on page 9. The Company closed the year at a discount of 16.2% to NAV. During the year, the Company made the decision to significantly enhance the share buyback programme in light of the large disparity between the Company's share price and its NAV, repurchasing a total of 47,808,578 shares at an average price of 73.31 pence per share.

EXPENSES

The Board is conscious of the impact of expenses on returns and seeks to minimise expenses while ensuring that the Company receives strong service from its suppliers. The industry-wide measure for investment trusts is the ongoing charges ratio. This seeks to quantify the on-going costs of running the Company. The ongoing charges ratio for 2019 was 1.70%. After factoring in the change in the average NAV over 2019 as compared to 2018, as referenced on page 8, the on-going charges ratio has risen to 1.57% for 2019 compared to 1.49% for 2018. This measures the annual normal on-going costs of an investment trust, excluding performance fees, one-off expenses and dealing costs, as a percentage of the average shareholders' funds.

PRINCIPAL RISKS

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

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

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

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

This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The principal risks, emerging risks and the monitoring system are subject to a robust assessment at least annually. The last review by the Board took place in February 2020.

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

A summary of the principal risks and uncertainties faced by the Company and the Group and actions taken by the Board and, where appropriate, its Committees, to manage and mitigate these risks and uncertainties, is set out below:

RISK	MITIGATION
CREDIT RISK	
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risks arise principally through exposures to loans acquired by the Group, which are subject to risk of borrower default. The ability of the Group to earn revenue is completely dependent upon payments being made by the borrower, such as adverse movements in investment markets.	There is inherent credit risk in the Group's investments in credit assets. However, this is typically mitigated by the significant first loss protection provided by the Portfolio Company under the Balance Sheet Model and the excess spread generated by the underlying assets under both models. The Investment Manager performs a robust analysis during the underwriting process for all new investments of the Group and monitors the eligibility of the collateral at least monthly of the current assets in the Group's portfolio. This process also includes due diligence performed by a third-party reviewer during the underwriting process and subsequent reviews at least once per year for the Group's Portfolio Companies. The Group will invest across several Portfolio Companies, asset classes, geographies (primarily the US, UK, Europe and Latin America) and credit bands to ensure diversification and to seek to mitigate concentration risks. The majority of the underlying exposure in the Group is to the U.S. consumer as such the impact on the US economy from the COVID-19 pandemic, creates potential additional credit risk. As of the publication of this report, while we have seen modest deterioration in loan performance, it is not as drastic as might have been expected when quarantines began. Further, all portfolio companies have revised underwriting criteria, the result of which is that originations have been significantly reduced if not completely stopped depending on the company. Given the short duration of the overall portfolio and reduction of originations, our portfolio companies have generated a significant amount of cash in March and April 2020, which has either been repaid to the Group as a prepayment on the credit facility or remains at the portfolio company and is directly

STRATEGIC REPORT continued

RISK	MITIGATION
	collateralising the Group's investment. In total the Group has received USD$60 million of prepayments since the beginning of March 2020, USD$25 million of which has been used to pay down part of its revolving credit facility with Pacific Western Bank in April 2020. The Group retains the right, but not the obligation, to redeploy this capital back to the portfolio companies on the same terms once the situation stabilises. The Group will only redeploy capital when it feels completely comfortable it will be used prudently and at good risk adjusted yields. The Board and the Investment Manager review the investment portfolio to ensure it is in line with the investment policy, including restrictions, as outlined on pages 131 and 132. The Investment Manager monitors performance and underwriting on an on-going basis.
FINANCING RISK Financing risk is the risk that, whilst the use of borrowings by the Group should enhance the net asset value of an investment when the value of an investment's underlying assets is rising, it will, however, have the opposite effect when the underlying asset value is falling. In addition, if an investment's income falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Group's investment and accordingly will have an adverse effect on the ability of the investment to make distributions to the Group. The Group uses gearing to enhance returns generated by the underlying credit assets and is exposed to the availability of financing at acceptable terms as well as interest rate expenses and other related costs.	This risk is mitigated by limiting borrowings to ring-fenced SPVs without recourse to the Group and employing gearing in a disciplined manner. The Group has maintained a level of gearing through the year significantly below the limit as the Group is now primarily invested in the Balance Sheet Model. The Board and the Investment Manager review the investment portfolio to ensure it is in line with the investment policy, including restrictions, as outlined on pages 131 and 132.
LIQUIDITY RISK Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price. The Group may invest in the listed or unlisted equity of any Portfolio Company. Investments in unlisted equity, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed securities and therefore may be more difficult to realise. In the event of adverse economic conditions in which it would be preferable for the Group to sell certain of its assets, the Group may not be able to sell a sufficient proportion of its portfolio as a result of liquidity constraints. In such circumstances, the overall returns to the Group from its investments may be adversely affected. The Group is also exposed to liquidity risk with respect to the requirement to pay margin cash to collateralise forward foreign exchange contracts used for currency hedging purposes.	The Investment Manager manages the Group's liquidity risk by investing primarily in a diverse portfolio of assets. As at 31 December 2019, 6% of the loans had a stated maturity date of less than a year. The Group had no loans with a maturity date of more than five years. In general, the weighted average maturity profile of the Group's assets was lower than or equal to the term of the Group's corresponding debt facilities which thereby reduced liquidity risk. Refer to Note 6 of the financial statements for the maturity profile of the Group's assets and liabilities. The Board and the Investment Manager review the investment portfolio to ensure it is in line with the investment policy, including restrictions, as outlined on pages 131 and 132. The Board reviews cash flow forecasts to ensure the Group can meet its liabilities as they fall due. The Group continuously monitors for fluctuations in currency rates. The Group performs stress tests and liquidity projections to determine how much cash should be held back to meet potential future to obligations to settle margin calls arising from foreign exchange hedging.

RISK	MITIGATION
	The Pacific Western Bank gearing facility has helped the Group reduce cash drag associated with the currency hedging portfolio, while also allowing the Group to meet its liabilities as they fall due. The Investment Manager monitors the cash balances of the Group daily to ensure that all ongoing expenses can be paid as they come due. As of the writing of this report, the Group has received all contractual interest payments and continues to monitor cash flow closely during the COVID-19 pandemic.
MARKET RISK Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity prices and interest rates. The Group is exposed to market risk primarily through its Financial Instruments. The Group is exposed to price risk arising from the investments held by the Group for which prices in the future are uncertain. The investments in funds are exposed to market price risk. Refer to Note 3 in the Financial Statements for further details on the sensitivity of the Group's Level 3 investments to price risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Currency risk is the risk that the value of net assets will fluctuate due to changes in foreign exchange rates. Relevant risk variables are generally movements in the exchange rates of non-functional currencies in which the Group holds financial assets and liabilities.	The Group has a diversified investment portfolio which significantly reduces the exposure to individual asset price risk. Detailed portfolio valuations and exposure analysis are prepared monthly and form the basis for the on-going risk management and investment decisions. In addition, regular scenario analysis is undertaken to assess likely downside risks and sensitivity to broad market changes, as well as assessing the underlying correlations amongst the separate asset classes. Exposure to interest rate risk is limited as the underlying credit assets are typically fully amortising with a maximum maturity of five years. Furthermore, generally the Group's Credit Facilities include a floating interest rate component to the Portfolio Companies to account for an increase in interest rate risk and they also have a set floor in the instance that interest rates were to drop. The Group mitigates its exposure to currency risk by hedging exposure between Pound Sterling and any other currencies in which a significant portion of the Group's assets may be denominated. The Board reviews the price, interest rate and currency risk with the Investment Manager to ensure that exposure to these risks are appropriately mitigated.
PORTFOLIO COMPANY RISK The current market in which the Group participates is competitive and rapidly changing. There is a risk that the Group will not be able to deploy its capital, re-invest capital and interest of the proceeds of any future capital raisings, in a timely or efficient manner given the increased demand for suitable investments. The Group may face increasing competition for access to investments as the alternative finance industry continues to evolve. The Group may face competition from other institutional lenders such as fund vehicles and commercial banks that are substantially larger and have considerably greater financial, technical and marketing resources than the Group. Other institutional sources of capital may enter the market in both the UK, US and other geographies.	VPC has negotiated a significant number of proprietary capital deployment agreements with its existing balance sheet partners each of which typically ensures the ability to deploy capital on attractive terms for several years. In addition, VPC is one of the largest investors in the specialty lending sector and therefore enjoys timely information and good access to emerging Portfolio Company opportunities. VPC has a team of 41 investment and operational professionals which ensures that deployment opportunities with new and existing Portfolio Companies can be executed rapidly while minimising operational risk. VPC's pipeline of deployment opportunities remains strong with both existing and new balance sheet lending Portfolio Companies.

STRATEGIC REPORT continued

RISK	MITIGATION
REGULATORY RISK	
As an investment trust, the Company's operations are subject to wide ranging regulations. The financial services sector continues to experience significant regulatory change at national and international levels. Failure to act in accordance with these regulations could cause fines, censure or other losses including taxation or reputational loss. In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010.	The Company provides debt capital to Portfolio Companies, which typically must comply with various state and national level regulations. This includes some operating under interim permission and some now regulated from the FCA in the UK as well as consumer lending and collections licenses in some US states. This risk is limited via detailed upfront due diligence of Portfolio Companies' regulatory environments performed by the Investment Manager on behalf of the Board. The Company has procedures to monitor the status of its compliance with the relevant requirements to maintain its Investment Trust status, including receiving and reviewing information and reporting from the Company Secretary and other service providers as appropriate.
PANDEMIC RISK	
As the coronavirus (COVID-19) outbreak continues to spread, there has been increased focus from financial services regulators around the world on the contingency plans of regulated financial firms.	The Investment Manager reviews its business continuity plans and operational resilience strategies on an ongoing basis and will take all reasonable steps to continue meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. For example, to enhance its resilience, the Investment Manager has mandated work from home arrangements for all employees. The Company's other third-party service providers have also confirmed the implementation of similar measures to ensure no business disruption to the Investment Manager.

Discussion on the Group's risk management and internal controls is on page 54.

BUSINESS MODEL

COMPANY STATUS

The Company is registered as a public limited company under the Companies Act 2006 and is an investment company under Section 833 of the Companies Act 2006. It is a member of the Association of Investment Companies ("AIC").

The Company was incorporated on 12 January 2015 and commenced its operations on 17 March 2015.

The Company has been approved as an investment trust under Sections 1158/1159 of the Corporation Tax Act 2010. The Directors are of the opinion, under advice, that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011.

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

PURPOSE

It is a new requirement for all companies to set out their culture and purpose. The Company's defined purpose is relatively simple; it is to deliver our Investment Objective. Board culture promotes a desire for strong governance and long-term investment, mindful of the interests of all stakeholders. The Board believes that, as an investment company with no employees, this is best achieved by working in partnership with our appointed Investment Manager.

INVESTMENT OBJECTIVE

The Company's investment objectives are to generate attractive returns for shareholders, achieving portfolio diversification and enabling shareholders to benefit from equity upside though exposure to equity or equity-linked securities.

INVESTMENT POLICY

The Company seeks to achieve its investment objectives by investing in opportunities in the financial services market through portfolio companies and other lending related opportunities.

The Company invests directly or indirectly into available opportunities, including by making investments in, or acquiring interests held by, third-party funds (including those managed by the Investment Manager or its affiliates).

Direct investments include consumer loans, SME loans, advances against corporate trade receivables and/or purchases of corporate trade receivables originated by portfolio companies ("Debt Instruments"). Such Debt Instruments may be subordinated in nature, or may be second lien, mezzanine or unsecured loans.

Indirect investments include investments in portfolio companies (or in structures set up by portfolio companies) through the provision of senior secured floating rate credit facilities ("Credit Facilities"), equity or other instruments. Additionally, the Company's investments in Debt Instruments and Credit Facilities are made through subsidiaries of the Company or through partnerships in order to achieve bankruptcy remoteness from the platform itself, providing an extra layer of credit protection.

The Company may also invest in other financial services related opportunities through a combination of debt facilities, equity or other instruments.

The Company may also invest (in aggregate) up to 10% of its Gross Assets (at the time of investment) in listed or unlisted securities (including equity and convertible securities or any warrants) issued by one or more of its portfolio companies or financial services entities.

The Company invests across several portfolio companies, asset classes, geographies (primarily US, UK, Europe and Latin America) and credit bands in order to create a diversified portfolio and thereby mitigates concentration risks.

Borrowing policy

Borrowings may be employed at the level of the Company and at the level of any investee entity (including any other investment fund in which the Company invests or any SPV that may be established by the Company in connection with obtaining gearing against any of its assets).

The Company may, in connection with seeking such gearing or securitising its loans, seek to assign existing assets to one or more SPVs and/or seek to acquire loans using an SPV.

The Company may establish SPVs in connection with obtaining gearing against any of its assets or in connection with the securitisation of its loans (as set out further below). It intends to use SPVs for these purposes to seek to protect the geared portfolio from group level bankruptcy or financing risks.

The aggregate gearing of the Company and any investee entity (on a look-through basis, including borrowing through securitisation using SPVs) shall not exceed 1.5 times its NAV (1.5x).

As is customary in financing transactions of this nature, the particular SPV will be the borrower and the Company may from time to time be required to guarantee or indemnify a third-party lender for losses incurred as a result of certain "bad boy" acts of the SPV or the Company, typically including fraud or wilful misrepresentation or causing the SPV voluntarily to file for bankruptcy protection. Any such arrangement will be treated as 'non-recourse' with respect to the Company provided that any such obligation of the Company shall not extend to guaranteeing or indemnifying Ordinary portfolio losses or the value of the collateral provided by the SPV.

Management Arrangements

The Company has an independent Board of Directors which has appointed Victory Park Capital Advisors, LLC, the Company's Investment Manager, as Alternative Investment Fund Manager ("AIFM") under the terms of an Investment Management Agreement ("IMA") dated 26 February 2015. The IMA is reviewed annually by Board and may be terminated by six-months' notice from either party subject to the provisions for earlier termination as stipulated therein.

STRATEGIC REPORT continued

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

Details of the Investment Management fee and performance fees payable to VPC during the period are set out in note 10 on page 116.

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Millennium Trust Company have been appointed as the Company's Custodians and are entitled to be paid a fee of between USD$180 and USD$500 per annum per holding of securities in an entity under the terms of the Custodian Agreement. In addition, the Custodians are entitled to be paid fees up to USD$300 per account per annum and other incidental fees. All Custodian fees are included in other expenses on the Consolidated Statement of Comprehensive Income.

Under the terms of the Company Secretarial Agreement, Link Company Matters Limited is entitled to an annual fee of £75,000 (exclusive of VAT and disbursements). All Secretary fees are included in other expenses on the Consolidated Statement of comprehensive Income.

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

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

DIRECTORS' DUTIES

Overview

The Directors' overarching duty is to act in good faith and in a way that is the most likely to promote the success of the Company as set out in Section 172 of the Companies Act 2006. In doing so, directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on consequences of the decisions they make as well as aim to maintaining a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its Investment Objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duty under Section 172 below.

To ensure that the Directors are aware of, and understand, their duties they are provided with the pertinent information when they first join the Board as well as receive regular and ongoing updates and training on the relevant matters. Induction and access to training is provided for new Directors. They also have continued access to the advice and services of the Company Secretary, and when deemed necessary, the Directors can seek independent professional advice. The schedule of Matters Reserved for the Board, as well as the Terms of Reference of its committees are reviewed on an annual basis and further describe Directors' responsibilities and obligations and include any statutory and regulatory duties. The Audit and Valuation Committee has the responsibility for the ongoing review of the Company's risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included in the Company's risk register and are subject to periodic and regular reviews and monitoring.

Decision-making

The importance of the stakeholder considerations, in particular in the context of decision-making, is taken into account at every Board meeting. All discussions involve careful considerations of the longer-term consequences of any decisions and their implications for stakeholders.

Stakeholders

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. During the period under review, the Board has discussed which parties should be considered as stakeholders of the Company. Following thorough review, it was concluded that, as the Company is an externally managed investment company and does not have any employees or customers, its key stakeholders comprise its Shareholders, its portfolio companies and its service providers, particularly the Investment Manager. The section below discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

IMPORTANCE	BOARD ENGAGEMENT

SHAREHOLDERS

Continued shareholder support and engagement are critical to the existence of the business and the delivery of the long-term strategy of the business.

A resolution to continue the life of the Company will be put to shareholders at the forthcoming AGM in 2020.

The Board is committed to maintaining open channels of communication and to engage with shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of shareholders. These include:

- **Annual General Meeting –** In normal circumstances, the Company welcomes and encourages attendance and participation from shareholders at the AGM. Shareholders have the opportunity to meet the Directors and Investment Manager and to address questions to them directly. The Investment Manager attends the AGM and provides a presentation on the Company's performance and the future outlook. The Company values any feedback and questions it may receive from shareholders ahead of and during the AGM and will take action or make changes, as and when appropriate;

- **Publications –** The Annual Report and Half-Year results are made available on the Company's website and the Annual Report is circulated to shareholders. These reports provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by a monthly factsheet and quarterly reports which are available on the website and the publication of which is announced via the stock exchange. Feedback and/or questions the Company receives from the shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and understandable;

- **Shareholder meetings** – Unlike trading companies, shareholder meetings often take the form of meeting with the Investment Manager rather than members of the Board. Shareholders are able to meet with the Investment Manager throughout the year and the Investment Manager provides information on the Company. Feedback from all meetings between the Investment Manager and shareholders is shared with the Board. The Chairman, or where considered appropriate, other members of the Board are available to meet Shareholders to understand their views on governance and the Company's performance;

- **Shareholder concerns –** In the event shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office. Other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels; and

STRATEGIC REPORT continued

IMPORTANCE	BOARD ENGAGEMENT
	❖ **Investor Relations updates** – at every Board meeting, the Directors receive updates from the Company's brokers on the share trading activity, share price performance and any shareholders' feedback, as well as an update from the Investment Manager on any publications. To gain a deeper understanding of the views of its shareholders and potential investors, the Investment Manager also meets regularly with shareholders. Any pertinent feedback is taken into account when, for example, Directors discuss share capital considerations and the dividend policy, which are actioned as appropriate.

OTHER STAKEHOLDERS

The Investment Manager

Holding the Company's shares offers investors a liquid investment vehicle through which they can obtain exposure to VPC's diversified portfolio of investment opportunities in the specialty lending market. The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to provide shareholders with consistent long-term returns.

Maintaining a close, constructive but independent working relationship with the Investment Manager is crucial as the Board and the Investment Manager both aim to continue to achieve consistent, long-term returns in line with its investment objective. Important components in the collaboration with the Investment Manager, representative of the Company's culture are:

- ❖ Encouraging open discussion with the Investment Manager, allowing time and space for original and innovative thinking;
- ❖ Recognising that the interests of shareholders and the Investment Manager are for the most part well aligned, adopting a tone of constructive challenge, balanced with robust negotiation of the Investment Manager's terms of engagement if those interests should not be fully united;
- ❖ Drawing on Board Members' individual experience and knowledge to support the Investment Manager in its monitoring of and engagement with portfolio companies; and

Portfolio Companies

The Company invests directly and/or indirectly into available opportunities, including investments in funds managed by the Investment Manager. Capital is allocated across different Portfolio Companies to meet the Company's investment objectives within the pre-defined portfolio limits and with a focus on portfolio level diversification.

The relationship with our Investment Manager is fundamental to ensuring the Company meets its purpose. Day to day engagement with Portfolio Companies is undertaken by the Investment Manager. Details of how the Investment Manager carries out portfolio management, as well as information of the differentiated investment proposition and the proprietary sourcing and structuring of investments can be found in the Strategic Report on pages 19 to 22. The Board receives updates at each scheduled Board meeting from the Investment Manager on specific investments including regular valuation reports and detailed portfolio and returns analyses. The Investment Manager's engagement with Portfolio Companies incorporates recurring due diligence reviews and on-site visits to supplement regular reporting and management discussion cycles.

IMPORTANCE	BOARD ENGAGEMENT
The Administrator, the Company Secretary, the Registrar, the Custodians and the Brokers In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of reputable advisors for support in meeting all relevant obligations.	The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely taken into account. The Board, through the Management Engagement Committee, formally assesses their performance, fees and continuing appointment annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit and Valuation Committee reviews and evaluates the financial reporting control environments in place at each service provider.
Institutional investors and proxy advisers The evolving practice and support (or lack thereof) of proxy adviser agencies are important to the Directors, as the Company aims to build a good reputation and maintain high standards of corporate governance, which contribute to the long-term sustainable success of the Company.	The Board recognises that the views, questions from, and recommendations of many proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting evolving shareholders' expectations and concerns. When deemed relevant, the Company and/or its joint brokers will engage with proxy advisers regarding resolutions that will be proposed to the Company's shareholders at AGMs and, based on feedback received, incorporate changes to future Annual Reports and Accounts to enhance disclosures.
Regulators The Company, whilst not regulated, needs to comply with relevant regulatory and statutory obligations.	The Company regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best-practice guidance, and how any governance decisions it makes can have an impact on its stakeholders, both in the shorter and in the longer-term.

The above mechanisms for engaging with stakeholders are kept under review by the Directors and are discussed on a regular basis at Board meetings to ensure that they remain effective.

STRATEGIC REPORT continued

CULTURE

The Directors agree that establishing and maintaining a healthy corporate culture among the Board and in its interaction with the Investment Manager, shareholders and other stakeholders will support the delivery of its purpose, values and strategy. The Board seeks to promote a culture of openness, debate and integrity through on-going dialogue and engagement with its service providers, principally the Investment Manager.

The Board strives to ensure that its culture is in line with the Company's purpose, values and strategy. The Company has a number of policies and procedures in place to assist with maintaining a culture of good governance including those relating to Diversity, Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board through Board meetings and in particular during the annual evaluation process which is undertaken by each Director (for more information see the performance evaluation section on page 43).

The Board seeks to appoint the best possible service providers and evaluates their remit, performance and cost effectiveness on a regular basis as described on page 43. The Board considers the culture of the Investment Manager and other service providers, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

EMPLOYEES, HUMAN RIGHTS, SOCIAL AND COMMUNITY ISSUES

The Board recognises the requirement under the Companies Act 2006 to detail information about human rights, employees and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements do not apply to the Company as it has no employees, all the Directors are non-executive and it has outsourced all its functions to third party service providers. The Company has therefore not reported further in respect of these provisions, but does expect its service providers and portfolio companies to respect these requirements.

BOARD DIVERSITY

As at 31 December 2019, the Board of Directors of the Company comprised four male Directors and one female Director. The Board acknowledges the benefits of diversity, including gender diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives. Further details of the Company's diversity policy are set out on page 49.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ISSUES

The Company has no employees, property or activities other than investments, so its direct environmental impact is minimal. In carrying out its activities, and in its relationships, the Company aims to conduct itself responsibly, ethically and fairly. Directors are mindful of their own carbon footprints if they are required to travel on Company business.

The Board is comprised entirely of non-executive Directors and the day-to-day management of the Company's business is delegated to the Investment Manager. The Investment Manager aims to be a responsible investor and believes it is important to invest in companies that act responsibly in respect of environmental, ethical and social issues.

The Company has no internal operations and therefore no greenhouse gas emissions to report nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within its underlying investment portfolio. However, the Company believes that high standards of corporate social responsibility such as the recycling of paper waste will support its strategy and make good business sense.

APPROVAL

This Strategic Report has been approved by the Board of Directors and signed on its behalf by:

Kevin Ingram
Chairman

20 May 2020

GOVERNANCE

GOVERNANCE continued

BOARD OF DIRECTORS

This section forms part of the Directors' Report.

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

KEVIN INGRAM, CHAIRMAN

Appointed 19 February 2015[14,15,16*,17]
Appointed Chairman 26 April 2019 (Interim Chairman 14 December 2018)
Independent Non-Executive Director

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

MARK KATZENELLENBOGEN

Appointed 1 May 2019[14,15,16,17]
Independent Non-Executive Director

Mark Katzenellenbogen has been involved in financial services for over 35 years. Since 2007 he has been CEO of Auden Capital LLP, a London based corporate finance advisory firm specialising in the investment and wealth management sector. He began his career with S.G Warburg in credit and banking, prior to working for the bank's mergers and acquisitions department in the UK, US and South Africa. Since 2005 Mark has been a non-executive director of Oldfield, a long-only value equity manager.

RICHARD LEVY

Appointed 15 June 2016
Non-Independent Non-Executive Director

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

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

ELIZABETH PASSEY

Appointed 19 February 2015[14,15,16,17*]
Independent Non-Executive Director

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

CLIVE PEGGRAM

Appointed 19 February 2015[14*,15*,16,17]
Independent Non-Executive Director

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

Clive is a NED of several asset management companies. He is also a Trustee of the Apex2100 Foundation.

DIRECTORS' REPORT

The Directors of the Company are pleased to present the Annual Report for the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

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

RESULTS AND DIVIDENDS

The interim dividends paid by the Company are set out in note 15 of the financial statements. A summary of the Company's performance during the year is set out in the Strategic Report on pages 3 to 34.

INVESTMENT TRUST STATUS

The Company has received written approval from HM Revenue & Customs ("HMRC") as an authorised investment trust under Sections 1158/1159 of the Corporation Tax Act 2010. The Directors are of the opinion that the Company has conducted its affairs in compliance with such approval and intends to continue doing so.

DIRECTORS

Directors' Appointments

As at 31 December 2019 the Board consisted of five Non-Executive Directors, four of whom were considered by the Board to be independent. Biographies of the Directors are set out on page 36 and demonstrate the range of skills and experience each Director brings to the Board. As noted in last year's Directors' Report, Andrew Adcock passed away during the year and served as a director up to 26 January 2019. Mark Katzenellenbogen was appointed to the Board on 1 May 2019.

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

Directors' Interests

None of the four Independent Directors, or any persons connected with them, had a material interest in the transactions and arrangements of, or an agreement with, the Investment Manager during the period. Mr. Levy is the Chief Executive Officer and Founder of Victory Park Capital Advisors, LLC ("VPC"), the Company's Investment Manager. Mr. Levy oversees VPC's investment and operational activities. He is also the chairman of VPC's management and investment committees. Mr. Levy serves as chairman of the board of directors of five VPC portfolio companies and is also a member of the board of directors of three other VPC portfolio companies. The Group is not invested in any of the portfolio companies previously mentioned. The remuneration of the Directors and their beneficial interests in the Company's securities are set out in the Directors' Remuneration Report on pages 57 to 60.

Directors' Indemnity and Compensation for Loss of Office

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

Directors' Share Dealings

On 3 July 2016, the EU's Market Abuse Regulation ("MAR") became effective following which the Board adopted a MAR compliant Share Dealing Code. Details of the Directors' shareholdings are set out in the Directors' Remuneration Report on pages 57 to 60.

Conflicts of Interest

The Articles provide that the Directors may authorise any actual or potential conflict of interest that may arise, with or without imposing any conditions that they consider appropriate on the Director. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and, in such circumstances, they are not counted in the quorum. A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any potential new conflicts before the start of each Board meeting. The Directors are satisfied that this procedure is

GOVERNANCE continued

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

SHARES AND SHAREHOLDERS

Share Capital

The share capital as at 31 December 2019, and rights attaching to the Ordinary Shares are set out in Note 14 to the financial statements. As at the date of this report, the Company's issued share capital consisted of 312,302,305 Ordinary Shares of £0.01 each with voting rights. In addition, 70,313,360 shares were held in Treasury.

At the Company's Annual General Meeting ("AGM") on 11 June 2019, the shareholders of the Company passed certain resolutions in relation to the allotment and buyback of its equity securities which remained valid at 31 December 2019. In summary, these resolutions were:

- An ordinary resolution, to issue shares other than pursuant to the Share Issuance Programme up to an aggregate nominal amount of £382,615, representing approximately 10% of the issued Ordinary Share capital at the date of the Notice of AGM. The Board has authority to continue to allot shares following the exhaustion of the Share Issuance Programme up until the conclusion of the Company's next Annual General Meeting.
- A special resolution authorising the Directors to dis-apply the pre-emption rights of existing Shareholders in relation to issues of Ordinary Shares (being in respect of Ordinary Shares up to an aggregate nominal amount of £382,615 representing up to 10% of the Company's issued Ordinary Share capital as at the date of the Notice). This authority shall expire at the conclusion of the Company's next Annual General Meeting.
- A special resolution authorising market purchases of Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased is up to 52,350,904 ordinary shares, representing 14.99% of the issued Ordinary Shares. This authority shall expire at the conclusion of the Company's next Annual General Meeting.

No Ordinary Shares were alloted by the Company during the year. During the year the Company bought back a total of 47,808,578 Ordinary Shares to be held in Treasury, representing 12.495% of the issued share capital as at 31 December 2019, with an aggregate nominal value of £478,085.78. The total amount paid for these shares was £35,049,382 at an average price of £0.7331 per Ordinary Share. Since the year end, 6,491,024 shares have been bought back and at the date of this report there were 382,615,665 shares in issue of which 76,804,384 were held in Treasury. The total amount paid for these shares from the year end until 20 May 2020 was £4,626,388 at an average price of £0.7127 per Ordinary Share.

At the Company's AGM in 2020, the Board will seek authority to issue Shares and to renew its authority to purchase Ordinary Shares.

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

Except as set out in the Company's Articles, there are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Substantial Shareholdings

The Company has been informed of the following notifiable interests as at 31 December 2019 in the Company's voting rights under DTR 5.

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF VOTING RIGHTS*
Invesco Limited (through Invesco Asset Management Limited)**	52,864,228	16.93%
Weiss Asset Management LP***	23,268,198	7.45%
Premier Fund Managers Limited	22,165,000	7.10%
Newton Investment Management Limited	18,812,979	6.02%
Schroders plc	17,051,320	5.46%
AXA Investment Managers	16,638,018	5.33%

* Percentage of voting rights as at 31 December 2019.

The Company has been notified of the following changes in notifiable interest since the 31 December 2019 and up until the date of this report:

** The Company has been informed that on 21 February 2020, Invesco Limited ceased to hold any Ordinary Shares in the Company.

The Company has been informed that on 21 February 2020, Richard Levy as controlling natural person of SVS Opportunity Fund GP, L.P and SVS Opportunity Fund GP, L.P. as the general partner of SVS Opportunity Fund, L.P, held 56,256,107 Ordinary Shares representing 18.12% of the voting rights of the Company.

*** The Company has been informed that on 9 March 2020, Weiss Asset Management LP reduced their holding to below 5% of the voting rights in the Company.

Articles of Association

Any amendments to the Articles of Association must be made by special resolution at a general meeting of the shareholders.

The Annual General Meeting

The Company's AGM will be held on 17 June 2020 and explanations of the business proposed at the AGM will be contained in the Notice of that Meeting.

AUDITORS AND FINANCIAL STATEMENTS

Independent Auditors

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

The Audit and Valuation Committee has the responsibility for making a recommendation to the Board on the reappointment of the external auditors. After careful consideration and a review of their effectiveness as external auditors, the Audit and Valuation Committee has recommended that PwC be reappointed as the Company's Auditors. Resolutions will therefore be proposed at the forthcoming Annual General Meeting to re-appoint PwC as Auditors and for the Audit and Valuation Committee to determine PwC's remuneration. For more information refer to the Audit and Valuation Committee Report on pages 53 to 56.

Audit Information

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

Financial Risk Management

The principal financial risks and the Group's policies for managing these risks are set out on pages 25 to 28.

GOVERNANCE continued

Subsequent Events

The important subsequent events are included on page 10.

Responsibility for Financial Statements and Going Concern Statement

As discussed in note 2 to the financial statements, the Directors have reviewed the financial projections of the Group from the date of this report, which shows that the Group will be able to generate sufficient cash flows in order to meet its liabilities as they fall due. In assessing the Group's ability to continue as a going concern, the Directors have considered the Company's investment objective, risk management policies (the Group also has detailed policies and processes for managing those risks on pages 25 to 28), capital management (see note 14 to the financial statements), the monthly NAV and the nature of its portfolio and expenditure projections.

Additionally, the Directors have considered the risks arising of reduced asset values and economic disruption caused by the COVID-19 pandemic. The Investment Manager has also performed a range of stress tests and demonstrated to the Directors that even in an adverse scenario of depressed markets that the Group could still generate sufficient funds to meet its liabilities over the next twelve months. The Directors believe that the Group has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future being a period of at least twelve months from the date of this report.

Whilst the Company is obliged to hold a continuation vote at the 2020 AGM, the Directors do not believe this should automatically trigger the adoption of a basis other than going concern in line with the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP") which states that it is more appropriate to prepare financial statements on a going concern basis unless a continuation vote has already been triggered and shareholders have voted against continuation. Additionally, the SORP guidance sets out that it is appropriate for the financial statements to be prepared on a going concern basis whilst making a material uncertainty disclosure as set out in accounting standards.

The Directors considered a number of factors in determining unanimously that shareholders should vote in favour of continuation and has engaged in discussions with a number of shareholders and its advisers in reaching that conclusion, in addition to having considered the recent performance of the Company. Based on this assessment the Directors have made the assumption that the continuation vote will pass, however recognise that the outcome of the vote is not yet known and therefore creates some uncertainty. In accordance with the SORP guidance, the Directors note that these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern.

Based on their assessment and considerations above, the Directors have concluded that the financial statements of the Group and Company should continue to be prepared on a going concern basis and the financial statements have been prepared accordingly. The Directors have also made an assessment of the viability of the Company. The viability statement can be found below.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018, and as part of an ongoing programme of risk assessment, the Directors have assessed the prospects of the Company, to the extent that they are able, over a three-year period. The Directors have chosen a three-year period as this is viewed as sufficiently long term to provide shareholders with a meaningful view, without extending the period so far into the future as to undermine the value of the exercise. Additionally, the balance sheet loan investments held by the Group have a weighted average maturity of approximately three years which allows the investment cash flows, recycling of investments and expenditures commitments of the Group to be reasonably forecasted over this timeframe assuming that the loans are held to maturity.

The three-year review considers the Group's cash flow, cash distributions and other key financial ratios over the period. The three-year review also makes certain assumptions about the normal level of expenditure likely to occur and considers the impact on the financing facilities of the Group. Furthermore, the three-year review period to 31 December 2022 was modelled under several different scenarios. Whilst the financial statements have been prepared on a going concern basis, as noted above there is a material uncertainty in respect of the passing of the continuation vote. As such the models have been produced where the continuation vote passes, as well as where the vote does not pass. As a part of this review, under both continuation vote scenarios, the Directors reviewed a series of stress test scenarios carried out by the Investment Manager which assumed a significant fall in income and asset levels, including the impacts to the Group's financing facilities and were satisfied with the result of this analysis.

The Company's Articles of Association (the "Articles") require an ordinary resolution for continuation of the Company to be proposed at forthcoming Annual General Meeting on 17 June 2020, the Directors fully support a vote in favour of the continuation of the Company and have a reasonable expectation that the continuation vote will be supported by a majority of the Company's shareholders.

In making this assessment on the viability of the Group, the Directors have also taken into consideration each of the principal risks and uncertainties on pages 25 to 28, their mitigants and the impact these might have on the business model, future performance, solvency and liquidity. In addition, the Directors considered the Company's current financial position and prospects, the composition of the investment portfolio, the level of outstanding capital commitments, the term structure and availability of borrowings and the ongoing costs of the business. As part of the approach, due consideration has been given to the uncertainty inherent in financial forecasts and, where applicable, as described above reasonable sensitivities have been applied to the investment portfolio in stress situations.

The main risk to the Company's continuation is shareholder dissatisfaction through failure to meet the Company's investment objective, through poor investment performance or through the investment policy not being appropriate in prevailing market conditions. The Board has given this particular consideration when assessing the longer-term viability of the Company. The Directors have reviewed the level of the discount and do not believe that the currently traded share price is representative of the value of the Company's assets. Performance and demand for the Company's shares are not things that can be forecast.

Based on the Group's processes for monitoring operating costs, the Investment Manager's compliance with the investment objective, asset allocation, the portfolio risk profile, liquidity risk and financial controls, and assuming stressed market conditions the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2022.

ADDITIONAL DISCLOSURES

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The information required under:

- Listing Rule 9.8.4(5) in relation to Richard Levy waiving his Director fee is set out on page 57;
- Listing Rule 9.8.4(10) in relation to Richard Levy's interests in Victory Park Capital Advisors, LLC that is disclosed on pages 37, 51 and 52; and

The Directors confirm that there are no additional disclosures to be made in relation to Listing Rule 9.8.4.

Political Donations

The Company made no political donations during the period to organisations either within or outside of the EU. (Period to 31 December 2018: nil).

Greenhouse Gas Emissions

The Company has no employees or property and it does not combust any fuel or operate any facility. It does not, therefore, have any greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within its underlying investment portfolio.

Modern Slavery Act

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

This Report was approved by the Board of Directors on 20 May 2020 and signed on its behalf by

Link Company Matters Limited
Company Secretary

20 May 2020

GOVERNANCE continued

CORPORATE GOVERNANCE STATEMENT

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

APPLICABLE CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 61, indicates how the Company has applied the principles of recommended governance of the Financial Reporting Council ("FRC") 2018 UK Corporate Governance Code (the 'UK Code') and the AIC's Code of Corporate Governance issued in 2019, (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to Shareholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules. The AIC Code issued in 2019 applies to accounting periods beginning on or after 1 January 2019 and the Company has therefore reported against this version of the Code in this year's Annual Report and Accounts.

The UK Code is available on the FRC website (www.frc.org.uk). The AIC Code is available on the AIC website (www.theaic.co.uk) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

STATEMENT OF COMPLIANCE

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the principles and provisions of the AIC Code except as disclosed below:

- Provision 14: No senior independent director has been appointed. All the Directors have different qualities and areas of expertise on which they lead, and concerns can be conveyed to another Director if Shareholders do not wish to raise concerns with the Chairman or the Chairman of the Audit and Valuation Committee. Any other Director will chair the Board or Nomination Committee meeting when the annual evaluation of the Chairman's performance, his re-election, or the recruitment of his successor, is discussed;
- Provision 23: Directors are not appointed for a specified term, as all Directors are non-executive and the Board believes that a Director's performance and their continued contribution to the running of the Company is of greater importance and relevance to Shareholders than the length of time for which they have served as a Director of the Company. Each Director is subject to the election and re-election provisions set out in the Articles which provide that a Director appointed during the year is required to retire and seek election by Shareholders at the next Annual General Meeting ("AGM") following their appointment. Thereafter the Directors intend to offer themselves for re-election annually; and
- Provision 37: As all the Directors are non-executive, the Board is of the view that there is no requirement for a separate remuneration committee. Directors' fees will be considered by the Board as a whole within the limits approved by Shareholders.

THE PRINCIPLES OF THE AIC CODE

The AIC Code is made up of 17 principles split into five sections covering:

- Board leadership and purpose;
- Division of responsibilities;
- Composition, succession and evaluation;
- Audit, risk and internal control; and
- Remuneration.

BOARD LEADERSHIP AND PURPOSE

A. A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Board considers the long term sustainable success of the Company to be its main focus and all decisions are considered from this point of view. As outlined below, the Company has a clear culture, and strong values. The opportunities and risks faced by the business are considered, monitored and assessed on a regular basis, both in terms of potential risks and also emerging risks. More detail regarding the principal risk and uncertainties and the sustainability of the business model can be found in the Strategic Report on pages 25 to 28.
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The purpose of the Company is to achieve the investment objective as set out on page 1, by providing capital to segments of the economy, which for regulatory and structural reasons are underserved by the traditional banking industry. The strategy that the Board follows in order to execute this is outlined in the Strategic Report on pages 8 to 23. The Board adopts some key values which are embedded into the culture of the business and are key to any investment decision made by the Company. These values and culture also drive the Board's relationship with the Investment Manager These values are: ❖ To ensure all business decisions are made once all potential impacts on stakeholders are fully understood, and are considered to be in the best interests of stakeholders; ❖ To encourage open, honest and collaborative discussions at all levels in Board meetings, with shareholders and stakeholders and with third party service providers; and ❖ To avoid any potential conflicts of interest. The values and culture of the business are considered as part of the annual board evaluation process to ensure that they remain a key focus that all decisions are based on.
C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board and the Management Engagement Committee regularly reviews the performance of the Company and the performance and resources of the Investment Manager to ensure that the Company can continue to meet its objectives. The Board assesses the performance of the Investment Manager in a number of different ways including through the KPIs set out on page 24. The Audit and Valuation Committee is responsible for assessing and managing risks and further information about how this is done can be found in the Audit and Valuation Committee Report on pages 53 to 56.
D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	The Board understands its responsibilities to shareholders and stakeholders and considers the opinions of all such parties when making any decision. The Board considers that, other than shareholders, their other key stakeholders are their portfolio companies, their third-party providers and the Investment Manager. The Management Engagement Committee considers the relationship with all of the third-party providers on at least an annual basis and there is an ongoing dialogue with the Investment Manager to ensure views are aligned. The Board considers the impact any decision will have on all stakeholders to ensure that they are making a decision that promotes the long-term success of the Company, whether this be in relation to dividends, new investment opportunities, potential future fundraisings, etc.

GOVERNANCE continued

BOARD LEADERSHIP AND PURPOSE

In addition, the Directors welcome the views of all shareholders and place considerable importance on communications with them. In addition, the Directors are available to meet shareholders. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the Registered Office.

Representatives of the Investment Manager regularly meet institutional shareholders to discuss historical performance and to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting. Regular reports on investor sentiment and industry issues from the Company's broker are submitted to the Board.

Any substantive communications regarding any major corporate issues are discussed by the Board, taking into account representations from the Investment Manager, the Auditor, legal advisers, brokers and Company Secretary.

DIVISION OF RESPONSIBILITIES

F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

There is a clear division of responsibility between the Chairman, the Directors, the Investment Manager and the Company's other third-party service providers. The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and is responsible for ensuring that all Directors receive accurate, timely and clear information.

The Board meets regularly throughout the year and representatives of the Investment Manager are in attendance, when appropriate, at each meeting and at most Committee meetings.

The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objectives, strategy and benchmarks, the permitted types or categories of investments, the markets in which transactions may be undertaken, the level of permitted gearing and borrowings, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's treasury and share buyback policies.

The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, gearing, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues.

The review of each Director's performance was undertaken by the Chairman and the review of the Chairman's performance was carried out during the period by Elizabeth Passey. This concluded that the Directors believed the Chairman encouraged good debate, ensured all Directors were involved in discussions and that the Board as a whole was working well.

DIVISION OF RESPONSIBILITIES

G. The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making.	All of the Directors are non-executive and are independent of the Investment Manager and the other service providers (with the exception of Richard Levy who is the Chief Executive Officer and Founder of VPC, the Company's Investment Manager). A majority of the Board will at all times be independent of the Investment Manager. The Chairman, Kevin Ingram, was independent of the Investment Manager at the time of his appointment and remains so. The Board is aware of the AIC's guidance on this issue and regards Kevin Ingram as independent. None of the Directors is a director of another investment company managed by the Company's Investment Manager nor has any Board member been an employee of the Company or currently have any connection to any of its service providers (with the exception of Richard Levy). The Board evaluation concluded that each Director provides a valuable contribution to Board meeting discussions and exercises appropriate levels of challenge and debate.
H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.	As part of the Board evaluation process, the contributions of each director, as well as the time commitments made by each board member are considered and reviewed. As explained above, it was concluded that each Director provided appropriate levels of challenge and provided the Company and the Investment Manager with guidance and advice when required. The Management Engagement Committee reviews the performance and cost of the Company's third-party service providers on an annual basis. More information regarding the work of the Management Engagement Committee can be found on page 50.
I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Directors have access to the advice and services of the Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.

COMPOSITION, SUCCESSION AND EVALUATION

J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	The Board has established a Nomination Committee, comprising all of the independent Directors. This Committee will lead the appointment process of new Directors, as and when vacancies arise and as part of the Directors' ongoing succession plans. More information regarding the work of the Nomination Committee can be found on page 50. The Board has adopted a diversity policy, which acknowledges the benefits of greater diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the following objectives for the appointment of Directors have been established: ❖ all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective; and ❖ long lists of potential non-executive directors should include diverse candidates of appropriate merit. The Company will be committed to ensuring that any vacancies to the Board arising in future are filled by the most qualified candidates.

GOVERNANCE continued

COMPOSITION, SUCCESSION AND EVALUATION

K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

Directors biographical details are set out on page 36 of this Report. These demonstrate the wide range of skills and experience that they bring to the Board.

Each Director was appointed with a view to having a Board with a good combination of skills, experience and knowledge. This is reviewed as part of the annual evaluation process. In the future, when considering new appointments, the Board will review the skills of the Directors and seek to add persons with complementary skills or who possess skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively.

Details of the policies on tenure of the Directors and the Chairman can be found below on pages 48 and 49 of this Report.

L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

The Board has agreed to evaluate its own performance and that of its Committees, Chairman and Directors on an annual basis. For the period under review this was carried out by way of a questionnaire. The Chairman led the assessment, which covered the functioning of the Board as a whole, the effectiveness of the Board Committees and the independence and contribution made by each Director.

As necessary, the Chairman discussed the responses with each Director individually. The Chairman absented himself from the Board's review of his effectiveness as the Company Chairman, and this review was is led by Elizabeth Passey.

Following this review, the Board is satisfied that the structure, mix of skills and operation of the Board is effective and relevant for the Company.

The individual performance of each Director standing for re-election has been evaluated and a recommendation is being made that shareholders vote in favour of their re-election at the AGM. All Directors will be subject to annual re-election by shareholders. More information regarding the proposed election of each Director can be found in the separate AGM circular.

AUDIT, RISK AND INTERNAL CONTROL

M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.

The Audit and Valuation Committee has put in a place a non-audit services policy, which ensures that any work outside the scope of the standard audit work requires prior approval by the Audit and Valuation Committee. This enables the Committee to ensure that the external auditors remain fully independent.

In addition, the Audit and Valuation Committee carries out a review of the performance of the external auditor on an annual basis. Feedback from other third parties, including the Investment Manager, is included as part of this assessment to ensure the Audit and Valuation Committee takes into account the views of different parties who have a close working relationship with the external auditor.

Further information regarding the work of the Audit and Valuation Committee can be found on pages 49 and 50.

N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.

The Board and Audit and Valuation Committee have considered the Annual Report and Accounts as a whole and agreed that they believe that the document presents a fair, balanced and understandable assessment of the Company's position and prospects. In particular, they have considered the language used in the document to ensure unnecessary jargon is avoided. They have also considered in particular the content of the Strategic Report which provides a clear outline of the Company's position and prospects.

AUDIT, RISK AND INTERNAL CONTROL

O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	The Audit and Valuation Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon. The Directors have carried out a review of the effectiveness of the Company's systems of internal control as they have operated over the year and up to the date of approval of the Annual Report. Given the nature of the business, the Company is reliant on its service providers and their internal controls. The Audit and Valuation Committee reviews the Investment Manager's compliance and control systems in operation insofar as they relate to the affairs of the Company. As set out in more detail in the Report of the Audit Committee on pages 53 to 56, the Company has in place a system for assessing the adequacy of those controls. There were no material matters arising from the review of the Company's controls that required further investigation and no significant failings or weaknesses were identified.

REMUNERATION

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	As outlined in the Directors' Remuneration Report on page 57, the Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments. Directors are not eligible for bonuses, share options, long-term incentive schemes or other performance- related benefits as the Board does not believe that this is appropriate for non-executive Directors. The remuneration policy is therefore designed to attract and retain high quality Directors, whilst ensuring that Directors remain focused and incentivised to promote the long-term sustainable success of the Company. All Directors own shares in the Company, all of which were purchased in the open market and using the Directors' own resources. The Board will periodically review the fees paid to the Directors and compare these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the time commitment and responsibility of each Board member. More information regarding the Remuneration Policy can be found in the Remuneration Report on pages 57 to 60.
Q. A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Remuneration Policy has been developed with reference to comparable organisations and appointments. There is an agreed fee which all non-executive directors receive (irrespective of experience or tenure) and an additional fee for the role of Audit and Valuation Committee Chairman. There is also an agreed fee for the role of Chairman. Any changes to the Chairman's fee is considered by the Board as a whole, with the exception of the Chairman who excuses himself from this part of the meeting.
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Any decision with regard to remuneration is taken after considering the performance of the Company and the current market conditions. Any increase in directors' fees would need to be supported by positive growth of the Company. The Board has no current intention to change the proposed Remuneration Policy for the foreseeable future. If any significant changes to the Remuneration Policy were to be considered, the Board would consult with shareholders and external remuneration consultants before proposing any such changes.

GOVERNANCE continued

ROLE OF THE BOARD

A management agreement between the Company and the Investment Manager sets out the matters over which the Investment Manager has authority. This includes management of the Company's assets and some marketing services. The Board is collectively responsible for the success of the Company and a formal schedule of matters reserved to the Board for decision has been approved, which is available on the Company's website: https://vpcspecialtylending.com. This includes strategy and management, Board and committee membership and other appointments, appointment and oversight of delegates, corporate structure and share capital, remuneration, financial reporting and controls, company contracts, internal controls, corporate governance and policies.

The Board is responsible for the approval of annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Group's position and prospects.

The Board's role is to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. It is responsible for setting the Company's standards and values and for ensuring that its obligations to its Shareholders and other stakeholders are understood and met. The Board sets the Company's strategic aims (subject to the Company's Articles of Association, and to such approval of the Shareholders in General Meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met.

The Board meets formally at least seven times a year, with additional ad hoc Board or Committee meetings arranged when required. The Directors have regular contact with the Investment Manager and Company Secretary between formal meetings.

Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's NAV, share price, discount, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The Board monitors compliance with the investment restrictions required by the FCA and s1158 of the Corporation Tax Act 2010, the Company's objective, investment, borrowing and hedging policies and reviews the investment strategy. The Board regularly receives reports from the Investment Manager on marketing and investor relations. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, Link Company Matters Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

BOARD COMPOSITION

The Board is chaired by Kevin Ingram and consists of five non-executive Directors who have all served throughout the period. With the exception of Richard Levy, all of the Board are regarded as independent of the Company's Investment Manager, including the Chairman.

The Directors have a breadth of investment, financial and professional experience relevant to the Company's business and brief biographical details of each Director are set out on page 36.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below.

TENURE

Directors are generally initially appointed by the Board, until the following AGM when, as required by the Company's Articles of Association, they will stand for re-election by Shareholders. Thereafter, a Director's appointment is subject to an annual performance evaluation and the approval of Shareholders at each AGM, in accordance with corporate governance best practice.

Under the Articles of Association, Shareholders may remove a Director before the end of his or her term by passing a special resolution at a meeting, and may by ordinary resolution appoint another person who is willing to act to be a Director in his or her place. A special resolution is passed if more than 75% and an ordinary resolution if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

In accordance with the above and the AIC Code, all Directors will stand for re-election at the 2020 Annual General Meeting. The contribution and performance of the Directors seeking re-election was reviewed by the Nomination Committee at its meeting in November 2019, which recommended to the Board their continuing appointment.

The Board has adopted a formal tenure policy for Directors based on a continual review of performance. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board takes into account the on-going requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. It is not anticipated that any of the Directors would normally serve in excess of nine years. In exceptional circumstances, which would be fully explained to Shareholders at the time, a short extension might be appropriate.

Similarly, it is not anticipated that the Chairman will normally serve in excess of nine years. However, given the entirely non-executive nature of the Board and as the Chairman may not be appointed as such at the time of their initial appointment as a Director, in exceptional circumstances, which would be fully explained at the time, a short extension might be appropriate. As with all Directors, the continuing appointment of the Chairman is subject to on-going review of performance, including a satisfactory annual evaluation, annual re-election by Shareholders and may be further subject to the particular circumstances of the Company at the time he or she intends to retire from the Board.

DIVERSITY

The Directors acknowledge the benefits of Board diversity and continual review of the Board's and individual Directors' effectiveness, while seeking to retain a balance of knowledge of the Company, diversity and continuity in the relationship with the Investment Manager. The Board has adopted a Diversity Policy in line with its commitment to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board.

The Board does not feel that it would be appropriate to set targets as all appointments must be made on merit. However, diversity generally will be taken into consideration when evaluating the skills, knowledge and experience desirable to fill each Board vacancy.

INDUCTION AND TRAINING

On appointment, the Investment Manager and Company Secretary provides new Directors with induction training as appropriate. The training covers the Company's investment strategy, policies and practices. The Directors are also given regular briefings on changes in law and regulatory requirements that affect the Company and the Directors. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible for general secretarial functions and for assisting the Company with compliance with its continuing obligations as a company listed on the premium segment of the Official List. The Company Secretary is also responsible for ensuring good information flows between all parties.

BOARD COMMITTEES

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

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

Audit and Valuation Committee

The Company's Audit and Valuation Committee meets at least twice during the year and is chaired by Clive Peggram.

The main responsibilities of the Audit and Valuation Committee are set out below. The Company's Audit and Valuation Committee Report is on pages 53 to 56.

The Audit and Valuation Committee is responsible for monitoring the integrity of the financial statements of the Group and any other formal announcements in relation to its financial performance. On an annual basis, it reviews the adequacy and effectiveness of the Group's financial reporting and internal control policies. The Committee reviews the scope, results, cost

GOVERNANCE continued

effectiveness, independence and objectivity of the external auditor and makes recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's Auditors.

Management Engagement Committee

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

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

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

During the year, the Management Engagement Committee met once to consider the performance of the service providers and Investment Manager. Following the recommendation from the Management Engagement Committee, the Board agreed that the continuing appointment of the Investment Manager on the current terms (as summarised on pages 51 and 52) was in the interest of the shareholders as a whole. This is primarily driven by the Investment Manager's extensive experience and impressive track record in the specialty lending sector.

Nomination Committee

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

During the period, the Nomination Committee met five times.

During 2019 the Nomination Committee also reviewed the composition of the Board and its committees. The review determined that, following the change in Kevin Ingram and Clive Peggram's responsibilities, a new Non-Executive Director should be appointed. The Nomination Committee considered the structure, size and composition of the Board as well as the skills and experience required from a prospective candidate. Following this process, the Nomination Committee concluded that Mark Katzenellenbogen was a suitable individual for the role and recommended that he be appointed to the Board.

The Nomination Committee also reviewed the submission of Directors for re-election at the Company's 2020 AGM. It also considered the Board evaluation process and approach to policy on tenure, as disclosed elsewhere in this report. The Nomination Committee also considered the benefits of diversity in relation to Board composition. It was agreed that, while the benefits of diversity, including gender, would be taken into account in Board appointments, the overriding priority should be appointment on merit, therefore, no measurable targets in relation to Board diversity would currently be set.

Disclosure Committee

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

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

The Disclosure Committee met once during 2019. The Investment Manager regularly provided papers and updated the Board on items as they related to the Market Abuse Regulation.

BOARD AND COMMITTEE MEETING ATTENDANCE

The Board has at least seven scheduled meetings a year and more often if required. Directors' attendance at Board and Committee meetings held during the year to 31 December 2019 is set out in the below table:

DIRECTOR	BOARD[18]	AUDIT AND VALUATION COMMITTEE[18]	MANAGEMENT ENGAGEMENT COMMITTEE[18]	NOMINATION COMMITTEE[18]
Kevin Ingram	9 (9)	6 (6)	1 (1)	5 (5)
Mark Katzenellenbogen[19]	7 (7)	4 (4)	1 (1)	2 (2)
Richard Levy	9 (9)	N/A	N/A	N/A
Elizabeth Passey[20]	8 (9)	6 (6)	1 (1)	5 (5)
Clive Peggram	9 (9)	6 (6)	1 (1)	5 (5)

BOARD RESPONSIBILITIES AND RELATIONSHIP WITH INVESTMENT MANAGER

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

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

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

Summary of Investment Management Agreement

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

Under the terms of the IMA, the Investment Manager is entitled to a management fee together with reimbursement of all reasonable costs and expenses incurred by it in the performance of its duties. The Investment Manager is also entitled to a performance fee in certain circumstances (see further below). Further documentation of the fees are included in Note 10 of the financial statements on page 117.

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

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

In 2016, the Company and the Investment Manager agreed on an amendment to the IMA. Under the revised agreement, the Investment Manager agreed to invest 20 per cent. of its monthly management fee received from the Company into shares in the

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

[19] Mark Katzenellenbogen joined the Board on 1 May 2019.

[20] Due to a pre-existing commitment Elizabeth Passey was not able to attend one Board meeting during the year. This meeting fell outside the normal Board meeting cycle.

GOVERNANCE continued

Company at the prevailing market price on an on-going basis, provided that the shares are trading at a discount to the prevailing net asset value and the Investment Manager does not hold more than 10% of the voting rights of the Company. Since 2016 the Investment Manager has acquired 3,159,635 Ordinary Shares in the Company through this mechanism.

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

Continuing appointment of the Investment Manager

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

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

Link Company Matters Limited
Company Secretary

20 May 2020

AUDIT AND VALUATION COMMITTEE REPORT

MEMBERSHIP OF THE COMMITTEE

The Audit and Valuation Committee (the "Committee") meets at least two times a year and met six times during 2019. All the independent Directors are members of the Committee. Clive Peggram became the Interim Chairman and then Chairman of the Audit and Valuation Committee on 14 December 2018 and 26 April 2019 respectively. Representatives of the Auditors also attend and present at meetings of the Committee. The other Directors considered that it was appropriate for Kevin Ingram as Chairman of the Board to be a member of, but not chair, the Committee, due to the Board's small size, the lack of perceived conflict of interest, and because the other Directors believe that Kevin Ingram continues to be independent. Mr. Levy also attends meetings of the Committee by invitation along with other members of the Investment Manager's management team.

THE ROLE OF THE AUDIT AND VALUATION COMMITTEE

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

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

MATTERS CONSIDERED IN THE YEAR

The principal matters considered by the Committee were as follows:

- the internal controls, including cyber security, and risk management of the Group and Investment Manager;
- the Auditors' fees;
- the timetable for the approval, announcement and distribution of dividends;
- the valuation of loans and equity, including valuation policy;
- the plan for the audit of the Group's Annual Financial Statements;
- the Group's half-year financial statements and Annual Financial Statements;
- making recommendations to the Board regarding interim dividend payments;
- key risks in relation to the Group's financial statements (see page 55 for more details).
- the Group's expected credit loss reserving policy;
- the Group's non-audit services policy;
- the Viability and Going Concern statements;
- consideration of COVID-19 and its impact on the Group's financial statements; and
- its own performance as a Committee, and its terms of reference.

GOVERNANCE continued

INTERNAL AUDIT

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

Discussion of the Group's principal risks is on pages 25 to 28.

EXTERNAL AUDIT

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

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

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

- discussing the overall risk-based audit process and the audit procedures taken to address the identified significant risks;
- considering feedback on the audit provided by the Investment Manager and the Administrator; and
- considering the experience, involvement of specialists and continuity of the audit team, including the audit partner.

The Audit and Valuation Committee has considered the significant risks identified by the audit team during the audit of the financial statements for the year. The feedback provided by the Investment Manager and by the Administrator regarding the audit team's performance on the audit is positive. The Committee acknowledged that the audit team, including the audit partner, comprised staff with appropriate levels of knowledge and experience of the investment trust sector. Accordingly, the Committee has recommended to the Board that PwC be re-appointed as Auditors at the forthcoming AGM. PwC has confirmed its willingness to continue in office.

AUDIT FEES AND NON-AUDIT SERVICES

The breakdown of fees between audit services and non-audit services for the period are provided in Note 3 of the financial statements. There were no non-audit services rendered during the year.

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

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT AND VALUATION COMMITTEE

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

SIGNIFICANT AREA	HOW ADDRESSED
Valuation of unquoted investments reported at fair value through profit or loss.	Investments that are unlisted or not actively traded are valued using a variety of techniques to determine a fair value, as set out in the accounting policies note beginning on page 85, and all such valuations are carefully reviewed by the Investment Manager's valuation committee as well as the Committee. Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors.
Valuation of loan investments reported at amortised cost less expected credit losses.	The Investment Manager values the loans at amortised cost and monitors the performance and repayment of the loans to assess whether any expected credit losses exist, as set out in the accounting policies note beginning on page 85. The valuation approach has been reviewed by the Investment Manager's valuation committee as well as the Committee.
Fraud in income recognition.	The Investment Manager recognises income as revenue return provided that the underlying assets of the investments comprise solely income generating loans, or investments in lending Portfolio Companies which themselves generate net interest income. The Committee has reviewed income recognition with the Investment Manager and has inquired with the Auditors regarding the testing performed over income recognition and the conclusions reached.
Going concern in relation to the continuation vote.	Refer to pages 40 and 41 for the assessment the Directors have performed in relation to the going concern and viability statements of the Company. The Directors have taken into account its expectations of the results of the forthcoming continuation vote and are recommending that shareholders vote in favour of the continuation resolution.

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

GOVERNANCE continued

SIGNIFICANT ISSUES IDENTIFIED POST YEAR-END

The Committee has considered the post year-end impact of the COVID-19 pandemic on the Annual Report and financial statements. The impact of COVID-19 on the Group's net assets and share price are considered non-adjusting subsequent events and disclosure has been made of the impact in Note 20 on page 129. The Committee has also taken a significant amount of time to ensure that the Annual Report, as a whole, reflects the performance for the year under review, but also fairly presents sufficient information to shareholders on the events subsequent to the year-end, including those that impact on the going concern and viability of the Group. The Committee has followed guidance issued by the FCA and the FRC in respect of announcing its year-end results during the current market environment and has been in close communication with PwC throughout in respect of this matter. This has resulted in a delay to the publication of the Annual Report this year.

For and on behalf of the Audit and Valuation Committee:

Clive Peggram
Audit and Valuation Committee, Chairman

20 May 2020

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT FROM THE CHAIRMAN

This Directors' Remuneration Report for the year ended 31 December 2019 has been prepared in accordance with Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and, alongside this Annual Statement, comprises two separate parts: the Annual Report on Remuneration and the Directors' Remuneration Policy.

The Annual Report on Remuneration sets out payments made to the Directors during the period. This report, including this Annual Statement, is subject to an advisory vote by Ordinary Resolution at the Company's forthcoming AGM. The Directors' Remuneration Policy is forward-looking and was approved by shareholders at the Company's last AGM in June 2019. The resolution at the 2019 AGM to approve the Directors' Remuneration Policy was passed with 100.0% of votes 'for'. The resolution at the 2019 AGM to approve the Directors' Remuneration Report was also passed with 100.0% of the votes 'for'. The current shareholder approved policy governs the remuneration of the directors for a period of three years expiring at the AGM in 2022. Any views expressed by shareholders on the remuneration being paid to Directors will be taken into consideration by the Board.

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

The Directors of the Company are all Non-Executive and, with the exception of Mr. Levy, who has agreed to waive his fee, receive a fee per annum which for the year ended 31 December 2019 was £55,000 for the Chairman and £33,000 for the other Directors. The Chairman is entitled to a higher fee to reflect the additional work required to carry out the role. The Chairman of the Audit and Valuation Committee receives an additional fee of £5,500 per annum for taking on this responsibility.

DIRECTORS' REMUNERATION POLICY

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

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

[21] The Chairman of the Board is paid a higher fee than the other Directors to reflect the more onerous role.
[22] The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to £500,000 per annum.
[23] The Chairman of the Audit & Valuation Committee is paid a higher fee than the other Directors to reflect the more onerous role.
[24] Additional fees would only be paid in exceptional circumstances in relation to the performance of extra or special services.
[25] Andrew Adcock passed away on 26 January 2019.
[26] Mark Katzenellenbogen was appointed as a Director on 1 May 2019.

GOVERNANCE continued

Directors' fee levels

COMPONENT	ROLE	RATE AS AT 31 DECEMBER 2019	PURPOSE OF REMUNERATION
Annual fee	Chairman	£55,000	Commitment as Chairman[21]
Annual fee	Non-executive Director	£33,000	Commitment as non- executive Director[22]
Additional fee	Chairman of the Audit & Valuation Committee	£5,500	For additional responsibilities and time commitments[23]
Additional fee	All Directors	N/A	For extra or special services performed in their role as a Director[24]

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

Fees of any new Director appointed will be on the above basis and are likely to be in-line with the fees of existing Directors. Fees payable in respect of subsequent periods will be determined following an annual review. The Company has no employees other than its Directors who are all Non-Executive. When considering the level of fees, the Board will evaluate the contribution and responsibilities of each Director and the time spent on the Company's affairs. Following approval of the Directors' Remuneration Policy by Shareholders at the last AGM in June 2019, the Company believes the remuneration of Directors to be appropriate given the nature of the Company and will review the Directors' fees against remuneration of other investment companies of similar size in future years. The current fees are also within the limits set out in the Company's Articles of Association, which prohibit the total aggregate annual fees payable to the Directors in respect of any financial period to exceed £500,000 per annum. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

ANNUAL REPORT ON REMUNERATION

Service Contracts Obligations and Payment on Loss of Office

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

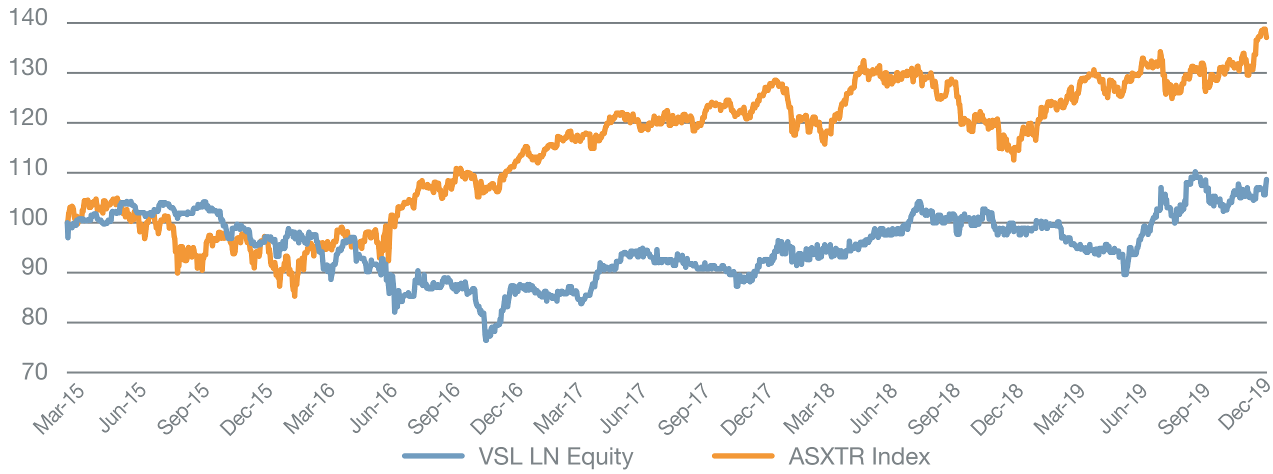
Total Remuneration Paid to Each Director (Audited)

DIRECTORS' REMUNERATION	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Andrew Adcock[25]	2,412	50,000
Kevin Ingram	55,000	35,000
Mark Katzenellenbogen[26]	22,000	nil
Elizabeth Passey	33,000	30,000
Clive Peggram	38,500	30,000
Richard Levy	nil	nil
Total	150,912	145,000

No Director is eligible for any pension entitlements.

Share Price Total Return

The graph below compares the shareholder return on the Company's Shares compared to that of the FTSE All-Share Total Return Index ("ASX Total Return Index") from 16 March 2015 to 31 December 2019. The Board has adopted as this measure for the Company's performance as there is no widely used comparative benchmark for the underlying credit assets that the Company invests in.



Source: Bloomberg.

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

Relative Importance of Spend on Pay

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

	2019 £	2018 £
Total Directors' Remuneration	150,912	145,000
Total Share Buyback	35,049,382	8,030,232
Total Dividend Payments	26,627,820	28,959,333

The 2019 total dividend payments above includes the fourth quarter dividend that was paid in the second quarter of 2020. The 2018 total dividend payments above includes the fourth quarter dividend that was declared and paid in the second quarter of 2019. Refer to Note 15 on page 122 for further disclosures on the total dividend payments.

Remuneration Advisors

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

GOVERNANCE continued

Directors' Interests (Audited)

There is no requirement under the Company's Articles of Association or letters of appointment for Directors to hold shares in the Company.

The interests of the Directors in the shares of the Company at the end of the period under review were as follows:

DIRECTOR		31 DECEMBER 2019	31 DECEMBER 2018
Kevin Ingram	Ordinary Shares	64,968	64,968
Mark Katzenellenbogen	Ordinary Shares	140,000	NA
Richard Levy	Ordinary Shares	4,186,335	3,430,189
Elizabeth Passey	Ordinary Shares	10,000	10,000
Clive Peggram	Ordinary Shares	258,240	258,240

As at 31 December 2019 and 31 December 2018, Mr Levy's beneficial interests included 2,886,335 and 2,130,189 Ordinary Shares held by Victory Park Capital Advisors LLC ("VPC"), respectively, deemed a person closely associated with Richard Levy under the EU Market Abuse Regulation (MAR). From 1 January 2020 to 20 May 2020 VPC have purchased a further 357,827 Ordinary Shares. On 21 February 2020, Richard Levy as controlling natural person of SVS Opportunity Fund GP, L.P and SVS Opportunity Fund GP, L.P. as the general partner of SVS Opportunity Fund, L.P, announced that it held 56,256,107 Ordinary Shares representing 18.12% of the voting rights of the Company.

Implementation of Policy in the Next Year

No significant changes to the remuneration policy are expected for the upcoming fiscal year. The Board may continue to review fees against peer companies and in light of the time commitment and skills of the Directors.

Approval

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Implementation summarises, as applicable, for the period to 31 December 2019:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the year; and

(c) the context in which the changes, if any, occurred and decisions have been taken.

This report was approved by the Board of Directors on 20 May 2020 and signed on its behalf by

Kevin Ingram
Chairman

20 May 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

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

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

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

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

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

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

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

For and on behalf of the Board:

Kevin Ingram
Chairman

20 May 2020

GOVERNANCE continued

REGULATORY DISCLOSURES

AIFMD DISCLOSURES

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

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

REPORT ON REMUNERATION

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

RISK DISCLOSURES

The financial risk disclosures relating to risk framework, gearing and liquidity risk as required in accordance with the AIFMD are set out on pages 25 to 28 and in Note 6 of the financial statements.

PRE-INVESTMENT DISCLOSURES

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

INFORMATION TO BE DISCLOSED IN ACCORDANCE WITH LISTING RULE 9.8.4R

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

SECTION	LISTING RULE REQUIREMENT	LOCATION
9.8.4 (1)	A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
9.8.4 (2)	Information required in relation to the publication of unaudited financial information.	Not applicable
9.8.4 (3)	This provision has been deleted.	Not applicable
9.8.4 (4)	Details of any long-term incentive schemes.	Not applicable
9.8.4 (5), (6)	Details of any arrangements under which a director has waived emoluments, or agreed to waive any future emoluments, from the company.	Page 57
9.8.4 (7)	Details of any non pre-emptive issues of equity for cash.	Not applicable
9.8.4 (8)	Details of any non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	Not applicable
9.8.4 (9)	Details of parent participation in a placing by a listed subsidiary.	Not applicable
9.8.4 (10) 52	Details of any contract of significance with the Company (or one of its subsidiaries) with respect to which a director or controlling shareholder is material interested.	Pages 37, 51 and 52
9.8.4 (11)	Details of any contract of significance for the provision of services to the Company (or one of its subsidiaries) by a controlling shareholder.	Not applicable
9.8.4 (12), (13)	Details of waiver of dividends by a shareholder.	Not applicable
9.8.4 (14)	Board statement in respect of relationship agreement with the controlling shareholder.	Not applicable

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, VPC Specialty Lending Investments PLC's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the Consolidated and Parent Company Statements of Financial Position as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows, and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

We have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Material uncertainty related to going concern – Group and Company

In forming our opinion on the Group and Company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's and Company's ability to continue as a going concern. A continuation vote is due to take place at the 2020 AGM, which, if passed, will allow the Company to continue as an investment trust for a further five years. However, the outcome of the vote is not yet known. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The Group and Company financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

In concluding that there is a material uncertainty we considered: the recommendation of the Directors to support the continuation vote; the stability and diversity of the Company's shareholder register and the type of shareholder on the register; the Group's recent positive performance track record, in particular during 2019; the significant decline in the share price of the Company post year end; and the discussions with and/or feedback received by the Board and its professional advisers from a wide range of shareholders.

Our audit approach

Overview

- Overall Group materiality: £2.9 million (2018: £3.2 million), based on 1% of total equity attributable to shareholders of the Company.
- Overall Company materiality: £2.8 million (2018: £3.1 million), based on 1% of total equity.

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

- Valuation of investment assets designated as held at fair value through profit or loss (Group and Company).
- Valuation of loans reported at amortised cost less expected credit losses (Group).
- Income recognition (Group).
- Performance fee (Group and Company).

The scope of our audit

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

Capability of the audit in detecting irregularities, including fraud

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

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

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

INDEPENDENT AUDITORS' REPORT continued

Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of investment assets designated as held at fair value through profit or loss (Group and Company) Refer to page 55 (Audit and Valuation Committee Report), pages 85 to 98 (Significant accounting policies) and note 3 to the consolidated financial statements. Investment assets designated as held at fair value through profit or loss comprised of investments in funds, investments in securitisations and other unquoted investments valued at £42.5 million (Group) and £4.5 million (Company). The valuation of these investments requires estimates and significant judgements to be applied by the Directors such that changes to key inputs to the estimates, assumptions and/or the judgements made can result, either on an individual investment or in aggregate, in a material change to the valuation.	We understood and evaluated the valuation methodology applied, by reference to accounting standards and industry practice, and tested the techniques used to determine the fair value of investment assets designated as held at fair value through profit or loss. On a sample basis, our testing included: ❖ obtaining and reading copies of audited financial statements of the investments made in funds; ❖ utilising our valuation experts to determine an independently derived range of appropriate values for investments in securitisation interests and comparing the Group's valuation to this range; and ❖ performing substantive procedures to corroborate the accuracy and reasonableness of inputs used in valuations for other unquoted investments, including recent transaction prices, underlying investment company and other market performance information. We also read the valuation reports prepared by the Investment Manager used in Investment Committee meetings where the valuations of the investments were discussed and agreed. This, together with the work outlined above and our knowledge of the underlying investments enabled us to assess the appropriateness of the methodology and key inputs used, and the valuations themselves. We found that the valuation of investments reported as held at fair value through profit or loss were consistent with the Group's accounting policies, IFRSs as adopted by the European Union, and that the assumptions used were supportable.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of loans reported at amortised cost less expected credit losses (Group) Refer to page 55 (Audit and Valuation Committee Report), pages 85 to 98 (Significant accounting policies) and Note 6 and 9 to the consolidated financial statements. Loans reported at amortised cost represented a material balance in the financial statements and the expected credit loss assessment requires estimates and significant judgements to be applied by the Directors such that changes to key inputs to the estimates and/or the judgements made can result, either on an individual loan or in aggregate, in a material change to the valuation. The assumptions and judgements of most significance include the following: ❖ The application of Portfolio Company cumulative loss rates, ❖ The 'staging' thresholds selected by the Investment Manager to determine a significant increase in credit risk, and hence whether a 12 month or lifetime loss provision is recorded; and ❖ The application of forward looking economic assumptions used in the models, including the Investment Managers' assumptions for a global downside scenario.	We understood and evaluated the valuation methodology applied, by reference to accounting standards and industry practice, and tested the techniques used, in determining the amortised cost amount and recognition of expected credit losses. Our testing included:: ❖ updated our understanding of Investment Manager's impairment methodology; ❖ conducted a review of the Investment Manager's methodology, including key assumptions and parameters to ensure it is in line with IFRS 9 and appropriate given our understanding of the portfolio; ❖ tested the modelling methodology on a sample basis using our modelling specialists; ❖ assessed the appropriateness of staging criteria assumptions and adherence to IFRS 9 requirements; ❖ evaluated the reasonableness of economic scenarios applied using our modelling specialists; ❖ tested on a sample basis the integrity of the data used in the models; ❖ tested the collateral coverage of the balance sheet loans and reviewed related loan covenants at the Portfolio Company level; and ❖ tested the Investment Manager's controls over the accuracy of Portfolio Company loan reporting, adherence to loan risk criteria and their review of operational strength of the Portfolio Companies. We found that the valuation of loans reported at amortised cost was supportable.
Income recognition (Group) Refer to page 55 (Audit and Valuation Committee Report), pages 86 and 87 (Significant Accounting Policies) and Note 5 to the consolidated financial statements). There is a risk of fraud in income recognition because of the pressure management may feel to achieve the targeted revenue yield in line with the objective of the Group. We focused on the recognition policy adopted by the Group, and on the accuracy and occurrence of interest income from loans, and its presentation in the Consolidated Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because inaccurate income could have a material impact on the Group's net asset value and dividend cover.	We assessed the accounting policy for income recognition and determined that it was in compliance with IFRSs as adopted by the European Union and the AIC SORP. We tested that income had been recognised in accordance with the accounting policy. We understood and evaluated the design and implementation of controls surrounding income recognition. We performed sample testing on loan interest income, agreeing interest rates and maturities to supporting documentation, including loan agreements, and to cash received. We tested the allocation and presentation of income between the income and capital return columns of the Consolidated Statement of Comprehensive Income in line with the requirements set out in the AIC SORP. We found that the income recognised by Group was supportable based on the audit evidence obtained.

INDEPENDENT AUDITORS' REPORT continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Performance fee (Group and Company) Refer to page 87 (Significant Accounting Policies) and Note 10 to the consolidated financial statements. We focused on this area because the performance fee is calculated using a complex methodology as set out in the Investment Management Agreement with the Investment Manager. Based on the calculation performed by the Investment Manager, £7.4 million of performance fee is payable for the year.	We tested the calculation of the performance fee to ensure that it complied with the methodology as set out in the Investment Management Agreement, and agreed the inputs to the calculation, including the Adjusted Net Asset Value, High Water Mark and other data, to supporting documentation. Our procedures did not identify any material misstatements.
Consideration of the impact of COVID-19 (Group and Company) Refer to pages 8 to 11 (the Chairman's Statement), pages 12 to 19 (Investment Manager's Report), pages 25 to 28 (Principal Risks) , page 56 (Audit and Valuation Committee Report) and Note 20 to the consolidated financial statements, which disclose the impact of the COVID-19 pandemic. From a small number of cases of an unknown virus in 2019, the COVID-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the 2020. The impact of the COVID-19 pandemic has been treated as a non-adjusting event as it is indicative of conditions that arose after the end of the reporting period. The Directors have prepared the financial statements of the Group and the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that notwithstanding the potential impact on the economy and the related uncertainties, they are satisfied that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future and that the Group and the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the COVID-19 pandemic.	We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the Group and the Company by: ❖ Evaluating the Group's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19. ❖ Evaluating the Directors' assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. We assessed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal Risks set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report. We agree with the Directors' conclusion that the impact of COVID-19 should be treated as a non-adjusting event after the end of the reporting period and are satisfied that it has been appropriately disclosed as such in the financial statements. We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report by: ❖ Obtaining evidence to support the key assumptions driving the Directors' assessment. This included reviewing the Directors' assessment of the Group and the Company's financial position, its future projections, and updated loan covenant analysis, as well as their review of the operational resilience of the Group and the Company and oversight of key third party service providers. Our conclusions relating to going concern are set out in the 'Going Concern' section below.

How we tailored the audit scope

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

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£2.9 million (2018: £3.2 million).	£2.8 million (2018: £3.1 million).
How we determined it	1% of total equity attributable to shareholders of the Company.	1% of total equity.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for Investment Trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate basis for our audit.	We have applied this benchmark, a generally accepted auditing practice for Investment Trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate basis for our audit.

We agreed with the Audit and Valuation Committee that we would report to them misstatements identified during our audit above £145,000 (Group audit) (2018: £163,000) and £140,000 (Company audit) (2018: £156,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

REPORTING OBLIGATION	OUTCOME
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to other than the material uncertainty we have described in the material uncertainty related to going concern section above. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

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

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

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

- The Directors' confirmation on page 25 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 40 and 41 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

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

- The statement given by the Directors, on page 61, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 55 and 56 describing the work of the Audit and Valuation Committee does not appropriately address matters communicated by us to the Audit and Valuation Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 61, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 24 July 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2015 to 31 December 2019.

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

20 May 2020

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	NOTES	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Assets			
Cash and cash equivalents	7	6,131,122	3,269,332
Cash posted as collateral	7	980,000	2,282,428
Derivative financial assets	3,4	3,985,365	1,241,936
Interest receivable		5,230,350	3,476,653
Dividend and distribution receivable		19,372	619,040
Other assets and prepaid expenses		894,157	772,749
Loans at amortised cost	3,9	352,910,880	306,781,153
Investment assets designated as held at fair value through profit or loss	3	42,502,134	66,644,557
Total assets		**412,653,380**	**385,087,848**
Liabilities			
Management fee payable	10	143,415	153,301
Performance fee payable	10	7,410,614	2,277,215
Securities sold under agreements to repurchase		–	1,341,981
Derivative financial liabilities	3,4	–	471,607
Unsettled share buyback payable		52,506	–
Deferred income		490,322	544,585
Other liabilities and accrued expenses		1,349,263	989,615
Notes payable	8	111,667,069	51,329,831
Total liabilities		**121,113,189**	**57,108,135**
Total assets less total liabilities		**291,540,191**	**327,979,713**

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
AS AT 31 DECEMBER 2019

	NOTES	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Capital and reserves			
Called-up share capital		20,300,000	20,300,000
Share premium account		161,040,000	161,040,000
Other distributable reserve	14	136,682,176	171,731,558
Capital reserve		(49,374,355)	(47,783,336)
Revenue reserve		21,623,852	21,196,678
Currency translation reserve		1,207,578	1,248,467
Total equity attributable to shareholders of the Parent Company		**291,479,251**	**327,733,367**
Non-controlling interests	18	60,940	246,346
Total equity		**291,540,191**	**327,979,713**
Net Asset Value per Ordinary Share	12	93.33p	91.01p

Signed on behalf of the Board of Directors by:

Kevin Ingram
Chairman

20 May 2020

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	REVENUE £	CAPITAL £	TOTAL £
Revenue				
Net gain (loss) on investments	5	–	5,736,103	5,736,103
Foreign exchange gain (loss)		–	(4,998,319)	(4,998,319)
Interest income	5	43,342,988	504,443	43,847,431
Other income	5	3,315,944	–	3,315,944
Total return		46,658,932	1,242,227	47,901,159
Expenses				
Management fee	10	3,604,121	–	3,604,121
Performance fee	10	7,411,745	–	7,411,745
Credit impairment losses	9	–	2,402,296	2,402,296
Other expenses	10	2,094,282	251,749	2,346,031
Total operating expenses		13,110,148	2,654,045	15,764,193
Finance costs		6,493,790	–	6,493,790
Net return on ordinary activities before taxation		27,054,994	(1,411,818)	25,643,176
Taxation on ordinary activities	11	–	–	–
Net return on ordinary activities after taxation		27,054,994	(1,411,818)	25,643,176
Attributable to:				
Equity shareholders		27,054,994	(1,591,019)	25,463,975
Non-controlling interests	18	–	179,201	179,201
Return per Ordinary Share (basic and diluted)	13	8.11p	–0.48p	7.63p
Other comprehensive income				
Currency translation differences		–	(56,156)	(56,156)
Total comprehensive income		27,054,994	(1,467,974)	25,587,020
Attributable to:				
Equity shareholders		27,054,994	(1,631,908)	25,423,086
Non-controlling interests	18	–	163,934	163,934

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations. Amounts in Other comprehensive income may be reclassified to profit or loss in future periods.

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

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

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

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations. Amounts in Other comprehensive income may be reclassified to profit or loss in future periods.

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	CALLED UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	CURRENCY TRANSLATION RESERVE £	TOTAL SHARE-HOLDERS' EQUITY £	NON-CONTROLLING INTERESTS £	TOTAL EQUITY £
Opening balance at 1 January 2019	20,300,000	161,040,000	171,731,558	(47,783,336)	21,196,678	1,248,467	327,733,367	246,346	327,979,713
Amounts paid on buyback of Ordinary Shares	–	–	(35,049,382)	–	–	–	(35,049,382)	–	(35,049,382)
Contributions by non-controlling interests	–	–	–	–	–	–	–	–	–
Distributions to non-controlling interests	–	–	–	–	–	–	–	(349,340)	(349,340)
Return on ordinary activities after taxation	–	–	–	(1,591,019)	27,054,994	–	25,463,975	179,201	25,643,176
Dividends declared and paid	–	–	–	–	(26,627,820)	–	(26,627,820)	–	(26,627,820)
Other comprehensive income									
Currency translation differences	–	–	–	–	–	(40,889)	(40,889)	(15,267)	(56,156)
Closing balance at 31 December 2019	20,300,000	161,040,000	136,682,176	(49,374,355)	21,623,852	1,207,578	291,479,251	60,940	291,540,191

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

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

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Cash flows from operating activities:			
Total comprehensive income		25,587,020	28,980,163
Adjustments for:			
– Interest income		(43,847,431)	(45,836,424)
– Dividend and distribution income	5	(3,315,944)	(3,020,243)
– Finance costs		6,493,790	2,800,469
– Exchange (gains) losses		4,998,319	3,690,284
Total		(10,084,246)	(13,385,751)
Gain on investment assets designated as held at fair value through profit or loss		(5,736,103)	(3,742,589)
Gain on derivative financial instruments		1,538,401	2,527,518
Decrease (increase) in other assets and prepaid expenses		(121,408)	25,420
Decrease in management fee payable		(9,886)	(267,038)
Increase in performance fee payable		5,133,399	2,277,215
Decrease in deferred income		(54,263)	(231,929)
Decrease in accrued expenses and other liabilities		(213,289)	(1,398,061)
Interest received		42,093,734	45,935,798
Purchase of loans		(200,508,718)	(155,249,273)
Redemption or sale of loans		139,390,856	148,575,012
Impairment of loans		2,402,296	2,566,435
Net cash inflow (outflow) from operating activities		(26,169,227)	27,632,757
Cash flows from investing activities:			
Investment income received		3,915,612	2,932,029
Purchase of investment assets designated as held at fair value through profit or loss		(12,961,327)	(15,969,370)
Sale of investment assets designated as held at fair value through profit or loss		41,016,344	9,644,595
Reduction of cash posted as collateral		1,302,428	2,144,873
Net cash inflow (outflow) from investing activities		33,273,057	(1,247,873)

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF CASH FLOWS continued

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Cash flows from financing activities:			
Dividends distributed		(26,627,820)	(28,509,443)
Treasury shares repurchased		(34,996,876)	(8,224,914)
Distributions to non-controlling interests		(349,340)	(931,283)
Decrease in amounts payable under agreements to repurchase		(1,335,644)	(7,773,133)
Increase in note payable		64,925,378	6,065,331
Finance costs paid		(5,920,853)	(2,551,108)
Net cash inflow (outflow) from financing activities		(4,305,155)	(41,924,550)
Net change in cash and cash equivalents		2,798,675	(15,539,666)
Exchange gains (losses) on cash and cash equivalents		63,115	455,424
Cash and cash equivalents at the beginning of the period		3,269,332	18,353,574
Cash and cash at the end of the period	7	6,131,122	3,269,332

See notes to the consolidated financial statements

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	NOTES	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Assets			
Cash and cash equivalents	7	3,970,690	1,804,063
Cash pledged as collateral	7	980,000	2,282,428
Derivative financial assets	3,4	3,985,365	1,241,936
Interest receivable		4,663,930	3,804,526
Other current assets and prepaid expenses		667,554	446,506
Investments in subsidiaries	17	270,730,548	280,381,196
Investment assets designated as held at fair value through profit or loss	3	4,461,946	27,922,819
Total assets		289,460,033	317,883,474
Liabilities			
Derivative financial liabilities	3,4	–	471,607
Performance fee payable	10	7,410,614	2,277,215
Management fee payable	10	143,410	153,301
Unsettled share buyback payable		52,506	–
Deferred income		490,322	544,585
Other liabilities and accrued expenses		618,605	490,343
Total liabilities		8,715,462	3,937,051
Total assets less total liabilities		280,744,571	313,946,423
Equity attributable to Shareholders of the Company			
Called-up share capital	14	20,300,000	20,300,000
Share premium account	14	161,040,000	161,040,000
Other distributable reserve	14	136,682,176	171,731,558
Capital reserve		(58,901,458)	(60,321,814)
Revenue reserve		21,623,853	21,196,679
Total equity		280,744,571	313,946,423
Net return on ordinary activities after taxation		28,475,350	10,826,956

Signed on behalf of the Board of Directors by:

Kevin Ingram
Chairman

20 May 2020

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	CALLED-UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	TOTAL £
Opening balance at 1 January 2019	20,300,000	161,040,000	171,731,558	(60,321,814)	21,196,679	313,946,423
Amounts paid on repurchase of Ordinary Shares	–	–	(35,049,382)	–	–	(35,049,382)
Return on ordinary activities after taxation	–	–	–	1,420,356	27,054,994	28,475,350
Dividends declared and paid	–	–	–	–	(26,627,820)	(26,627,820)
Closing balance at 31 December 2019	20,300,000	161,040,000	136,682,176	(58,901,458)	21,623,853	280,744,571

See notes to the consolidated financial statements

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

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

See notes to the consolidated financial statements

FINANCIAL STATEMENTS continued

PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Cash flows from operating activities:			
Net return on ordinary activities after taxation		28,475,350	10,826,956
Adjustments for:			
– Interest income		(42,779,734)	(37,216,928)
– Exchange (gains) losses		1,946,055	17,735,354
Total		(12,358,329)	(8,654,618)
Unrealised gain (loss) on investment assets designated as held at fair value through profit or loss		459,940	(1,403,469)
Unrealised gain (loss) on investments in subsidiaries		514,861	(10,087,294)
Unrealised gain (loss) on derivative financial assets		(2,743,429)	2,055,911
Unrealised (gain) loss on derivative financial liabilities		(471,607)	471,607
Decrease (increase) in other assets and prepaid expenses		(221,048)	88,855
Decrease in management fee payable		(9,886)	(223,951)
Increase in performance fee payable		5,133,399	2,277,215
Decrease in dividend withholding tax payable		–	(1,018,889)
Decrease in deferred income		(54,263)	(231,929)
Increase (decrease) in accrued expenses and other liabilities		128,262	(246,479)
Net cash inflow (outflow) from operating activities		(9,622,100)	(15,954,152)
Cash flows from investing activities:			
Interest received		41,920,330	37,182,296
Purchase of investment assets designated as held at fair value through profit or loss		(539,406)	(3,172,672)
Sale of investment assets designated as held at fair value through profit or loss		23,540,339	3,615,456
Purchase of investments in subsidiaries		(61,442,484)	(127,996,180)
Sales of investment in subsidiaries		68,521,643	126,125,955
Cash posted as collateral		1,302,428	2,144,873
Net cash inflow (outflow) from investing activities		73,302,850	37,899,728
Cash flows from financing activities			
Treasury Shares repurchased		(34,996,876)	(8,224,914)
Dividends paid		(26,627,820)	(28,509,443)
Net cash inflow (outflow) from financing activities		(61,624,696)	(36,734,357)
Net change in cash and cash equivalents		2,056,054	(14,788,781)
Exchange gains (losses) on cash and cash equivalents		110,573	455,424
Cash and cash equivalents as the beginning of the period		1,804,063	16,137,420
Cash and cash equivalents at the end of the period	7	3,970,690	1,804,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

VPC Specialty Lending Investments PLC (the "Parent Company") with its subsidiaries (together "the Group") is focused on asset-backed lending to emerging and established businesses with the goal of building long-term, sustainable income generation. The Group identifies investment opportunities across various industries and geographies to offer shareholders access to a diversified portfolio of opportunistic credit investments originated by non-bank lenders with a focus on the rapidly developing technology-enabled lending sector. The Parent Company was incorporated in England and Wales on 12 January 2015 with registered number 9385218. The Parent Company commenced its operations on 17 March 2015 and intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

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

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

As at 31 December 2019, the Parent Company had equity in the form of 382,615,665 Ordinary Shares, 312,302,305 Ordinary Shares in issue and 70,313,360 Ordinary Shares in Treasury (31 December 2018: 382,615,665 Ordinary Shares, 360,110,883 Ordinary Shares in issue and 22,504,782 Ordinary Shares in Treasury). The Ordinary Shares are listed on the premium segment of the Official List of the UK Listing Authority and trade on the London Stock Exchange's main market for listed securities.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements present the financial performance of the Group for the year ended 31 December 2019. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). They comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Committee, interpretations approved by the International Accounting Standard Committee that remain in effect, to the extent they have been adopted by the European Union. The financial statements are also in compliance with relevant provisions of the Companies Act 2006 as applicable to companies reporting under IFRS.

The Directors have reviewed the financial projections of the Group and Company from the date of this report, which shows that the Group and Company will be able to generate sufficient cash flows in order to meet its liabilities as they fall due. In assessing the Group's and Company's ability to continue as a going concern, the Directors have considered the Company's investment objective, risk management policies, capital management, the nature of its portfolio and expenditure projections.

Additionally, the Directors have considered the risks arising of reduced asset values and economic disruption caused by the COVID-19 pandemic. The Investment Manager has also performed a range of stress tests and demonstrated to the Directors that even in an adverse scenario of depressed markets that the Group could still generate sufficient funds to meet its liabilities over the next twelve months. The Directors believe that the Group has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future being a period of at least twelve months from the date of this report.

Whilst the Company is obliged to hold a continuation vote at the 2020 AGM, the Directors do not believe this should automatically trigger the adoption of a basis other than going concern in line with the Association of Investment Companies

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

("AIC") Statement of Recommended Practice ("SORP") which states that it is more appropriate to prepare financial statements on a going concern basis unless a continuation vote has already been triggered and shareholders have voted against continuation. Additionally, the SORP guidance sets out that it is appropriate for the financial statements to be prepared on a going concern basis whilst making a material uncertainty disclosure as set out in accounting standards.

The Directors considered a number of factors in determining unanimously that shareholders should vote in favour of continuation and has engaged in discussions with a number of shareholders with its advisers in reaching that conclusion, in addition to having considered the recent performance of the Company. Based on this assessment the Directors have made the assumption that the continuation vote will pass, however recognise that the outcome of the vote is not yet known and therefore creates some uncertainty. In accordance with the SORP guidance, the Directors note that these conditions, indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The Group and Company financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

Based on their assessment and considerations above, the Directors have concluded that the financial statements of the Group and Company should continue to be prepared on a going concern basis and the financial statements have been prepared accordingly.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in November 2014 and updated in October 2019 with consequential amendments is consistent with the requirements of IFRS, the Directors have sought to prepare the consolidated financial statements on a basis compliant with the recommendations of the SORP.

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

Basis of consolidation

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

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

Investments in subsidiaries

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

The total net asset value shown on the Parent Company Statement of Financial Position is therefore lower than the consolidated net asset value shown for the Group by £10,734,680 as at 31 December 2019 (31 December 2018: lower than by £13,786,944).

Presentation of Consolidated Statement of Comprehensive Income

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

The Directors have taken advantage of the exemption under Section 408 of the Companies Act 2006 and accordingly have not presented a separate Parent Company statement of comprehensive income. The net return on ordinary activities after taxation of the Parent Company was £28,475,350 (31 December 2018: £10,826,956).

Income

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

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

Dividend income from investments is taken to the revenue account on an ex-dividend basis. Bank interest and other income receivable is accounted for on an effective interest basis. Dividend income from investments is reflected in Other income on the Statement of Comprehensive Income. Further disclosure can be found in Note 5.

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

Interest income from Investment assets designated as held at fair value through profit or loss are reflected in Other income on the Statement of Comprehensive Income. Further disclosure can be found in Note 5.

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.

Finance costs

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

Expenses

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

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

At 31 December 2019, no management fees (31 December 2018: £74,322) have been charged to the capital return of the Group. No management or performance fees were charged to capital at the Parent Company. Refer to Note 10 for further details of the management and performance fees.

All expenses are accounted for on an accruals basis.

Dividends payable to Shareholders

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

Taxation

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

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

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

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Financial assets and financial liabilities

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

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"):

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

A financial asset is measured at fair value through other comprehensive income ("FVOCI") if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

There are no positions measured at FVOCI in the current or prior year.

The Group has reclassified the cash flows on the purchases and sales of loans and the interest received under operating activities from investing activities on the Consolidated Statement of Cash Flows.

Business model assessment

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

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

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

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

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

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

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

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

Expected credit loss allowance for financial assets measured at amortised cost

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

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12M EAD") or over the remaining lifetime ("Lifetime EAD"). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

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

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

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. Assets can move in both directions through the stages of the impairment model.

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

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

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

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

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

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

Collateral and other credit enhancements

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

Modification of financial assets

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

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

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

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

Modification of loans

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

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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

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

Derecognition other than a modification

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

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

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

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

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

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

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

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

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

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

Loans and receivables

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

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

Purchases and sales of financial assets

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

Fair value estimation

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

Financial liabilities

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

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

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

Derivatives

Derivatives are entered into to reduce exposures to fluctuations in interest rates, exchange rates, market indices and credit risks and are not used for speculative purposes. The Parent Company entered into forward foreign currency exchange contracts as a hedge against exchange rate fluctuations for investments in Portfolio Companies denominated in foreign currencies. A forward foreign currency exchange contract is an agreement between two parties to purchase or sell a specified quantity of a currency at or before a specified date in the future. Forward contracts are typically traded in the OTC markets and all details of the contract are negotiated between the counterparties to the agreement. Accordingly, the forward contracts are valued at the forward rate by reference to the contracts traded in the OTC markets and are classified as Level 2 in the fair value hierarchy.

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

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

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

Securities sold under agreement to repurchase

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

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

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

Offsetting financial instruments

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

Investments in funds

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Equity securities

Equity securities are measured at fair value. These securities are considered either Level 1 or Level 3 investments. Further details of the valuation of equity securities are included in Note 3. Equity securities consist of common and preferred stock, warrants and convertible note investments.

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.

Deferred income

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

Other liabilities

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

Share Capital

The Ordinary 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 share is calculated by dividing the equity – net assets attributable to the holder of Ordinary Shares by the total number of outstanding Ordinary Shares.

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

Foreign exchange

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

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

Capital reserves

Capital reserve – arising on investments sold includes:

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

Capital reserve – arising on investments held includes:

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

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

All 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.

Revenue reserves

The revenue reserve represents the accumulated revenue profits retained by the Group. The Group makes interest distributions from the revenue reserve to Shareholders.

Segmental reporting

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

Critical accounting estimates

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

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

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

Base case and stress case cash flow methodology under IFRS 9

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

The significant estimates used on a majority of the Group's investments within these scenarios used are:

- Impact on loss rates in a stress scenario – 1.15x to 2.10x;
- Probability of a stress scenario occurring – 27%-33%; and
- Range of net losses – 0% to 38.9%.

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

Base case

To establish the base case model, a representative portfolio is established based on the average portfolio parameters from the actual collateral pool (based on the most recent available reporting date). The annual percentage rate ("APR") and term of the representative portfolio are reflected as a weighted average of the actual pool, a simplifying assumption which should largely capture the dynamics of the dispersion in the underlying. Prepayment and loss curves are established using a combination of: (1) historical performance; (2) management forecasts; (3) proxy data from comparable assets or businesses; and (4) judgement from the Investment Manager's investment professionals based on general research and

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

knowledge. Emphasis is given to the loss curves because they have a significantly larger impact on the liquidation outcomes compared to prepayments (and prepayment data is more difficult to accurately monitor for many platforms).

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

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

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

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

For the Group's legal finance balance sheet investments, we perform a similar analysis as with our financial services balance sheet investments, though in those cases we are assessing the likely return on legal sector investments based on historical data and expert judgement and stressing the return and/or loss expectation on those platforms. In general, those assets by their nature tend to be uncorrelated across both the macro economy as well as across the portfolio(s), which has an impact on the range of outcomes factored into the model.

Stress case

For nearly all of the investments being reviewed, the primary driver of collateral value is the loss rates on the underlying loans or leases, measured by cumulative net loss, which considers the total principal losses between a given point in time and the final repayment on the portfolio. While many of the companies and asset classes being reviewed do not have historical performance data going back to pre-2007, macro-economic data is available which can be used as a proxy for the specific asset classes being analysed. VPC commissioned a study of historical loss rates on various asset classes and segments in the US from 2006-2014 in order to understand the changes in loss rates by segment from the benign credit environment of 2006 through the worst parts of the recession. The following table summarizes the loss stress observed by segment where 0% indicates no change and 100% indicates a doubling of the relevant loss rate.

2008 Recession Loss Scalars
by Asset and Population

	SUBPRIME & DEEP SUBPRIME VINTAGE SCORE BELOW 601	NEAR PRIME VINTAGE SCORE 601-660	PRIME VINTAGE SCORE ABOVE 660
Student Loan	0%	10%	8%
Retail	17%	10%	3%
Personal Loan	16%	41%	108%
Auto	24%	54%	88%
Credit Card	43%	71%	132%

Source: Assessing Performance of Consumer Lending Assets through Macroeconomic Shocks, 2nd Order Solutions (June 2019)

The most heavily represented populations in the Group's borrower portfolios are personal loans (or amortizing installment loans). As seen in the above table, default rates on these loans increased by 1.16x-2.08x. Each portfolio was assessed based on the applicable stress factor range based on the product and borrower population.

IFRS 9 calls for an assessment of the probability of default over the upcoming 12 months, and thus the Investment Manager provides a view of the probability of such a severe scenario occurring in the next 12 months for each of the investments which are at risk of incurring a loss (as some of the variables will vary between investments). From a macro-economic perspective, the latest recession probability models suggest a moderate probability of such an imminent downturn. The Cleveland Fed model predicts an 27% probability of a recession within 12 months from December 2019, and while this does not indicate the severity of such recession, it should be considered that the 2008-2009 recession which is being used as a proxy was the most prolonged and severe in at least 25 years and would not be expected to reflect a typical recession. Additionally, the Bank of England predicted a 33% likelihood of a recession in August of 2019 which is used specifically for the Group's investment in Oakam. These macro factors will be considered in the transaction level analysis as well.

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

For balance sheet investments, two of the primary drivers of the impairment analysis are the underlying collateral loss rates and the likelihood of an economic recession in the upcoming 12-month period. Regarding the underlying collateral loss rates, these variables are stressed by 15% to 110% as part of the impairment analysis and the impacts of those stresses are reflected in the impairment amounts. Regarding the likelihood of an economic recession in the upcoming 12-month period, an increase of 10% in this variable would have had an impact of £90,000 on the expected credit loss provision of the Group as at 31 December 2019. Regarding the loss assumptions, an increase of 5% in this variable would have had an impact of approximately £1,300,000 on the expected credit loss provision of the Group as at 31 December 2019. All stress scenarios on the balance sheet investments were run at a balance sheet date of 31 December 2019 with the most recently available reporting.

For marketplace loan investments, the IFRS 9 reserve provision is estimated using historical performance data about the Group's loans which is regularly updated and reviewed. A 5% increase in relation to the assumed delinquency and loss rates would increase the provision and the impairment charge shown in the Consolidated Statement of Comprehensive Income by £14,102. A decrease in these assumptions would have an opposite effect. The marketplace loan investments represent 1% of the Group's net asset value. All stress scenarios on the marketplace loan investments were run at a balance sheet date of 31 December 2019.

Measurement of the expected credit loss allowance

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

Valuation of unquoted investments

The valuation of unquoted investments and investments for which there is an inactive market is a key area of judgement and may cause material adjustment to the carrying value of those assets and liabilities. The unquoted equity assets are valued on periodic basis using techniques including a market approach, costs approach and/or income approach. The valuation process is collaborative, involving the finance and investment functions within the Investment Manager with the final valuations being reviewed by the Board's Audit and Valuation Committee. The specific techniques used typically include earnings multiples, discounted cash flow analysis, the value of recent transactions, and, where appropriate, industry rules of thumb. The valuations often reflect a synthesis of a number of different approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. Changes in fair value of all investments held at fair value are recognised in the Consolidated Statement of Comprehensive Income as a capital item. On disposal, realised gains and losses are also recognised in the Consolidated Statement of Comprehensive Income as a capital item. Transaction costs are included within gains or losses on investments held at fair value, although any related interest income, dividend income and finance costs are disclosed separately in the Consolidated Financial Statements. The ultimate sale price of investments may not be the same as fair value. Refer to Note 3.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Critical accounting judgments

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

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

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

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue.

Accounting standards effective

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

Accounting standards issued but not yet effective

IFRS 17 'Insurance Contract' establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Directors do not anticipate that the adoption of this standard and interpretations will have a material impact on the financial statements, given the nature of the Group's business being that it has no insurance contracts.

The IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The Directors do not anticipate that the adoption of this standard and interpretations will have a material impact on the financial statements.

Other future developments include the IASB undertaking a comprehensive review of existing IFRSs. The Group will consider the financial impact of these new standards as they are finalised.

3. FAIR VALUE MEASUREMENT

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

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

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

Valuation of investments in funds

The Group's investments in funds are subject to the terms and conditions of the respective fund's offering documentation. The investments in funds are primarily valued based on the latest available financial information. The Investment Manager reviews the details of the reported information obtained from the funds and considers: (i) the valuation of the fund's underlying investments; (ii) the value date of the NAV provided; (iii) cash flows (calls/distributions) since the latest value date; and (iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the funds. If necessary, adjustments to the NAV are made to the funds to obtain the best estimate of fair value. The funds in which the Group invests are close-ended and unquoted. No adjustments have been determined to be necessary to the NAV as provided as at 31 December 2019 as this reflects fair value under the relevant valuation methodology. The NAV is provided to investors only and is not made publicly available.

Valuation of equity securities

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

In using a valuation methodology based on the discounting of forecasted cash flows of the Portfolio Company, significant judgment is required in the development of an appropriate discount rate to be applied to the forecasted cash flows. The assumptions incorporated in the valuation methodologies used to estimate the enterprise value consists primarily of unobservable Level 3 inputs, including management assumptions based on judgment. In evaluating the impact on the valuation for such items, the amount that a market participant would consider in estimating fair value is considered. These estimates are highly subjective, based on the Group's assessment of the potential outcome(s) and the related impact on the fair value of such potential outcome(s). A change in these assumptions could have a material impact on the determination of fair value.

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

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

Fair value disclosures

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 31 December 2019:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	4,461,946	–	–	4,461,946
Equity securities	38,040,188	3,401,613	–	34,638,575
Total	42,502,134	3,401,613	–	39,100,521

DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	3,985,365	–	3,985,365	–
Total	3,985,365	–	3,985,365	–

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

The following table analyses the fair value hierarchy of the Parent Company's assets and liabilities measured at fair value at 31 December 2019:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	4,461,946	–	–	4,461,946
Total	4,461,946	–	–	4,461,946

DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	3,985,365	–	3,985,365	–
Total	3,985,365	–	3,985,365	–

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

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

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

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

There were no transfers into and out of Level 3 fair value measurements for either the Parent Company or the Group during the years ended 31 December 2019 and 31 December 2018.

The following table presents the movement in Level 3 positions for the year ended 31 December 2019 for the Group:

	INVESTMENTS IN FUNDS £	EQUITY SECURITIES £
Beginning balance, 1 January 2019	27,922,819	35,167,242
Purchases	539,406	12,410,417
Sales	(23,540,339)	(17,476,005)
Net change in unrealised foreign exchange gains (losses)	(1,325,925)	(479,573)
Net change in unrealised gains (losses)	865,985	5,016,494
Ending balance, 31 December 2019	4,461,946	34,638,575

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

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

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

The following table presents the movement in Level 3 positions for the period ended 31 December 2019 for the Parent Company:

	INVESTMENTS IN FUNDS £
Beginning balance, 1 January 2019	27,922,819
Purchases	539,406
Sales	(23,540,339)
Net change in unrealised foreign exchange gains (losses)	(1,325,925)
Net change in unrealised gains (losses)	865,985
Ending balance, 31 December 2019	4,461,946

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

DESCRIPTION	FAIR VALUE AT 31 DECEMBER 2019 £	VALUATION TECHNIQUE	UNOBSERVABLE INPUT	RANGE
Investments in funds	4,461,946	Net asset value	N/A	N/A
Equity securities	21,552,454	Market Comparables	Price Per Share from Recent Transactions	US$0.11 – €1,156.15
			Rights and Preferences Discount	0.0% – 25.0%
			Price to Earnings (Comparable Median)	6.5x
			Equity Value to Revenue (Comparable Median)	1.7x
			Private Company Discount	10.0%
Equity securities	530,409	Discounted Cash Flows	Discount Rate	12.0%
Equity securities	7,745,449	Yield Analysis	Market Yield	12.9% – 13.9%
Equity securities	2,575,449	Recoverability Analysis	Recovery percentage of underlying loans	0.0% – 100.0%
Equity securities	2,235,164	Transaction Price	Price Per Share	US$0.05 – US$0.36
			N/A	N/A

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

If the price per share from recent transactions of the equity securities valued based on market comparables increased/decreased by 5% it would have resulted in an increase/decrease to the total value of those equity securities of £719,955 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

If the rights and preferences discount of the equity securities valued based on market comparables increased/decreased by 5% it would have resulted in an increase/decrease to the total value of those equity securities of £658,595 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 10% it would have resulted in an increase/decrease in the total value the investments in funds and equity securities of £3,831,250 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

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

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 31 December 2019 but for which fair value is disclosed:

	CARRYING VALUE £	FAIR MARKET VALUE £
Assets		
Loans	352,910,880	352,921,109
Total	352,910,880	352,921,109

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

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

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

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

4. DERIVATIVES

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

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

Forward contracts

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

As at 31 December 2019, the following forward foreign exchange contracts were included in the Group's Consolidated Statement of Financial Position at fair value through profit or loss and the Parent Company's Statement of Financial Position at fair value through profit or loss:

SETTLEMENT DATE	PURCHASE CURRENCY	PURCHASE AMOUNT	SALE CURRENCY	SALE AMOUNT	FAIR VALUE £
24 January 2020	GBP	100,385,225	USD	132,900,000	2,061,778
24 January 2020	GBP	3,021,376	USD	4,000,000	74,697
21 February 2020	GBP	86,713,498	USD	114,800,000	912,808
21 February 2020	GBP	67,980,965	USD	90,000,000	925,714
22 February 2020	GBP	4,084,320	EUR	4,800,000	10,368
Unrealised gains on forward foreign exchange contracts					3,985,365

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

The following tables provide information on the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement at 31 December 2019 for both the Parent Company and the Group:

AS AT 31 DECEMBER 2019	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSETS £	GROSS AMOUNTS OF FINANCIAL LIABILITIES TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION £	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION: FINANCIAL INSTRUMENTS £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION: COLLATERAL RECEIVED £	NET AMOUNT £
Bannockburn Global	925,715	–	925,715	–	–	925,715
Goldman Sachs	923,176	–	923,176	–	–	923,176
Morgan Stanley	2,136,474	–	2,136,474	–	–	2,136,474
Total	3,985,365	–	3,985,365	–	–	3,985,365

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

AS AT 31 DECEMBER 2018	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSETS £	GROSS AMOUNTS OF FINANCIAL LIABILITIES TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION £	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION: FINANCIAL INSTRUMENTS £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION: COLLATERAL RECEIVED £	NET AMOUNT £
Bannockburn Global	413,409	–	413,409	–	–	413,409
Goldman Sachs	830,924	(2,397)	828,527	–	–	828,527
Morgan Stanley	–	–	–	–	–	–
Total	1,244,333	(2,397)	1,241,936	–	–	1,241,936

AS AT 31 DECEMBER 2018	GROSS AMOUNTS OF RECOGNISED FINANCIAL LIABILITIES £	GROSS AMOUNTS OF FINANCIAL ASSETS TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION £	NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION: FINANCIAL INSTRUMENTS £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION: COLLATERAL RECEIVED £	NET AMOUNT £
Bannockburn Global	–	–	–	–	–	–
Goldman Sachs	2,397	(2,397)	–	–	–	–
Morgan Stanley	471,607	–	471,607	–	–	471,607
Total	474,004	(2,397)	471,607	–	–	471,607

5. INCOME AND GAINS ON INVESTMENTS AND LOANS

Interest income in the amount of £43,342,988 (31 December 2018: £45,018,101) has been allocated to revenue and £504,443 (31 December 2018: £818,323) has been allocated to capital in line with the Group's policy as set out in Note 2.

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Other Income		
Distributable income from investments in funds	1,282,988	2,339,179
Interest income from investment assets designated as held at fair value through profit or loss	1,257,378	567,629
Other income	775,578	113,435
Total	3,315,944	3,020,243

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Net gains (losses) on investments		
Realised gain on sale of investments	1,451,642	1,504,722
Unrealised gain (loss) on investment in funds	865,985	(384,835)
Unrealised gain (loss) on equity securities	3,418,476	(3,357,754)
Total	5,736,103	(2,237,867)

6. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Introduction

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

Risk management structure

The Directors are ultimately responsible for identifying and controlling risks. Day to day management of the risks 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.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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, the Corporate Secretary 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.

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 and equity investments are exposed to market price risk. Refer to Note 3 for further details on the sensitivity of the Group's Level 3 investments to price risk.

Interest rate risk

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

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Due to the nature of the investments at 31 December 2019, the Group has limited exposure to variations in interest rates as the key components of interest rates are fixed and determinable or variable based on the size of the loan.

While the Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, the downside exposure of the Group is limited at 31 December 2019 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. Subsequent to year end, interest rates have been reduced as a direct result of the impact of COVID-19. The interest rate floors that are in place on most of the Group's variable interest rate loans reduces the potential impact that a decrease in rates would have on the Group's investments.

As at 31 December 2019, if interest rates had increased by 1%, with all other variables held constant, the change in twelve months of future cash flows on the current investment portfolio, including both interest income and expense, would have been £1,851,992. If interest rates had decreased by 1%, with all other variables held constant, the change in one month of future cash flows on the current investment portfolio, including both interest income and expense, would be £(1,506,361).

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

Currency risk

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

The assets of the Group as at 31 December 2019 were invested in assets which were denominated in US Dollar, Euro, Pound Sterling and other currencies. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Group hedges currency exposure between Pound Sterling and any other currency in which the Group's assets may be denominated, in particular US Dollars, and Euros.

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

The coronavirus (COVID-19) pandemic could be a significant driver for potential exchange rate volatility and the devaluation of Sterling. The Group's policy is to hedge exchange rate risk where appropriate, which could lead to the potential of large cash margin calls. The Group's gearing facility with Pacific Western Bank was put in place to mitigate this risk.

Micro and Small Cap Company Investing Risk

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

Gearing and Borrowing Risk

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

Concentration of foreign currency exposure

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

The below table presents the net exposure to foreign currency at 31 December 2019. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Group's Consolidated Statement of Financial Position.

	ASSETS 31 DECEMBER 2019 £	LIABILITIES 31 DECEMBER 2019 £	FORWARD CONTRACTS 31 DECEMBER 2019 £	NET EXPOSURE 31 DECEMBER 2019 £
Euro	4,221,379	–	4,067,088	154,291
US Dollar	369,616,416	(111,667,069)	258,101,065	(151,718)
Swiss Francs	2,557,925	–	–	2,557,925

If the GBP exchange rate simultaneously increased/decreased by 10% against the above currencies, the impact on profit would be an increase/decrease of £256,050. 10% is considered to be a reasonably possible movement in foreign exchange rates. The table above includes the exposure of the non-consolidated interest investment in the Group.

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

The table below presents the net exposure to foreign currency at 31 December 2019. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Parent Company's Statement of Financial Position.

	ASSETS 31 DECEMBER 2019 £	LIABILITIES 31 DECEMBER 2019 £	FORWARD CONTRACTS 31 DECEMBER 2019 £	NET EXPOSURE 31 DECEMBER 2019 £
Euro	4,221,379	–	4,067,088	154,291
US Dollar	257,888,407	–	258,101,065	(212,658)
Swiss Francs	2,557,925	–	–	2,557,925

If the GBP exchange rate simultaneously increased/decreased by 10% against the above currencies, the impact on profit would be an increase/decrease of £249,956. 10% is considered to be a reasonably possible movement in foreign exchange rates.

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

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

Liquidity risk

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

The maturities of the non-current financial liabilities are disclosed in Note 8. The following tables show the contractual maturity of the financial assets and financial liabilities of the Group as at 31 December 2019::

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Assets				
Loans	18,053,762	334,857,118	–	352,910,880
Cash and cash equivalents	6,131,122	–	–	6,131,122
Cash posted as collateral	980,000	–	–	980,000
Interest receivable	5,230,350	–	–	5,230,350
Dividend receivable	19,372	–	–	19,372
Other assets and prepaid expenses	894,157	–	–	894,157
Total	31,308,763	334,857,118	–	366,165,881

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Liabilities				
Notes payable	–	111,667,069	–	111,667,069
Management fee payable	143,415	–	–	143,415
Performance fee payable	7,410,614	–	–	7,410,614
Unsettled share buyback payable	52,506	–	–	52,506
Deferred income	490,322	–	–	490,322
Other liabilities and accrued expenses	1,349,263	–	–	1,349,263
Total	9,446,120	111,667,069	–	121,113,189

The following tables show the contractual maturity of the financial assets and financial liabilities of the Group as at 31 December 2018:

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Assets				
Loans	60,040,370	246,740,783	–	306,781,153
Cash and cash equivalents	3,269,332	–	–	3,269,332
Cash posted as collateral	2,282,428	–	–	2,282,428
Interest receivable	3,476,653	–	–	3,476,653
Dividend receivable	619,040	–	–	619,040
Other assets and prepaid expenses	772,749	–	–	772,749
Total	70,460,572	246,740,783	–	317,201,355

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Liabilities				
Notes payable	–	51,329,831	–	51,329,831
Management fee payable	153,301	–	–	153,301
Performance fee payable	2,277,215	–	–	2,277,215
Amounts payable under agreements to repurchase	1,341,981	–	–	1,341,981
Deferred income	544,585	–	–	544,585
Other liabilities and accrued expenses	989,615	–	–	2,138,315
Total	5,306,697	51,329,831	–	56,636,528

The Investment Manager manages the Group's liquidity risk by investing primarily in a diverse portfolio of assets. At 31 December 2019, the Group had investments in 35 Portfolio Companies. At 31 December 2019, 5% of the loans had a stated maturity date of less than a year (31 December 2018: 20%). The Group has no loans with a maturity date of more than five years.

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

As at 31 December 2019, £53.7 million (£18.8 million as at 31 December 2018) of the Group's liabilities relating to principal and interest payments are tied directly to the performance of investment assets that mature on or near the same date as the investment liability. The amounts above represent the values as at 31 December 2019 and do not project cash flows until maturity of the investment liabilities. The Group's Pacific Western Bank gearing facility has a stated maturity date of 30 November 2022. In accordance with IFRS 7 paragraph 39, the Group has projected cash interest payments of £10,200,476 which is calculated using the amount outstanding and interest rate as at 31 December 2019 and does not factor in any future paydowns, draws or changes in interest and foreign exchange rates.

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, such as adverse movements in investment markets.

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

Under the Balance Sheet Model, the Group provides a floating rate Credit Facility to the Portfolio Company via an 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 Group and excess spread, which provides downside protection versus marketplace loans. The Group's balance sheet investments are loans to SPVs that are capitalised and actively managed by the Portfolio Companies in their capacity as both the owner and managing partner of the SPVs and the SPVs are not considered structured entities under IFRS 12. Refer to pages 19 and 20 for further details on the structuring of the balance sheet lending investments of the Group.

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

The majority of the underlying exposure in the Group is to the U.S. consumer as such the impact on the US economy from the COVID-19 pandemic, creates potential additional credit risk. As of the publication of this report, while we have seen modest deterioration in loan performance, it is not as drastic as might have been expected when quarantines began. Further, all portfolio companies have revised underwriting criteria, the result of which is that originations have been significantly reduced if not completely stopped depending on the company. Given the short duration of the overall portfolio and reduction of originations, our portfolio companies have generated a significant amount of cash over March and April 2020, which has either been repaid to the Group as a prepayment on the credit facility or remains at the portfolio company and is directly collateralising our investment. In total the Group has received USD $60 million of prepayments since the beginning of March, USD $25 million of which has been used to pay down part of its revolving credit facility with Pacific Western Bank in April 2020. The Group retains the right, but not the obligation, to redeploy this capital back to the portfolio companies on the same terms once the situation stabilises. The Group will only redeploy capital when we feel completely comfortable it will be used prudently and at good risk adjusted yields.

Pandemic Risk

As the Coronavirus (COVID-19) outbreak continues to spread, there has been increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Investment Manager reviews its business continuity plans and operational resilience strategies on an ongoing basis and will take all reasonable steps to continue meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. For example, to enhance its resilience, the Investment Manager has mandated work from home arrangements for all employees. The Company's other third-party service providers have also confirmed the implementation of similar measures to ensure no business disruption to the Investment Manager.

Credit quality

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

INTERNAL GRADE	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	TOTAL 31 DECEMBER 2019
A – 1	95,688,465	–	8,415,297	–	104,103,762
A – 2	121,183,332	28,765,877	73,104,330	422,199	223,475,738
B	6,143,913	15,608,408	11,595,317	1,344,272	34,691,910
C	31,140	–	–	239,943	271,083
	223,046,850	44,374,285	93,114,944	2,006,414	362,542,493

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

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

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

Portfolio Company restrictions

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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.

7. CASH AND CASH EQUIVALENTS

	GROUP 31 DECEMBER 2019 £	GROUP 31 DECEMBER 2018 £	PARENT COMPANY 31 DECEMBER 2019 £	PARENT COMPANY 31 DECEMBER 2018 £
Cash held at bank	6,131,122	3,269,332	3,970,690	1,804,063
Total	6,131,122	3,269,332	3,970,690	1,804,063

The Parent Company has posted cash of £980,000 of collateral as at 31 December 2019 (31 December 2018: £165,610) with Goldman Sachs and cash of £nil (31 December 2018: £2,116,818) with Morgan Stanley in relation to the outstanding derivatives.

Below are the credit ratings of the banks where the Parent Company and Group hold cash as at 31 December 2019 from Moody's:

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

8. NOTES PAYABLE

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

The table below provides details of the outstanding debt of the Group at 31 December 2019:

31 DECEMBER 2019	INTEREST RATE	OUTSTANDING PRINCIPAL £	MATURITY
Credit Facility 11-2018	4.25% + 1M LIBOR	58,010,424	30 November 2022
Total		58,010,424	

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

31 DECEMBER 2018	INTEREST RATE	OUTSTANDING PRINCIPAL £	MATURITY
Credit Facility 11-2018	4.50% + 1M LIBOR	32,536,260	30 November 2022
Total		32,536,260	

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

The table below provides details of the outstanding first-out participation liabilities of the Group at 31 December 2019:

31 DECEMBER 2019	OUTSTANDING PRINCIPAL £	MATURITY
First-Out Participation 06-2015	10,437,029	13 June 2021
First-Out Participation 03-2017	22,173,162	1 January 2024
First-Out Participation 04-2019	21,046,454	1 January 2024
Total	53,656,645	

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

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

The table below provides the movement of the notes payable and securities sold under agreements to repurchase for the year ended 31 December 2019 for the Group.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE £	NOTES PAYABLE £
Beginning balance, 1 January 2019	1,341,981	51,329,831
Purchases	—	152,218,925
Sales	(1,335,644)	(87,293,547)
Net change in unrealised foreign exchange gains (losses)	(6,337)	(4,588,140)
Ending balance, 31 December 2019	—	111,667,069

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

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

9. IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

The table below provides details of the investments at amortised cost held by the Group for the year ended 31 December 2019 under IFRS 9:

	COST BEFORE ECL £	ECL £	LOANS WRITTEN-OFF £	CARRYING VALUE £
Loans at amortised cost	362,966,569	9,631,612	424,077	352,910,880
Total	362,966,569	9,631,612	424,077	352,910,880

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

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

The Parent Company does not hold any loans.

Credit impairment losses

The credit impairment losses of the Group as at 31 December 2019 comprises of the following under IFRS 9:

	CREDIT IMPAIRMENT LOSSES 31 DECEMBER 2019 £
Loans written off	424,077
Change in expected credit losses	2,372,182
Currency translation on expected credit losses	(393,963)
Credit impairment losses	2,402,296

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

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

Impairment of loans written off

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

Provision for expected credit losses

As at 31 December 2019, the Group has created a reserve provision on the outstanding principal of the Group's loans of £9,631,612 (31 December 2018: £7,259,430), which have been recorded in the Group's Consolidated Statement of Financial Position and are included in Credit impairment losses on the Consolidated Statement of Comprehensive Income.

The expected credit losses comprised the following during 2019:

	31 DECEMBER 2019 £
Beginning balance 1 January 2019	7,259,430
Change in expected credit losses or equivalent	2,372,182
Ending balance 31 December 2019	9,631,612

The expected credit losses comprised the following during 2018:

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Below is a breakout of the provision for expected credit losses by stage of the ECL model as at 31 December 2019:

	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	31 DECEMBER 2019 £
Stage 1	11,778	–	–	209,334	221,112
Stage 2	7,598	7,659,704	–	53,320	7,720,622
Stage 3	–	1,235,527	–	454,351	1,689,878
Expected credit losses	19,376	8,895,231	–	717,005	9,631,612

Below is a breakout of the provision for expected credit losses by stage of the ECL model as at 31 December 2018:

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

Below is a breakout of the carrying value of loans by stage of the ECL model as at 31 December 2019. There were no material movements between stages during 2019:

	UNSECURED UNITED STATES	SECURED UNITED STATES	UNSECURED OTHER	SECURED OTHER	31 DECEMBER 2019 £
Stage 1	223,027,575	28,765,877	81,519,628	1,282,797	334,595,877
Stage 2	–	7,279,839	10,773,820	6,612	18,060,271
Stage 3	–	254,732	–	–	254,732
Loans at amortised cost	223,027,575	36,300,448	92,293,448	1,289,409	352,910,880

Below is a breakout of the carrying value of loans by stage of the ECL model as at 31 December 2018. There were no material movements between stages during 2018:

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

10. FEES AND EXPENSES

Investment management fees

Under the terms of the Management Agreement, the Investment Manager is entitled to a management fee and a performance fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties.

The management fee is payable in Pound Sterling monthly in arrears and is at the rate of 1/12 of 1.0% per month of NAV (the "Management Fee"). For the period from Admission until the date on which 90% of the net proceeds of the Issue have been invested or committed for investment (other than in Cash Instruments), the value attributable to any Cash Instruments of the

Group held for investment purposes will be excluded from the calculation of NAV for the purposes of determining the Management Fee.

The Investment Manager shall not charge a management fee twice. Accordingly, if at any time the Group invests in or through any other investment fund or special purpose vehicle and a management fee or advisory fee is charged to such investment fund or special purpose vehicle by the Investment Manager or any of its affiliates, the Investment Manager agrees to either (at the option of the Investment Manager): (i) waive such management fee or advisory fee due to the Investment Manager or any of its affiliates in respect of such investment fund or special purpose vehicle, other than the fees charged by the Investment Manager under the Management Agreement; or (ii) charge the relevant fee to the relevant investment fund or special purpose vehicle, subject to the cap set out in the paragraph below, and ensure that the value of such investment shall be excluded from the calculation of the NAV for the purposes of determining the Management Fee payable pursuant to the above. The management fee expense for the year is £3,604,121 (31 December 2018: £3,498,331), of which £143,415 (31 December 2018: £153,301) was payable as at 31 December 2019.

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

Performance fees

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

The performance fee will be calculated in respect of each 12 month period starting on 1 January and ending on 31 December in each calendar year (a "Calculation Period") and provided further that if at the end of what would otherwise be a Calculation Period no performance fee has been earned in respect of that period, the Calculation Period shall carry on for the next 12 month period and shall be deemed to be the same Calculation Period and this process shall continue until a performance fee is next earned at the end of the relevant period.

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

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

The Investment Manager shall not charge a performance fee twice. Accordingly, if at any time the Group invests in or through any other investment fund, special purpose vehicle or managed account arrangement and a performance fee or carried interest is charged to such investment fund, special purpose vehicle or managed account arrangement by the Investment Manager or any of its affiliates, the Investment Manager agrees to (and shall procure that all of its relevant affiliates shall) either (at the option of the Investment Manager): (i) waive such performance fee or carried interest suffered by the Group by virtue of the Investment Manager's (or such relevant affiliate's/affiliates') management of (or advisory role in respect of) such investment fund, special purpose vehicle or managed account, other than the fees charged by the Investment Manager under the Management Agreement; or (ii) calculate the performance fee as above, except that in making such calculation the NAV (as of the date of the High Water Mark) and the Adjusted NAV (as of the NAV calculation date) shall not include the value of any assets invested in any other investment fund, special purpose vehicle or managed account arrangement that is charged a performance fee or carried interest by the Investment Manager or any of its affiliates (and such performance fee or carried interest is not waived with respect to the Group).The performance fee expense for the year is £7,411,745 (31 December 2018: £2,277,215), of which £7,410,614 was payable as at 31 December 2019 (31 December 2018: £2,277,215).

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Administration

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

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

Secretary

Under the terms of the Company Secretarial Agreement, Link Group is entitled to an annual fee of £75,000 (exclusive of VAT and disbursements). All Secretary fees are included in other expenses on the Consolidated Statement of Comprehensive Income.

Registrar

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

Custodian

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

Auditors' remuneration

For the year ended 31 December 2019, the remuneration for work carried out for the by PricewaterhouseCoopers LLP, the statutory auditors, was as follows:

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Fees charged by PricewaterhouseCoopers LLP:		
❖ the audit of the Parent Company and Consolidated Financial Statements; and	175,000	140,000
❖ the audit of the Company's subsidiaries.	20,000	20,000

Amounts are included in other expenses on the Consolidated Statement of Comprehensive Income and are exclusive of VAT. There were no non-audit services provided by PricewaterhouseCoopers LLP during the year.

11. TAXATION ON ORDINARY ACTIVITIES

Investment trust status

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

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

The following table presents the tax chargeable on the Group for the period ended 31 December 2019:

	REVENUE	CAPITAL	TOTAL
Net return on ordinary activities before taxation	27,054,994	(1,411,818)	25,643,176
Tax at the standard UK corporation tax rate of 19.00%	5,140,449	(268,245)	4,872,204
Effects of:			
Non-taxable income	(5,140,449)	–	(5,140,449)
Capital items exempt from corporation tax	–	268,245	268,245
Total tax charge	–	–	–

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

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

Overseas taxation

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

12. NET ASSET VALUE PER ORDINARY SHARE

	AS AT 31 DECEMBER 2019 £	AS AT 31 DECEMBER 2018 £
Net assets attributable to Shareholders of the Parent Company	291,479,251	327,733,367
Ordinary Shares in issue (excluding Treasury Shares)	312,302,305	360,110,883
Net asset value per Ordinary Share	93.33p	91.01p

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. RETURN PER ORDINARY SHARE

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

	AS AT 31 DECEMBER 2019 £	AS AT 31 DECEMBER 2018 £
Profit for the year	25,463,975	28,615,917
Average number of Ordinary Shares in issue during the year	333,677,105	365,669,532
Earnings per Share (basic and diluted)	7.63p	7.83p

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

14. SHAREHOLDERS' CAPITAL

Set out below is the issued share capital of the Company as at 31 December 2019:

	NOMINAL VALUE £	NUMBER OF SHARES
Ordinary Shares	0.01	312,302,305

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

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

Rights attaching to the Ordinary Shares

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

Voting rights

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

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

Variation of Rights & Distribution on Winding Up

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

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

The Parent Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Parent Company will be proposed at the annual general meeting of the Parent Company to be held in 2020 and, if passed, every five years thereafter. Upon any such resolution, not being passed, proposals will be put forward within three months after the date of the resolution to the effect that the Parent Company be wound up, liquidated, reconstructed or unitised.

If the Parent Company is wound up, the liquidator may divide among the shareholders in specie the whole or any part of the assets of the Parent Company and for that purpose may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders.

The table below shows the movement in shares through 31 December 2019:

FOR THE YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019	SHARES IN ISSUE AT THE BEGINNING OF THE PERIOD	SHARES REPURCHASED	SHARES IN ISSUE AT THE END OF THE PERIOD
Ordinary Shares	360,110,883	(47,808,578)	312,302,305

The table below shows the movement in shares through 31 December 2018:

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Share buyback programme

All Ordinary Shares bought back through the share buyback programme are held in treasury as at 31 December 2019. Details of the programme are as follows:

DATE OF PURCHASE	ORDINARY SHARES PURCHASED	AVERAGE PRICE PER SHARE	LOWEST PRICE PER SHARE	HIGHEST PRICE PER SHARE	TOTAL TREASURY SHARES
January 2019	3,122,218	76.96p	76.80p	77.00p	25,627,000
February 2019	1,375,000	77.43p	77.25p	77.50p	27,002,000
March 2019	5,825,000	74.39p	72.80p	77.00p	32,827,000
April 2019	9,549,811	71.53p	71.50p	72.00p	42,376,811
May 2019	–	–	–	–	42,376,811
June 2019	15,009,212	68.35p	66.80p	72.00p	57,386,023
July 2019	825,583	74.66p	72.60p	76.80p	58,211,606
August 2019	1,397,269	76.49p	74.90p	78.00p	59,608,875
September 2019	1,823,404	79.15p	75.75p	80.39p	61,432,279
October 2019	6,100,000	76.26p	75.20p	79.40p	67,532,279
November 2019	1,470,169	77.14p	75.98p	78.08p	69,002,448
December 2019	1,310,912	76.38p	75.88p	77.53p	70,313,360

Other distributable reserve

During 2019, the Company declared and paid dividends of £Nil (2018: £Nil) from the other distributable reserve. Further, the cost of the buy back of Ordinary Shares as detailed above was funded by the other distributable reserve of £35,049,382 (2018: £8,030,232). The closing balance in the other distributable reserve has been reduced to £136,682,176 (31 December 2018: £171,731,558).

15. DIVIDENDS PER SHARE

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

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
2017 interim dividend of 1.80 pence per Ordinary Share paid on 5 April 2018	–	6,627,383
2018 interim dividend of 2.00 pence per Ordinary Share paid on 28 June 2018	–	7,330,421
2018 interim dividend of 2.00 pence per Ordinary Share paid on 20 September 2018	–	7,311,421
2018 interim dividend of 2.00 pence per Ordinary Share paid on 13 December 2018	–	7,240,218
2018 interim dividend of 2.00 pence per Ordinary Share paid on 4 April 2019	7,077,273	–
2019 interim dividend of 2.00 pence per Ordinary Share paid on 27 June 2019	6,804,777	–
2019 interim dividend of 2.00 pence per Ordinary Share paid on 19 September 2019	6,463,506	–
2019 interim dividend of 2.00 pence per Ordinary Share paid on 19 December 2019	6,282,264	–
Total	26,627,820	28,509,443

An interim dividend of 2.00 pence per Ordinary Share was declared by the Board on 27 February 2020 in respect of the period to 31 December 2019, was paid to shareholders on 2 April 2020. The interim dividend has not been included as a liability in these financial statements in accordance with International Accounting Standard 10: Events After the Balance Sheet Date. The Parent Company allocated £3,556,120 of the 2019 interim dividend paid on 27 June 2019 to a 2018 final dividend.

16. RELATED PARTY TRANSACTIONS

Each of the Directors is entitled to receive a fee from the Parent Company at such rate as may be determined in accordance with the Articles. Save for the Chairman of the Board, the fees are £33,000 for each Director per annum. The Chairman's fee is £55,000 per annum. The chairman of the Audit and Valuation Committee may also receive additional fees for acting as the chairman of such a committee. The current fee for serving as the chairman of the Audit and Valuation Committee is £5,500 per annum.

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

At 31 December 2019, £173,326 (31 December 2018: £164,564) was paid to the Directors and £0 (31 December 2018: £0) was owed for services performed.

As at 31 December 2019, the Directors' interests in the Parent Company's Shares were as follows:

		31 DECEMBER 2019	31 DECEMBER 2018
Kevin Ingram	Ordinary Shares	64,968	64,968
Mark Katzenellenbogen	Ordinary Shares	140,000	NA
Richard Levy	Ordinary Shares	1,300,000	1,300,000
Elizabeth Passey	Ordinary Shares	10,000	10,000
Clive Peggram	Ordinary Shares	258,240	258,240

Investment management fees for the year ended 31 December 2019 are payable by the Parent Company to the Investment Manager and these are presented on the Consolidated Statement of Comprehensive Income. Details of investment management fees and performance fees payable during the year are disclosed in Note 10.

During 2019, as part of an amendment to its management agreement, the Investment Manager continued to purchase Ordinary Shares of the Parent Company with 20% of the its monthly management fee. The Ordinary Shares were purchased at the prevailing market price. As at 31 December 2019, the Investment Manager has purchased 2,886,335 (31 December 2018: 2,130,189) Ordinary Shares.

As at 31 December 2019, Partners and Principals of the Investment Manager held 2,195,000 (31 December 2018: 1,885,000) Shares in the Parent Company.

The Group has invested in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. The Investment Manager of the Parent Company also acts as manager to VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. The principal activity of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. is to invest in alternative finance investments and related instruments with a view to achieving the Parent Company's investment objective. As at 31 December 2019 the Group owned 26% of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. (31 December 2018: 26%) and the value of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. was £3,841,798 (31 December 2018: £24,582,851). The Group received income of £1,282,988 from VPC Offshore Unleveraged Private Debt Fund Feeder, L.P., which is reflected in Income on the Consolidated Statement of Comprehensive Income.

The Group has invested in Larkdale III, L.P. The Investment Manager of the Parent Company also acts as manager to Larkdale III, L.P. As at 31 December 2019, the Group owned 52% of Larkdale III, L.P. (31 December 2018: 52%) and the value of the Group's investment in Larkdale III, L.P. was £620,148 (31 December 2018: £3,339,968). The Group did not receive any income from Larkdale III, L.P. during the year.

The Investment Manager may pay directly various expenses that are attributable to the Group. These expenses are allocated to and reimbursed by the Group to the Investment Manager as outlined in the Management Agreement. Any excess expense previously allocated to and paid by the Group to the Investment Manager will be reimbursed to the Group by the Investment Manager. At 31 December 2019, £65,683 was due to the Investment Manager (31 December 2018: £73,052) and is included in the Accrued expenses and other liabilities balance on the Consolidated Statement of Financial Position.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17. SUBSIDIARIES

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	NATURE OF INVESTMENT	PERCENTAGE OWNERSHIP AS AT 31 DECEMBER 2019	PERCENTAGE OWNERSHIP AS AT 31 DECEMBER 2018
VPC Specialty Lending Investments Intermediate, L.P.	Investment vehicle	USA	Limited partner interest	Sole limited partner	Sole limited
VPC Specialty Lending Investments Intermediate GP, LLC	General partner	USA	Membership interest	Sole member	Sole member
LIAB, L.P.	Investment vehicle	UK	Limited partner interest	Sole limited partner	Sole limited partner
LIAB GP, LLC	General partner	UK	Membership interest	Sole member	Sole member
Fore London, L.P.	Investment vehicle	UK	Limited partner interest	Sole limited partner	Sole limited partner
Fore London GP, LLC	General partner	UK	Membership interest	Sole member	Sole member
SVTW, L.P.	Investment vehicle	USA	Limited partner interest	99%	99%
SVTW GP, LLC	General partner	USA	Membership interest	99%	99%
Duxbury Court I, L.P.	Investment vehicle	USA	Limited partner interest	95%	95%
Duxbury Court I GP, LLC	General partner	USA	Membership interest	95%	95%
Drexel I, L.P.	Investment vehicle	USA	Limited partner interest	52%	52%
Drexel I GP, LLC	General partner	USA	Membership interest	52%	52%
Larkdale I, L.P.	Investment vehicle	USA	Limited partner interest	61%	61%
Larkdale I GP, LLC	General partner	USA	Membership interest	61%	61%

The subsidiaries listed above as investment vehicles are consolidated by the Group and there is no activity to consolidate within the subsidiaries listed as general partners.

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

The table below illustrates the movement of the investment in subsidiaries of the Parent Company in 2019:

	INVESTMENTS IN SUBSIDIARIES £
Beginning balance, 1 January 2019	280,381,196
Purchases	61,442,484
Sales	(68,521,643)
Depreciation of investments in subsidiaries	(2,571,489)
Ending balance, 31 December 2019	270,730,548

The table below illustrates the movement of the investment in subsidiaries of the Parent Company in 2018:

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

18. NON-CONTROLLING INTERESTS

The non-controlling interests arises from investments in limited partnerships considered to be controlled subsidiaries into which there are other investors. The value of the non-controlling interests at 31 December 2019 represents the portion of the NAV of the controlled subsidiaries attributable to the other investors. As at 31 December 2019, the portion of the NAV attributable to non-controlling interests investments totalled £60,940 (31 December 2018: £246,346). In the Consolidated Statement of Comprehensive Income, the amount attributable to non-controlling interests represents the increase in the fair value of the investment in the period.

The following entities have been consolidated which have material non-controlling interests as at 31 December 2019:

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS HELD BY NON-CONTROLLING INTERESTS AS AT 31 DECEMBER 2019	PROFIT OR LOSS OF SUBSIDIARY ALLOCATED TO NON-CONTROLLING INTERESTS DURING THE PERIOD ENDED 31 DECEMBER 2019 £	ACCUMULATED NON-CONTROLLING INTERESTS IN SUBSIDIARY AS AT 31 DECEMBER 2019 £
Drexel I, L.P.	USA	47%	94,728	7,046
Duxbury Court I, L.P.	USA	5%	(8,482)	10,819
Larkdale I, L.P.	USA	39%	92,841	41,005
SVTW, L.P.	USA	1%	114	2,070
Totals			179,201	60,940

NAME OF SUBSIDIARY	SUMMARISED FINANCIAL INFORMATION FOR SUBSIDIARY	31 DECEMBER 2019 £
Drexel I, L.P.	Distributions to non-controlling interests	140,477
	Profit/(loss) of subsidiary for period ended 31 December 2019	196,191
	Assets as at 31 December 2019	55,933
	Liabilities as at 31 December 2019	40,782
Duxbury Court I, L.P.	Distributions to non-controlling interests	3,467
	Profit/(loss) of subsidiary for period ended 31 December 2019	(162,884)
	Assets as at 31 December 2019	419,715
	Liabilities as at 31 December 2019	14,628
Larkdale I, L.P.	Distributions to non-controlling interests	204,776
	Profit/(loss) of subsidiary for period ended 31 December 2019	229,066
	Assets as at 31 December 2019	137,852
	Liabilities as at 31 December 2019	33,537
SVTW, L.P.	Distributions to non-controlling interests	621
	Profit/(loss) of subsidiary for period ended 31 December 2019	33,690
	Assets as at 31 December 2019	236,729
	Liabilities as at 31 December 2019	27,638

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

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS HELD BY NON-CONTROLLING INTERESTS AS AT 31 DECEMBER 2018	PROFIT OR LOSS OF SUBSIDIARY ALLOCATED TO NON-CONTROLLING INTERESTS DURING THE PERIOD ENDED 31 DECEMBER 2018 £	ACCUMULATED NON-CONTROLLING INTERESTS IN SUBSIDIARY AS AT 31 DECEMBER 2018 £
Drexel I, L.P.	USA	48%	136,882	58,362
Duxbury Court I, L.P.	USA	5%	(7,443)	23,488
Larkdale I, L.P.	USA	39%	206,063	161,811
SVTW, L.P.	USA	1%	921	2,684
Totals			336,423	246,346

NAME OF SUBSIDIARY	SUMMARISED FINANCIAL INFORMATION FOR SUBSIDIARY	31 DECEMBER 2018 £
Drexel I, L.P.	Distributions to non-controlling interests	396,909
	Profit/(loss) of subsidiary for period ended 31 December 2018	266,863
	Assets as at 31 December 2018	143,271
	Liabilities as at 31 December 2018	14,633
Duxbury Court I, L.P.	Distributions to non-controlling interests	23,802
	Profit/(loss) of subsidiary for period ended 31 December 2018	(178,930)
	Assets as at 31 December 2018	703,372
	Liabilities as at 31 December 2018	–
Larkdale I, L.P.	Distributions to non-controlling interests	510,324
	Profit/(loss) of subsidiary for period ended 31 December 2018	428,161
	Assets as at 31 December 2018	432,514
	Liabilities as at 31 December 2018	19,546
SVTW, L.P.	Distributions to non-controlling interests	248
	Profit/(loss) of subsidiary for period ended 31 December 2018	291,801
	Assets as at 31 December 2018	413,147
	Liabilities as at 31 December 2018	24,355

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

19. INVESTMENTS IN FUNDS

The Group has been determined to exercise significant influence in relation to certain of its in funds and other entities, as such these investments are considered to be associates for accounting purposes and represent interests in unconsolidated structured entities. The following additional information is therefore provided as required by IFRS 12, Disclosure of Interests in Other Entities:

NAME OF ASSOCIATE	PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTERESTS HELD	BASIS OF VALUATION	FAIR VALUE OF INTEREST AS AT 31 DECEMBER 2019 £	MAXIMUM EXPOSURE TO LOSS AS AT 31 DECEMBER 2019 £
VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.	Cayman Islands	Investment fund	26%	Designated as held at fair value through profit or loss – using NAV	3,841,798	3,841,798
Larkdale III, L.P.	USA	Investment vehicle	52%*	Designated as held at fair value through profit or loss – using NAV	620,148	620,148

NAME OF SUBSIDIARY	SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATE	31 DECEMBER 2019 £
VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.	Profit/(loss) of associate for period ended 31 December 2019	3,866,479
	Assets as at 31 December 2019	10,927,772
	Liabilities at 31 December 2019	1,351,385
Larkdale III, L.P.	Profit/(loss) of associate for period ended 31 December 2019	(420,886)
	Assets as at 31 December 2019	1,265,619
	Liabilities at 31 December 2019	64,386

*The Group holds 52% interest in Larkdale III, L.P. while the Group's ultimate ownership of the investment held by Larkdale III, L.P. is 34%. The Group has determined it does not have accounting control as the general partner has operating control over the vehicle and acts as an agent for a number of the Investment Manager's funds.

NAME OF ASSOCIATE	PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTERESTS HELD	BASIS OF VALUATION	FAIR VALUE OF INTEREST AS AT 31 DECEMBER 2018 £	MAXIMUM EXPOSURE TO LOSS AS AT 31 DECEMBER 2018 £
VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.	Cayman Islands	Investment fund	26%	Designated as held at fair value through profit or loss - using NAV	24,582,851	24,582,851
Larkdale III, L.P.	USA	Investment vehicle	52%*	Designated as held at fair value through profit or loss - using NAV	3,339,968	3,339,968

NAME OF SUBSIDIARY	SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATE	31 DECEMBER 2018 £
VPC Offshore Unleveraged	Profit/(loss) of associate for period ended 31 December 2018	8,331,707
Private Debt Fund Feeder, L.P.	Assets as at 31 December 2018	92,238,948
	Liabilities at 31 December 2018	486,215
Larkdale III, L.P.	Profit/(loss) of associate for period ended 31 December 2018	(692,843)
	Assets as at 31 December 2018	6,475,494
	Liabilities at 31 December 2018	5,938

The Group's investments in associates all consist of limited partner interest in funds. There are no significant restrictions between investors with joint control or significant influence over the associates listed above on the ability of the associates to transfer funds to any party in the form of cash dividends or to repay loans or advances made by the Group.

*The Group holds 52% interest in Larkdale III, L.P. while the Group's ultimate ownership of the investment held by Larkdale III, L.P. is 34%. The Group has determined it does not have accounting control as the general partner has operating control over the vehicle and acts as an agent for a number of the Investment Manager's funds.

20. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Company declared a dividend of 2.00 pence per Ordinary Share for the three-month period ended 31 December 2019 and paid the dividend on 2 April 2020. Further, the Company declared a dividend of 2.00 pence per Ordinary Share for the three-month period ended 31 March 2020 on 7 May 2020 to be paid on 11 June 2020.

From 1 January 2020 to 20 May 2020, the Company had repurchased an additional 6,491,024 Ordinary Shares at an average price of 71.27 pence per Ordinary Share under the share buyback programme bringing the cumulative total to 76,804,384 Ordinary Shares (20.1% of gross share issuance).

Subsequent to the year end, the World Health Organisation declared a Public Health Emergency of International Concern relating to COVID-19. Given that the emergence and spread of COVID-19 occurred in 2020, it is not considered relevant to conditions that existed at the balance sheet date. As such the measurement of assets and liabilities in the accounts has not been adjusted for its potential impact. The Directors have considered the risks arising from the COVID-19 pandemic as part of its process to approve the Group's Financial Statements and the Going Concern Statement in the Directors' Report on pages 40 and 41.

Whilst the situation is evolving, it is too early to fully determine implications on the macro economic environment in which the portfolio companies operate as the Investment Manager and the Directors have not seen any potential significant underlying issues through the date of this report. The COVID-19 outbreak, which occurred after 31 December 2019, may potentially impact the significant estimates used in the valuation of the Group's level 3 equity investments and have a material impact on the expected credit losses of the Group's balance sheet investments in 2020. The Investment Manager and the Directors will continue to monitor the situation and its impact on the Group.

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

SHAREHOLDER INFORMATION

INVESTMENT OBJECTIVE

The Company's investment objective is to generate an attractive total return for shareholders consisting of distributable income and capital growth through investments in financial services opportunities. The Company provides asset-backed lending solutions to emerging and established businesses with the goal of building long-term, sustainable income generation. The Company focuses on providing capital to vital segments of the economy, which for regulatory and structural reasons are underserved by the traditional banking industry. Among others, these segments include small business lending, working capital products, consumer finance and real estate. The Company offers shareholders access to a diversified portfolio of opportunistic credit investments originated by non-bank lenders with a focus on the rapidly developing technology-enabled lending sector. Through rigorous diligence and credit monitoring, the Company generates stable income with significant downside protection.

INVESTMENT POLICY

The Company seeks to achieve its investment objective by investing in opportunities in the financial services market through portfolio companies and other lending related opportunities.

The Company invests directly or indirectly into available opportunities, including by making investments in, or acquiring interests held by, third-party funds (including those managed by the Investment Manager or its affiliates).

Direct investments include consumer loans, SME loans, advances against corporate trade receivables and/or purchases of corporate trade receivables originated by portfolio companies ("Debt Instruments"). Such Debt Instruments may be subordinated in nature, or may be second lien, mezzanine or unsecured loans.

Indirect investments include investments in portfolio companies (or in structures set up by portfolio companies) through the provision of senior secured floating rate credit facilities ("Credit Facilities"), equity or other instruments. Additionally, the Company's investments in Debt Instruments and Credit Facilities are made through subsidiaries of the Company or through partnerships in order to achieve bankruptcy remoteness from the platform itself, providing an extra layer of credit protection.

The Company may also invest in other financial services related opportunities through a combination of debt facilities, equity or other instruments.

The Company may also invest (in aggregate) up to 10% of its Gross Assets (at the time of investment) in listed or unlisted securities (including equity and convertible securities or any warrants) issued by one or more of its portfolio companies or financial services entities.

The Company invests across several portfolio companies, asset classes, geographies (primarily US, UK, Europe and Latin America) and credit bands in order to create a diversified portfolio and thereby mitigates concentration risks.

INVESTMENT RESTRICTIONS

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

PLATFORM RESTRICTIONS

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

ASSET CLASS RESTRICTIONS

Single loans acquired by the Company will typically be for a term no longer than five years.

The Company will not invest more than 20% of its Gross Assets, at the time of investment, via any single investment fund investing in Debt Instruments and Credit Facilities. In any event, the Company will not invest, in aggregate, more than 60% of its Gross Assets, at the time of investment, in investment funds that invest in Debt Instruments and Credit Facilities.

SHAREHOLDER INFORMATION continued

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

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

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

OTHER RESTRICTIONS

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

Where appropriate, the Company will ensure that any SPV used by it to acquire or receive (by way of assignment or otherwise) any loans to UK consumers shall first obtain the appropriate authorisation from the FCA for consumer credit business.

BORROWING POLICY

Borrowings may be employed at the level of the Company and at the level of any investee entity (including any other investment fund in which the Company invests or any SPV that may be established by the Company in connection with obtaining gearing against any of its assets).

The Company may, in connection with seeking such gearing or securitising its loans, seek to assign existing assets to one or more SPVs and/or seek to acquire loans using an SPV.

The Company may establish SPVs in connection with obtaining gearing against any of its assets or in connection with the securitisation of its loans (as set out further below). It intends to use SPVs for these purposes to seek to protect the geared portfolio from group level bankruptcy or financing risks.

The aggregate leverage of the Company and any investee entity (on a look-through basis, including borrowing through securitisation using SPVs) shall not exceed 1.5 times its NAV (1.5x).

As is customary in financing transactions of this nature, the particular SPV will be the borrower and the Company may from time to time be required to guarantee or indemnify a third-party lender for losses incurred as a result of certain "bad boy" acts of the SPV or the Company, typically including fraud or wilful misrepresentation or causing the SPV voluntarily to file for bankruptcy protection. Any such arrangement will be treated as 'non-recourse' with respect to the Company provided that any such obligation of the Company shall not extend to guaranteeing or indemnifying Ordinary portfolio losses or the value of the collateral provided by the SPV.

SECURITISATION

The Company may use securitisation typically only for loans purchased directly from portfolio companies through the Marketplace Model in order to improve overall profitability by: (i) lowering the cost of financing; (ii) further diversifying its portfolio using the same amount of equity capital; and (iii) to lowering the credit risk to the Company.

In order to securitise certain assets, a bankruptcy remote SPV would be established, solely for the purpose of holding the underlying assets and issuing asset-backed securities ("ABS") secured only on these assets within the SPV. Each SPV would be portfolio company specific and would be owned by the Company, in whole or in part alongside Other VPC Funds or investors. Each SPV used for securitisation will be ring-fenced from one another and will not involve cross-collateralisation. The SPV will then aim to raise debt financing in the capital markets by issuing ABS that are secured only on assets within the SPV. The SPV will also enter into service agreements with the relevant portfolio companies to ensure continued collection of payments, pursuance of delinquent borrowers (end consumers) and otherwise interaction with borrowers in much the same manner as if the securitisation had not occurred.

SHARE REGISTER ENQUIRIES

For shareholder enquiries, please contact Link Asset Services on +44 (0) 371 664 0391. If you are outside the United Kingdom, please call +44 371 664 0391, or by email at shareholderenquiries@linkgroup.co.uk .

Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Phone lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

SHARE CAPITAL AND NET ASSET VALUE INFORMATION

Ordinary £0.01 Shares	312,302,305
SEDOL Number	BVG6X43
ISIN Number	GB00BVG6X439

SHARE PRICES

The Company's shares are listed on the London Stock Exchange.

ANNUAL AND HALF-YEARLY REPORTS

Copies of the Annual and Half-Yearly Reports are available from the Investment Manager and are available on the Company's website http://vpcspecialtylending.com.

PROVISIONAL FINANCIAL CALENDAR

June 2020	Annual General Meeting
June 2020	Payment of interim dividend to 31 March 2020
30 June 2020	Half-year End
September 2020	Announcement of half-yearly results
September 2020	Payment of interim dividend to 30 June 2020
December 2020	Payment of interim dividend to 30 September 2020
31 December 2020	Year End

DIVIDENDS

The following table summarises the amounts recognised as distributions to equity shareholders relating to 2019:

	£
2019 interim dividend of 2.00 pence per Ordinary Share paid on 27 June 2019	6,804,777
2019 interim dividend of 2.00 pence per Ordinary Share paid on 19 September 2019	6,463,506
2019 interim dividend of 2.00 pence per Ordinary Share paid on 19 December 2019	6,282,264
2019 interim dividend of 2.00 pence per Ordinary Share paid on 2 April 2020	6,184,004
Total	25,734,551

SHAREHOLDER INFORMATION continued

DEFINITIONS OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

The Group uses the terms and alternative performance measures below to present a measure of profitability which is aligned with the requirements of our investors and potential investors, to draw out meaningful subtotals of revenues and earnings and to provide additional information not required for disclosure under accounting standards to assist users of the accounts in gauging the profit levels of the Group. Alternative performance measures are used to improve the comparability of information between reporting periods, either by adjusting for uncontrollable or one-off factors which impact upon IFRS measures or, by aggregating measures, to aid the user understand the activity taking place. The Strategic Report includes both statutory and adjusted measures, the latter of which, reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed. APMs are not considered to be a substitute for IFRS measures but provide additional insight on the performance of the business. All terms and performance measures relate to past performance:

Discount to NAV – Calculated as the difference in the NAV (Cum Income) per Ordinary Share and the Ordinary Share price divided by the NAV Cum (Income) per Ordinary Share.

Dividend Yield on Average NAV (Cum Income) – Calculated as the dividends declared during 2019 divided by the average Net Asset Value (Cum Income) of the Company for the year.

Gross Returns – Represents the return on shareholder's funds per share on investments of the Company before operating and other expenses of the Company.

Look-Through Gearing Ratio – The aggregate gearing of the Company and any investee entity (on a look through basis, including borrowing through securitisations using SPVs) shall not exceed 1.50 times its NAV (1.5x).

Market Capitalisation – Month-end closing share price multiplied by the number of shares outstanding at month end.

NAV (Cum Income) or NAV or Net Asset Value – The value of assets of the Company less liabilities determined in accordance with the accounting principles adopted by the Company.

NAV (Cum Income) Return – The theoretical total return on shareholders' funds per share reflecting the change in NAV assuming that dividends paid to shareholders were reinvested at NAV at the time dividend was announced.

	2019 Calculation	Inception to Date Calculation
(A) Closing NAV (Cum Income) per share	93.33p	93.33p
(B) Opening NAV (Cum Income) per share	91.01p	98.00p
(C) Dividends declared and paid	8.00p	31.59p
D = (A – B + C) / B	11.34%	27.47%

NAV (Ex Income) – The NAV of the Company, including current year capital returns and excluding current year revenue returns and unadjusted for dividends relating to revenue returns.

NAV (Ex Income) Return – The theoretical total return on shareholders' funds per share, excluding revenue returns, reflecting the change in NAV assuming that dividends paid to shareholders, unadjusted for dividends relating to revenue returns, were reinvested at NAV at the time dividend was announced.

	2019 Calculation	Inception to Date Calculation
(A) Closing NAV (Ex Income) per share	86.41p	86.41p
(B) Opening NAV (Ex Income) per share	85.12p	98.00p
(C) Dividends declared and paid	0.00p	1.26p
D = (A – B + C) / B	1.51%	–10.54%

NAV per Share (Cum Income) – The NAV (Cum Income) divided by the number of shares in issue.

NAV per Share (Ex Income) – The NAV (Ex Income) divided by the number of shares in issue.

Net Returns – Represents the return on shareholder's funds per share on investments of the Company after operating and other expenses of the Company.

Ongoing Charges Ratio – Ongoing charges represents the management fee and all other operating expenses, excluding finance costs, transaction costs and any performance fee payable, expressed as a percentage of the average net asset values during the year.

Premium/(Discount) to NAV (Cum Income) – The amount by which the share price of the Company is either higher (at a premium) or lower (at a discount) than the NAV per Share (Cum Income), expressed as a percentage of the NAV per share.

Revenue Return – Represents the difference between the **NAV (Cum Income) Return** and the **NAV (Ex Income) Return** as defined above.

	2019 Calculation	Inception to Date Calculation
(A) NAV (Cum Income) Return	11.34%	27.47%
(B) NAV (Ex Income) Return	1.51%	–10.54%
C = A - B	9.83%	38.01%

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

Total Shareholder Return – Calculated as the change in the traded share price from 31 December 2019 to 31 December 2018 plus the dividends declared in 2019 divided by the traded share price as at 31 December 2018.

Trailing Twelve Month Dividend Yield – Calculated as the total dividends declared over the last twelve months as at 31 December 2019 divided by the 31 December 2019 closing share price.

SHAREHOLDER INFORMATION continued

CONTACT DETAILS OF THE ADVISERS

Directors	Kevin Ingram Clive Peggram Elizabeth Passey Mark Katzenellenbogen Richard Levy *all of the registered office below*
Registered Office	6th Floor 65 Gresham Street London EC2V 7NQ United Kingdom
Company Number	9385218
Website Address	https://vpcspecialtylending.com
Corporate Brokers	Jefferies International Limited 100 Bishpsgate London EC2N 4JL United Kingdom Winterflood Securities Limited Cannon Bridge House 25 Dowgate Hill London EC4R 2GA United Kingdom
Investment Manager and AIFM	Victory Park Capital Advisors, LLC 150 North Riverside Plaza, Suite 5200 Chicago IL 60606 United States
Company Secretary	Link Company Matters Limited Beaufort House 51 New North Road Exeter EX4 4EP United Kingdom
Administrator	Northern Trust Hedge Fund Services LLC 50 South LaSalle Street Chicago IL 60603 United States
Registrar	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

Custodians	Merrill Lynch, Pierce, Fenner & Smith Incorporated 101 California Street San Francisco CA 94111 United States
	Millennium Trust Company 2001 Spring Road Oak Brook IL 60523 United States
English Legal Adviser to the Company	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT United Kingdom
Registered Office	VPC Specialty Lending Investments PLC 6th Floor, 65 Gresham Street London EC2V 7NQ United Kingdom

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