# VPC SPECIALTY LENDING
## INVESTMENTS PLC

HALF-YEAR REPORT (UNAUDITED)

FOR THE SIX-MONTH PERIOD TO 30 JUNE 2021

COMPANY NUMBER 9385218

VICTORY PARK

CAPITAL

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# STRATEGIC REPORT

# VPC SPECIALTY LENDING INVESTMENTS PLC
# INTRODUCTION

## FINANCIAL HIGHLIGHTS

### RETURN SUMMARY AS AT 30 JUNE 2021

**Net Asset Value per Ordinary Share**

**106.19p**

(30 June 2020: 89.78p)
(31 December 2020: 95.72p)

**NAV (Cum Income) Return**

**+ 15.12%**

(30 June 2020: + 0.48%)
(31 December 2020: + 11.12%)

**Total Shareholder Return at 30 June 2021[1]**
**(based on share price)**

**+ 11.82%**

(30 June 2020: - 10.49%)
(31 December 2020: + 10.87%)

**Dividends per Ordinary Share[2]**

**4.00p**

(30 June 2020: 4.00p)
(31 December 2020: 8.00p)

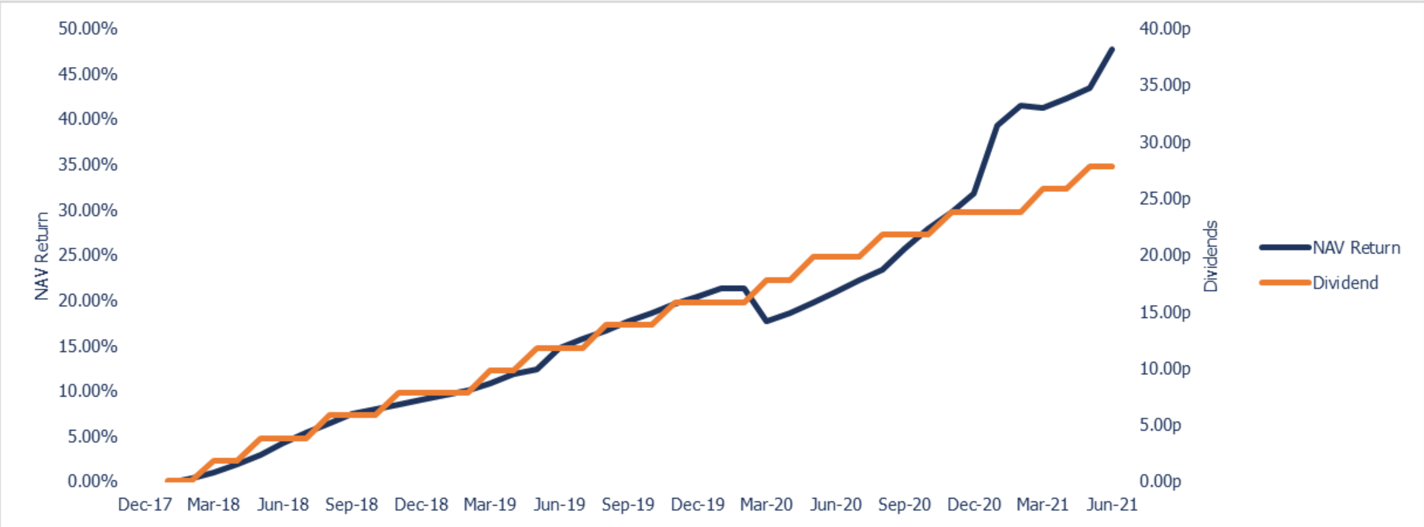
| | AS AT 30 JUNE 2021 | AS AT 30 JUNE 2020 | AS AT 31 DECEMBER 2020 |
|---|---|---|---|
| Total Net Assets attributable to equity shareholders of the Parent Company (on a consolidated basis) | £295,507,964 | £260,396,391 | £270,537,108 |
| Ordinary Share price | 84.00p | 66.00p | 78.70p |
| Discount to Net Asset Value | 20.90% | 26.49% | 17.77% |
| Net return on ordinary activities after taxation | £39,946,428 | £(3,457,994) | £22,954,679 |
| Revenue Return on ordinary activities after taxation | £9,598,498 | £15,148,516 | £23,898,852 |
| Ordinary Shares repurchased (in the period) | (4,370,972) | (22,266,293) | (29,654,941) |
| Shares in issue (at the end of the period) | 278,276,392 | 290,036,012 | 282,647,364 |

All the terms and alternative performance measures above are defined on page 41.

[1]Net of issue costs.
[2]Dividends declared and paid which relate to the period.

### COMPANY PERFORMANCE

The table below illustrates the Company's NAV return and dividend per share from 1 January 2018 through 30 June 2021[3], which illustrates the total returns of the Company after the portfolio was converted into substantially all asset-backed delayed draw term loans and the equity investments received with those investments.




[3]This return excludes the effect of the initial recognition of IFRS 9 disclosed in the Company's 2018 Annual Report of 1.11% as at 31 December 2017 which was brought forward through capital as it impacts the inception to date returns.

# VPC SPECIALTY LENDING INVESTMENTS PLC
# INTRODUCTION

## INTRODUCTION TO THE COMPANY

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.

The Company's investing activities are undertaken by 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. Through rigorous due diligence and credit monitoring by the Investment Manager, the Company generates stable income with significant downside protection.

This half year report for the period to 30 June 2021 includes the results of the Company (also referred to as the "Parent Company") and its consolidated subsidiaries (together the "Group"). The Company (No. 9385218) was admitted to the premium listing segment of the Official List of the Financial Conduct Authority ("FCA") (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'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 with asset-backed lending.

## CHAIRMAN'S STATEMENT

I am pleased to present to you the half year results for the Company for the period to 30th June 2021. I took over as Chairman following the Annual General Meeting of the Company on 24 June 2021, succeeding Kevin Ingram, and I must begin by recording my appreciation and the renewed thanks of the whole Board to Kevin for his leadership of and service to the Company since its launch in 2015, first as Chairman of the Audit Committee and then as Chairman. I am also happy to report that against the challenging and continued effect of COVID-19, the Company delivered a total return of 15.12% and declared quarterly dividends that totalled 4.00 pence per share. While the macro backdrop for non-traditional credit has continued to be volatile through the first half of 2021, VPC's risk mitigation procedures, the resilience and performance of the investment portfolio and the new investments made in 2021 have driven the strong returns for the period. Recent performance and returns continue to differentiate the Company from many of its peers in the investment trust lending sector.

## INVESTMENTS

### BALANCE SHEET LOAN INVESTMENTS

The Company's balance sheet loan investments continue to represent the bulk of its portfolio and deliver a stable and predictable level of income return as all contractual cash payments have been received through the date of this report. As at 30 June 2021, the balance sheet portfolio comprised 26 portfolio companies with a weighted average coupon rate (excluding gearing) of 10.82% and a weighted average remaining life of 32 months. During the period, seven new balance sheet investments were made by the Company and three fully exited. Most of these investments are delayed draw, floating rate senior secured loans that have equity subordination. The balance sheet investments are backed by underlying collateral consisting of consumer loans, small business loans and other types of collateral.

On 1 March 2021, the Company signed a USD$130 million gearing facility with Massachusetts Mutual Life Insurance Company ("MassMutual"). The MassMutual facility was negotiated at attractive terms including a three-year revolving period, an interest rate lower than that of the previous facility, an option to upsize the facility from $130 million to $200 million and a six-year maturity. This facility will continue to provide flexible and cost-effective borrowing for the Company to continue to grow the balance sheet investment portfolio while maintaining a modest look-through gearing ratio.

### EQUITY INVESTMENTS

The Company's equity investments have delivered strong returns during the first half of the year. Many of these investments were acquired in conjunction with making the Company's balance sheet loan investments. The equity investments are made up of common stock, preferred stock, warrants and convertible debt. As at 30 June 2021, the Company had exposure to 37 portfolio companies through the equity investments which comprise approximately 18% of NAV (14% at 31 December 2020; 11% at 30 June 2020). At the same date, NAV comprised approximately 11% of cost and 7% unrealised gains on the equity investments, including the SPAC investments, and during the first six months of the year, the equity investments generated a gross capital return of 14.23%.

#### SPAC Investments

Over the last twelve months, the Company has had the opportunity to enter the special purpose acquisition company ("SPAC") space as the Investment Manager has launched four SPACs. VPC has used its industry expertise and network to identify opportunities within the sector. As at the date of this report, the Investment Manager has been able to find attractive financial technology deals for three of the SPACs and continues to work on identifying a target for the fourth. The Company has invested just over 1% of NAV in SPACs, and at 30 June 2021, the SPACs represented approximately 7% of NAV of which 6% of the total is unrealised gain. The Board is encouraged by the strong performance of the portfolio, including equities, which has resulted in outperformance against its UK listed peer group. Given the overall strength of the equity markets to 30 June 2021, the Board is cautious about the prospects for similar performance for the remainder of the year.

## SHARE PRICE DISCOUNT MANAGEMENT

Through 30 June 2021, the share price discount to NAV ranged from 6.60% to 18.81%. The discount narrowed during the first half of the year and was less volatile than the volatility in 2020, it remains a major area of focus for both the Board and the Investment Manager. While we consider that having strong and consistent investment performance is a precondition for reducing the discount at which the Company's shares trade, we also continue to work with the Investment Manager on the initiatives described in our Annual Report. During the year, the Company bought back a total of 4,370,972 shares at an average price of 85.61p, representing 1.55% of the Company's issued shares as at 31 December 2020 and at an average discount to NAV of 13.80%.

## OUTLOOK

During the period, the Board has been directing our focus not only on strategy but towards the Company's positioning, improving the way in which our investment proposition is articulated, to the way that environmental, social and governance factors are incorporated into our investment process and the environmental impact of the Company. The Investment Manager has built the Company's investment portfolio using its 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. The Board and Investment Manager continuously monitor business continuity plans and operational resilience strategies to 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.

As of the date of this report, we are pleased to note that our balance sheet lending investments have remained resilient to the macroeconomic stress resulting from the COVID-19 pandemic and have continued to perform in line with expectations. At the same time, our equity holdings have performed strongly, adding materially to our returns. We believe that the Company's investments are well positioned to weather continued volatility or deterioration, due to the pandemic, in the credit environment as the effects of the immediate fiscal stimulus in the U.S. start to be reduced and the longer-term impacts of the crisis unfold. More detail about the performance of the Company’s investments can be found in the Investment Manager’s Report.

Finally, your Board and I would like to thank shareholders for their continued support.

Graeme Proudfoot
Chairman
30 September 2021

## INVESTMENT MANAGER UPDATE

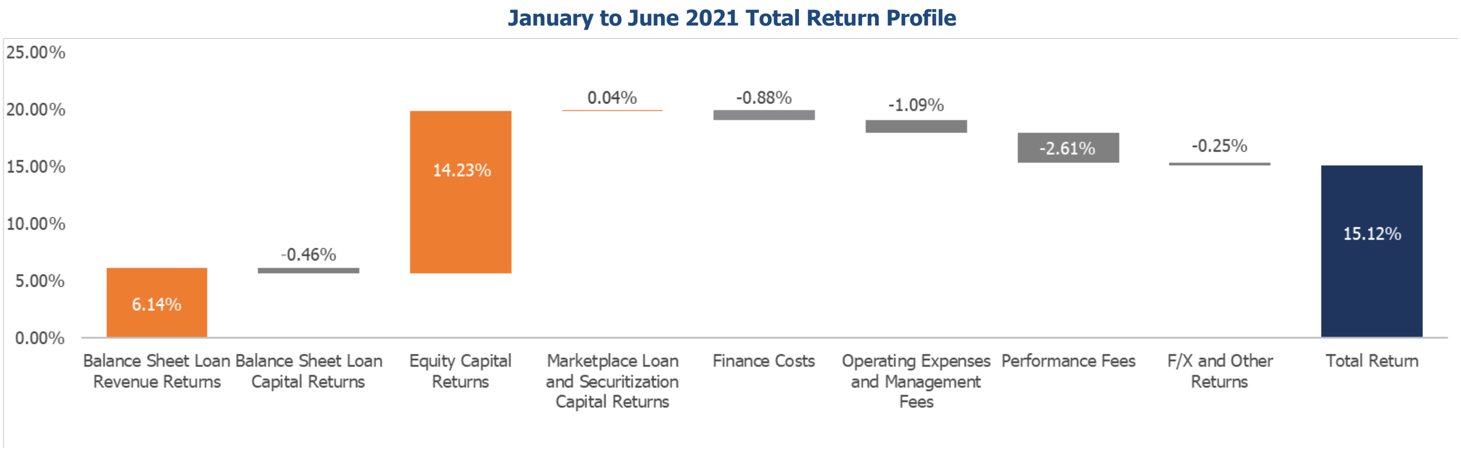
VPC employees had returned to the office on a limited basis, however with the recent updates and guidance from the Centers for Disease Control and Prevention ("CDC") in the United States and increase in transmission of COVID-19 to those that are vaccinated, the VPC Senior Leadership team felt it was prudent for the safety of our employees and their families to work from home until is deemed safe to return. VPC will continue to evaluate the situation, monitor the requirements and guidelines from the CDC and address any additional precautions required before returning to the office. During this time, employees are welcome to continue to work in the office, utilise resources and meet with visitors at their comfort level, provided they continue to follow the procedures outlined in the corporate Pandemic Response Plan.

As it relates to portfolio management, we remain focused on proactive risk management and controls across the portfolio. Our senior management team continues to hold multiple calls each week and the investment teams are in constant contact with our Portfolio Companies to proactively ensure that they are taking prudent steps to mitigate risk on a real time basis.

## PERFORMANCE REVIEW

Despite the continued challenging societal, economic and market activity during the first half of the year, we believe the portfolio is in a strong position due to the protections structured into the balance sheet investments. Since the onset of the pandemic, VPC has been proactive and decisive in its portfolio management. In addition to relying on the structured portfolio protections in place, VPC's senior management team has been in constant communication with each Portfolio Company to ensure that they are taking prudent steps to mitigate risk on a real time basis.

During the period, the Company generated a total return of 15.12% for shareholders, declared dividends for the period of 4.00p and the NAV per share as at 30 June 2021 was 106.19p. The Company generated gross revenue returns of 6.14% as a percentage of NAV in the first half of 2021 from the Company's balance sheet investments, continuing the strong performance trend of the past few years. Equity capital returns of 14.23% were driven by strong performance of the Company's equity investments, which includes the SPAC investments. Finance costs were -0.88% and operating expenses and management fees were -1.09% for the period. A full summary of the returns can be found below:




## PORTFOLIO UPDATE

As of the date of this report, the existing balance sheet debt portfolio has continued to perform in line with expectations. While the world has not yet returned to "normal", collateral across asset classes has remained healthy and stable and there has not been any signs of a resurgence in the volatility witnessed in 2020. In the U.S. there has been a marked rebound in consumer demand for credit, while credit metrics remain in line with expectations. The portfolio has continued to see a significant growth in eCommerce related assets, as that sector has remained a growth sector in economies around the world.

After the unprecedented uncertainty in early 2020, in the latter half of the year the Manager began to assess the investing landscape and re-engage in underwriting new investments, closing three new balance sheet debt investments in the second half of 2020. These investments have benefited from the lessons learned through COVID-19, and from the new perspectives on the economic environment. During the first half of 2021, the Company has continued to find new investments and has added seven new balance sheet investments to the portfolio. We believe that the post-COVID investments present attractive risk adjusted returns and will continue to provide growth opportunities over the coming years.

### SPAC UPDATES

As the Chairman noted, in the last year, we identified a highly attractive opportunity to use our expertise and relationships as an investment manager in the financial technology sector to supplement our core business model and apply it to the SPAC market. We have launched four SPACs in the last ten months and to date have announced potential targets for three of the four SPACs. The Company has invested at a cost of just over 1% of NAV in the four SPACs. In the latest NAV dated 31 August 2021, the discounted market value of the SPAC holdings was a total of £27,756,999 or 9% of NAV.

Below is a summary of the three proposed deals and a breakdown of each of the Company's investments in the SPACs at 30 June 2021. As at 30 June 2021, the investment in VPC Impact Acquisition Holdings II was held at cost as the proposed deal had not yet been announced.

***SPAC Investment Summary at 30 June 2021***

| | VPC Impact Acquisition Holdings | VPC Impact Acquisition Holdings II | VPC Impact Acquisition Holdings III | L&F Acquisition Corp. | Total |
|---|---|---|---|---|---|
| Investment Status | Deal Announced | Post-IPO[1] | Deal Announced | Post-IPO | |
| Target | Bakkt Holdings, LLC | | Dave Inc. | | |
| Total Value as at 30 June 2021 | $21,493,681 | $1,254,358 | $8,764,219 | $168,051 | **$31,680,309** |
| Total Cost as at 30 June 2021 | $2,708,301 | $1,254,358 | $1,247,795 | $168,051 | **$5,378,505** |

[1]The Company disclosed in August 2021 that VPC Impact Acquisition Holdings II announced a merger with Kredivo. As at 30 June 2021 the investment in the SPAC was held at cost.

***VPC Impact Acquisition Holdings***

VPC Impact Acquisition Holdings (NASDAQ: VIHAU, VIH and VIHAW) ("VIH"), announced on September 17, 2021 that the U.S. Securities and Exchange Commission ("SEC") has declared effective VIH's Registration Statement on Form S-4 (the "Registration Statement"), as amended, which was filed in connection with VIH's previously announced business combination (the "Business Combination") with Bakkt. This announcement paves the way for the vote for the business combination and moves this transaction one step closer to completion.

***VPC Impact Acquisition Holdings II***

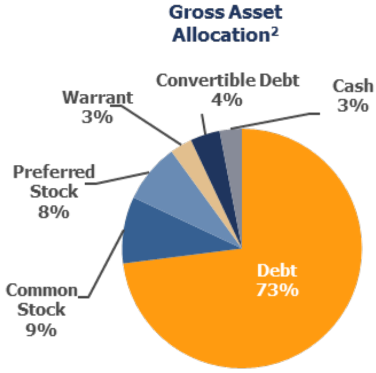
In August 2021, Kredivo, the leading digital consumer credit platform in Southeast Asia, announced plans to become a publicly traded company via merger with VPC Impact Acquisition Holdings II (VIH II). Through VIH II's sponsor entity, the Fund made a $1.3 million investment in the SPAC and currently owns 823,703 Class B Shares and 666,691 private placement warrants in VIH II and as of June 30, 2021, the position was held at cost. Please reference the FinAccel press release from the Company dated 3 August 2021 for further information.

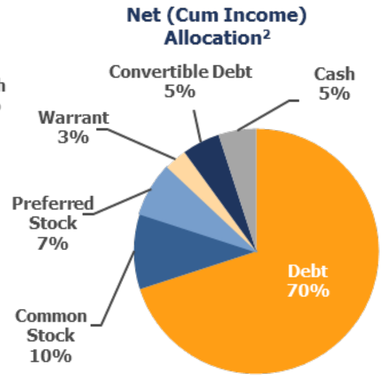
***VPC Impact Acquisition Holdings III***

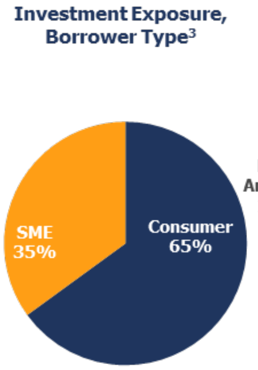
In June 2021, Dave, a leading banking app with 10 million customers, announced plans to become publicly traded company via merger with VPC Impact Acquisition Holdings III, Inc. (VIH III). Through VIH III's sponsor entity, the Fund made a $1.3 million investment in the SPAC and currently owns 817,142 Class B Shares and 663,192 private placement warrants in VIH III and as of June 30, 2021, the position was valued at $8.8 million. Please reference the Dave press release from the Company dated 7 June 2021 for further information.

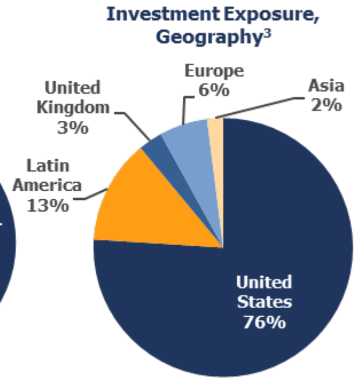
## PORTFOLIO COMPOSITION

As at 30 June 2021, consumer exposure accounted for 65% of the invested portfolio, while small business exposure accounted for 35%. Investments in U.S. portfolio companies accounted for 76% of the invested portfolio, investments in Latin American portfolio companies accounted for 13% with the remaining exposure in Europe, the UK and Asia. Investments in the debt portfolio accounted for 70% of NAV with the fair market value of the equity investments comprising 25% of NAV.




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

## SUMMARY HIGHLIGHTS FOR THE FIRST HALF OF 2021

- **January 2021:** VPC Impact Acquisition Holdings (NASDAQ: "VIH") announced on 11 January 2021 that it had entered into a definitive agreement to combine with Bakkt Holdings, LLC.
- **February 2021:** The Company declared a dividend of 2.00p for the three-month period to 31 December 2020.
- **March 2021:** The Company fully exited its equity investment in Elevate Credit, Inc. (NYSE: ELVT) and the Company funded equity investments in VPC Impact Acquisition Holdings II (NASDAQ: VPCB) and VPC Impact Acquisition Holdings III (NYSE: VPCC) for USD$1.3 million each. Additionally, the Company closed on a USD$130 million gearing facility with Massachusetts Mutual Life Insurance Company, which was used to repay the Company's previous gearing facility with Pacific Western Bank and the first-out participation facility on Avant, held with Axos Bank.
- **April 2021:** The Company fully exited its balance sheet investments in ATA KS Holdings, LLC and reinvested in in three new balance sheet and equity investments in Razor Group GmbH ("Razor"), Moonshot Holdings LLC ("Moonshot"), and CHEQ Limited ACN ("Beforepay").
- **May 2021:** The Company declared its 13th consecutive dividend of 2.00 pence per share for the three-month period to 31 March 2021.
- **May 2021:** The Company invested in three new balance sheet investments in Pattern Brands, Inc. ("Pattern"), Factory 14 S.a.r.l. ("Factory 14") and Holland Law Firm ("Holland").
- **June 2021:** VPC Impact Acquisition Holdings III, Inc. (NYSE: VPCC) ("VPCC") entered into a definitive agreement to combine with Dave. The business combination, which remains subject to VPCC shareholder and customary regulatory approval approvals, is expected to close in the third or fourth quarter of 2021.

## SUBSEQUENT EVENTS

- **July 2021:** The Company invested in one new balance sheet investment, TALA Mobile, S.A.P.I. DE C.V. ("Tala").
- **August 2021:** The Company declared its 14th consecutive dividend of 2.00 pence per share for the three-month period to 30 June 2021.
- **August 2021:** VPC Impact Acquisition Holdings II (NASDAQ: VPCB) ("VPCB"), a special purpose acquisition company sponsored by VPC Impact Acquisition Holdings Sponsor II, LLC, an affiliate of Victory Park Capital, announced it has entered into a definitive agreement to combine with FinAccel Pte. Ltd.

## RISKS AND UNCERTAINTIES

Although there are several risks and uncertainties, we believe that the most significant include:

- **Changes in interest rates:** While the Company's investment portfolio primarily consists of floating rate credit facilities with interest rate floors, changes in interest rates could affect our investments, the profitability of the portfolio companies and that of the underlying borrowers, potentially leading to lower returns or changes in repayments or default rates of the underlying borrowers. Lower interest rates may also lead to increased refinancing activity.
- **Potential risk of refinancing:** The Company retains a right of first refusal ("ROFR") to match the credit facility terms offered by any third-party on most of the Company's investments. In an instance where the market pricing and underlying risk for these deals are not in line with the Company's investment objectives, we will not exercise the ROFRs. We have a significant pipeline of undrawn capacity as well as new deal flow that allows us to quickly reinvest the liquidity generated by a potential refinancing event in the near term. The increasingly competitive environment might affect the ability to quickly reinvest capital if this trend continues over the long-term.
- **Potential changes in credit risk:** There is inherent risk in the Company's underlying investments of a borrower default and a majority of the underlying exposure is in the U.S. Given the short duration of the collateral in the portfolio, the underly portfolio companies continue to generate sufficient cash flow. The potential for credit risk remains heightened during the COVID-19 pandemic and we remain vigilant in the risk analysis performed for all portfolio companies.
- **Potential operational risk impact from the COVID-19 pandemic:** The Investment Manager continues to review 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.

## OUTLOOK

While credit has continued to perform well, the impacts of COVID-19, particularly the Delta variant, continue to have significant impacts on economies around the globe. In the U.S., we are seeing the reinstatement of various regional COVID-19 restrictions, and the prospect for more to come if circumstances do not improve. Simultaneously we are seeing inflation numbers that have not been seen for decades which may or may not prove persistent. While none of these looming issues has manifested in collateral deterioration or negative performance, the environment remains highly uncertain, and we continue to monitor credit very closely across the portfolio.

We believe the investment portfolio offers favourable returns relative to other areas of the credit markets while simultaneously carrying lower levels of overall risk, especially in the current economic environment. 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, our investments are not affected by changes in credit performance until a platform 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 our Portfolio Companies, including attending board meetings as an observer and having weekly update calls with management.

We continue to look for and identify other trends that can create opportunities for investments in the future. We will continue to deploy capital cautiously and we believe the portfolio is well positioned to withstand any potential challenges to come this year and next.

Victory Park Capital Advisors, LLC
Investment Manager
30 September 2021

# VPC SPECIALTY LENDING INVESTMENTS PLC

## DIRECTORS' RESPONSIBILITY STATEMENT

### FOR THE SIX-MONTH PERIOD TO 30 JUNE 2021

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

(a) the unaudited consolidated financial statements have been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and profit for the period of the Group as required by the Disclosure Guidance and Transparency Rules ("DTR") 4.2.4 R;

(b) the Interim Management Report (including the Chairman's Statement and the Investment Manager's Report) includes a fair review of the information required by DTR 4.2.7 R (indication of important events that have occurred during the six-month period to 30 June 2021 and their impact on the set of consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year); and

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

Signed on behalf of the Board by:

Graeme Proudfoot
Chairman
30 September 2021

## CAUTIONARY STATEMENT

This Interim Management Report has been prepared solely to provide additional information to shareholders to assess the strategies of the Company and its subsidiaries (together “the Group”). The Interim Management Report should not be relied on by any other party or for any other purpose.

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

## ACTIVITIES

The activities of the Group are described in the Chairman’s Statement and in the Investment Manager’s Report. Refer to the Chairman’s Statement on page 5 and the Investment Manager’s Report on pages 7 through 10 of the Half-Year Financial Report. Further refer to Note 1 to the consolidated financial statements.

## STRATEGY AND INVESTMENT OBJECTIVES

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

Refer to the Chairman’s Statement on page 5 and the Investment Manager’s Report on pages 7 through 10 of the Half-Year Financial Report.

## GOING CONCERN

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

## PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group’s performance over the remaining six months of the financial period and could cause actual results to differ materially from expected and historical results. Refer to the Investment Manager’s Report on pages 7 through 10 of the Half-Year Financial Report as well as Note 5 to the consolidated financial statements for the potential risks and uncertainties. The principal risks and uncertainties are consistent with those disclosed in the Annual Report for the year ended 31 December 2020 which can be found on the Company’s website.

## FINANCIAL PERFORMANCE

The financial and operational highlights of the Group can be found on page 3 of the Half-Year Financial Report.

## RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 13 to the consolidated financial statements.

# FINANCIAL STATEMENTS

# VPC SPECIALTY LENDING INVESTMENTS PLC
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
### AS AT 30 JUNE 2021

| | NOTE | (UNAUDITED) 30 JUNE 2021 £ | (UNAUDITED) 30 JUNE 2020 £ | (AUDITED) 31 DECEMBER 2020 £ |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | | 12,827,525 | 14,835,744 | 6,416,028 |
| Cash posted as collateral | | 2,038,095 | 1,100,000 | 1,140,000 |
| Derivative financial assets | | - | 1,416,582 | 5,758,880 |
| Interest receivable | | 4,174,208 | 4,182,426 | 3,613,047 |
| Dividend and distribution receivable | | 3,763 | 15,138 | 3,812 |
| Other assets and prepaid expenses | | 2,699,365 | 1,121,703 | 889,148 |
| Loans at amortised cost | 3,7 | 291,351,321 | 318,953,868 | 293,123,379 |
| Investment assets designated as held at fair value through profit or loss | 3 | 107,162,812 | 39,092,920 | 51,417,983 |
| **Total assets** | | **420,257,089** | **380,718,381** | **362,362,277** |
| **Liabilities** | | | | |
| Management fee payable | 8 | 168,635 | 66,156 | 92,241 |
| Performance fee payable | 8 | 7,047,774 | - | 4,040,085 |
| Derivative financial liabilities | | 3,692,219 | 155,933 | - |
| Unsettled share buyback payable | | 169,147 | 229,947 | - |
| Deferred income | | 192,170 | 329,321 | 253,403 |
| Other liabilities and accrued expenses | 8 | 1,066,774 | 1,305,245 | 1,332,920 |
| Notes payable | 6 | 112,385,146 | 118,132,012 | 86,087,183 |
| **Total liabilities** | | **124,721,865** | **120,218,614** | **91,805,832** |
| **Total assets less total liabilities** | | **295,535,224** | **260,499,767** | **270,556,445** |
| **Capital and reserves** | | | | |
| Called-up share capital | | 20,300,000 | 20,300,000 | 20,300,000 |
| Share premium account | | 161,040,000 | 161,040,000 | 161,040,000 |
| Other distributable reserve | | 112,779,136 | 121,391,830 | 116,520,960 |
| Capital reserve | | (20,053,701) | (68,018,577) | (50,393,578) |
| Revenue reserve | | 20,221,752 | 24,472,138 | 21,847,960 |
| Currency translation reserve | | 1,220,777 | 1,211,000 | 1,221,766 |
| **Total equity attributable to equity shareholders of the Parent Company** | | **295,507,964** | **260,396,391** | **270,537,108** |
| Non-controlling interests | 15 | 27,260 | 103,376 | 19,337 |
| **Total equity** | | **295,535,224** | **260,499,767** | **270,556,445** |
| **Net Asset Value per Ordinary Share** | 9 | 106.19p | 89.78p | 95.72p |

These consolidated financial statements of VPC Specialty Lending Investments PLC registered number 9385218 were approved and authorised for issue by the Board and signed on its behalf by:

Graeme Proudfoot
Chair
30 September 2021

*See notes to the consolidated financial statements*

# VPC SPECIALTY LENDING INVESTMENTS PLC
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
### FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

| | NOTE | (UNAUDITED) REVENUE £ | (UNAUDITED) CAPITAL £ | (UNAUDITED) TOTAL £ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gain (loss) on investments | 4 | - | 38,544,646 | 38,544,646 |
| Foreign exchange gain (loss) | | - | (1,667,217) | (1,667,217) |
| Interest income | | 14,989,688 | 9,781 | 14,999,469 |
| Other income | 4 | 2,994,307 | - | 2,994,307 |
| **Total return** | | **17,983,995** | **36,887,210** | **54,871,205** |
| **Expenses** | | | | |
| Management fee | 8 | 1,780,159 | - | 1,780,159 |
| Performance fee | 8 | 1,693,853 | 5,353,921 | 7,047,774 |
| Credit impairment losses | 7 | - | 1,102,970 | 1,102,970 |
| Other expenses | | 2,084,520 | 82,389 | 2,166,909 |
| **Total operating expenses** | | **5,558,532** | **6,539,280** | **12,097,812** |
| Finance costs | | 2,826,965 | - | 2,826,965 |
| Net return on ordinary activities before taxation | | 9,598,498 | 30,347,930 | 39,946,428 |
| Taxation on ordinary activities | | - | - | - |
| **Net return on ordinary activities after taxation** | | **9,598,498** | **30,347,930** | **39,946,428** |
| **Attributable to:** | | | | |
| Equity shareholders | | 9,598,498 | 30,339,877 | 39,938,375 |
| Non-controlling interests | | - | 8,053 | 8,053 |
| **Return per Ordinary Share (basic and diluted)** | | **3.25p** | **10.27p** | **13.52p** |
| **Other comprehensive income** | | | | |
| Currency translation differences | | - | (1,119) | (1,119) |
| **Total comprehensive income** | | **9,598,498** | **30,346,811** | **39,945,309** |
| **Attributable to:** | | | | |
| Equity shareholders | | 9,598,498 | 30,338,888 | 39,937,386 |
| Non-controlling interests | | - | 7,923 | 7,923 |

*The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and also international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued

### FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

| | NOTE | (UNAUDITED) REVENUE £ | (UNAUDITED) CAPITAL £ | (UNAUDITED) TOTAL £ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gain (loss) on investments | 4 | - | (9,532,461) | (9,532,461) |
| Foreign exchange gain (loss) | | - | (1,662,430) | (1,662,430) |
| Interest income | | 21,342,243 | 58,353 | 21,400,596 |
| Other income | 4 | 1,014,268 | - | 1,014,268 |
| **Total return** | | **22,356,511** | **(11,136,538)** | **11,219,973** |
| **Expenses** | | | | |
| Management fee | 8 | 1,798,060 | - | 1,798,060 |
| Performance fee | 8 | - | - | - |
| Credit impairment losses | 7 | - | 7,304,791 | 7,304,791 |
| Other expenses | | 1,123,033 | 165,181 | 1,288,214 |
| **Total operating expenses** | | **2,921,093** | **7,469,972** | **10,391,065** |
| Finance costs | | 4,286,902 | - | 4,286,902 |
| Net return on ordinary activities before taxation | | 15,148,516 | (18,606,510) | (3,457,994) |
| Taxation on ordinary activities | | - | - | - |
| **Net return on ordinary activities after taxation** | | **15,148,516** | **(18,606,510)** | **(3,457,994)** |
| **Attributable to:** | | | | |
| Equity shareholders | | 15,148,516 | (18,644,222) | 11,149,760 |
| Non-controlling interests | | - | 37,712 | 37,712 |
| **Return per Ordinary Share (basic and diluted)** | | **4.97p** | **-6.11p** | **-1.15p** |
| **Other comprehensive income** | | | | |
| Currency translation differences | | - | 8,146 | 8,146 |
| **Total comprehensive income** | | **15,148,516** | **(18,598,364)** | **(3,449,848)** |
| **Attributable to:** | | | | |
| Equity shareholders | | 15,148,516 | (18,640,800) | (3,492,284) |
| Non-controlling interests | | - | 42,436 | 42,436 |

*The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and also international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued

### FOR THE YEAR ENDED 31 DECEMBER 2020

| | NOTE | (AUDITED) REVENUE £ | (AUDITED) CAPITAL £ | (AUDITED) TOTAL £ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gain (loss) on investments | 4 | - | 1,845,962 | 1,845,962 |
| Foreign exchange gain (loss) | | - | (2,970,304) | (2,970,304) |
| Interest income | | 35,454,974 | 524,984 | 35,979,958 |
| Other income | 4 | 5,799,767 | - | 5,799,767 |
| **Total return** | | **41,254,741** | **(599,358)** | **40,655,383** |
| **Expenses** | | | | |
| Management fee | 8 | 3,394,740 | - | 3,394,740 |
| Performance fee | 8 | 4,040,085 | - | 4,040,085 |
| Credit impairment losses | 7 | - | 112,550 | 112,550 |
| Other expenses | | 2,313,540 | 232,265 | 2,545,805 |
| **Total operating expenses** | | **9,748,365** | **344,815** | **10,093,180** |
| Finance costs | | 7,607,524 | - | 7,607,524 |
| Net return on ordinary activities before taxation | | 23,898,852 | (944,173) | 22,954,679 |
| Taxation on ordinary activities | | - | - | - |
| **Net return on ordinary activities after taxation** | | **23,898,852** | **(944,173)** | **22,954,679** |
| **Attributable to:** | | | | |
| Equity shareholders | | 23,898,852 | (1,019,223) | 22,879,629 |
| Non-controlling interests | | - | 75,050 | 75,050 |
| **Return per Ordinary Share (basic and diluted)** | | **8.08p** | **-0.34p** | **7.74p** |
| **Other comprehensive income** | | | | |
| Currency translation differences | | - | 21,443 | 21,443 |
| **Total comprehensive income** | | **23,898,852** | **(922,730)** | **22,976,122** |
| **Attributable to:** | | | | |
| Equity shareholders | | 23,898,852 | (1,005,035) | 22,893,817 |
| Non-controlling interests | | - | 82,305 | 82,305 |

*The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and also international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

| | (UNAUDITED) CALLED-UP SHARE CAPITAL £ | (UNAUDITED) SHARE PREMIUM ACCOUNT £ | (UNAUDITED) OTHER DISTRIBUTABLE RESERVE £ | (UNAUDITED) CAPITAL RESERVE £ | (UNAUDITED) REVENUE RESERVE £ | (UNAUDITED) CURRENCY TRANSLATION RESERVE £ | (UNAUDITED) TOTAL SHAREHOLDERS' EQUITY £ | (UNAUDITED) NON-CONTROLLING INTERESTS £ | (UNAUDITED) TOTAL EQUITY £ |
|---|---|---|---|---|---|---|---|---|---|
| **Opening balance at 1 January 2021** | **20,300,000** | **161,040,000** | **116,520,960** | **(50,393,578)** | **21,847,960** | **1,221,766** | **270,537,108** | **19,337** | **270,556,445** |
| Amounts paid on buyback of Ordinary Shares | - | - | (3,741,824) | - | - | - | (3,741,824) | - | (3,741,824) |
| Contributions by non-controlling interests | - | - | - | - | - | - | - | - | - |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | - | - |
| Return on ordinary activities after taxation | - | - | - | 30,339,877 | 9,598,498 | - | 39,938,375 | 8,053 | 39,946,428 |
| Dividends declared and paid | - | - | - | - | (11,224,706) | - | (11,224,706) | - | (11,224,706) |
| **Other comprehensive income** | | | | | | | | | |
| Currency translation differences | - | - | - | - | - | (989) | (989) | (130) | (1,119) |
| **Closing balance at 30 June 2021** | **20,300,000** | **161,040,000** | **112,779,136** | **(20,053,701)** | **20,221,752** | **1,220,777** | **295,507,964** | **27,260** | **295,535,224** |

*See notes to the consolidated financial statements*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

### FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

| | (UNAUDITED) CALLED-UP SHARE CAPITAL £ | (UNAUDITED) SHARE PREMIUM ACCOUNT £ | (UNAUDITED) OTHER DISTRIBUTABLE RESERVE £ | (UNAUDITED) CAPITAL RESERVE £ | (UNAUDITED) REVENUE RESERVE £ | (UNAUDITED) CURRENCY TRANSLATION RESERVE £ | (UNAUDITED) TOTAL SHAREHOLDERS' EQUITY £ | (UNAUDITED) NON-CONTROLLING INTERESTS £ | (UNAUDITED) TOTAL EQUITY £ |
|---|---|---|---|---|---|---|---|---|---|
| **Opening balance at 1 January 2020** | **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** |
| Amounts paid on buyback of Ordinary Shares | - | - | (15,290,346) | - | - | - | (15,290,346) | - | (15,290,346) |
| Contributions by non-controlling interests | - | - | - | - | - | - | - | - | - |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | - | - |
| Return on ordinary activities after taxation | - | - | - | (18,644,222) | 15,148,516 | - | (3,495,706) | 37,712 | (3,457,994) |
| Dividends declared and paid | - | - | - | - | (12,300,230) | - | (12,300,230) | - | (12,300,230) |
| **Other comprehensive income** | | | | | | | | | |
| Currency translation differences | - | - | - | - | - | 3,422 | 3,422 | 4,724 | 8,146 |
| **Closing balance at 30 June 2020** | **20,300,000** | **161,040,000** | **121,391,830** | **(68,018,577)** | **24,472,138** | **1,211,000** | **260,396,391** | **103,376** | **260,499,767** |

*See notes to the consolidated financial statements*

# VPC SPECIALTY LENDING INVESTMENTS PLC
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued
### FOR THE YEAR ENDED 31 DECEMBER 2020

| | (AUDITED) CALLED-UP SHARE CAPITAL £ | (AUDITED) SHARE PREMIUM ACCOUNT £ | (AUDITED) OTHER DISTRIBUTABLE RESERVE £ | (AUDITED) CAPITAL RESERVE £ | (AUDITED) REVENUE RESERVE £ | (AUDITED) CURRENCY TRANSLATION RESERVE £ | (AUDITED) TOTAL SHAREHOLDERS' EQUITY £ | (AUDITED) NON-CONTROLLING INTERESTS £ | (AUDITED) TOTAL EQUITY £ |
|---|---|---|---|---|---|---|---|---|---|
| **Opening balance at 1 January 2020** | **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** |
| Amounts paid on buyback of Ordinary Shares | - | - | (20,161,216) | - | - | - | (20,161,216) | - | (20,161,216) |
| Contributions by non-controlling interests | - | - | - | - | - | - | - | - | - |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | (123,908) | (123,908) |
| Return on ordinary activities after taxation | - | - | - | (1,019,223) | 23,898,852 | - | 22,879,629 | 75,050 | 22,954,679 |
| Dividends declared and paid | - | - | - | - | (23,674,744) | - | (23,674,744) | - | (23,674,744) |
| **Other comprehensive income** | | | | | | | | | |
| Currency translation differences | - | - | - | - | - | 14,188 | 14,188 | 7,255 | 21,443 |
| **Closing balance at 31 December 2020** | **20,300,000** | **161,040,000** | **116,520,960** | **(50,393,578)** | **21,847,960** | **1,221,766** | **270,537,108** | **19,337** | **270,556,445** |

*See notes to the consolidated financial statements*

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

| | (UNAUDITED) 30 JUNE 2021 £ | (UNAUDITED) 30 JUNE 2020 £ | (AUDITED) 31 DECEMBER 2020 £ |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Total comprehensive income | 39,945,309 | (3,449,848) | 22,976,122 |
| Adjustments for: | | | |
| - Interest income | (14,999,469) | (21,400,596) | (35,979,958) |
| - Dividend and distribution income | (2,994,307) | (1,014,268) | (5,799,767) |
| - Finance costs | 2,826,965 | 4,286,902 | 7,607,524 |
| - Exchange (gains) losses | 1,667,217 | 1,662,430 | 2,970,304 |
| **Total** | **26,445,715** | **(19,915,380)** | **(8,225,775)** |
| Gain on investment assets | (38,544,646) | 9,532,461 | (1,845,962) |
| (Gain) loss on derivative financial instruments | 10,980,503 | (20,749,369) | (1,402,050) |
| Decrease (increase) in other assets and prepaid expenses | (1,810,217) | (227,546) | 5,009 |
| Increase (decrease) in management fee payable | 76,394 | (77,259) | (51,174) |
| Increase (decrease) in performance fee payable | 3,007,689 | (7,410,614) | (3,370,529) |
| Decrease in deferred income | (61,233) | (161,001) | (236,919) |
| Decrease in accrued expenses and other liabilities | (701,861) | (629,895) | (458,591) |
| Interest received | 14,438,308 | 22,448,520 | 37,597,261 |
| Purchase of loans | (104,041,783) | (64,081,377) | (105,292,885) |
| Redemption or sale of loans | 101,968,924 | 114,742,276 | 160,405,704 |
| Impairment of loans | 1,102,970 | 7,304,791 | 112,550 |
| **Net cash inflow (outflow) from operating activities** | **12,860,763** | **40,775,607** | **77,236,639** |
| **Cash flows from investing activities:** | | | |
| Investment income received | 2,994,356 | 1,018,502 | 5,815,327 |
| Purchase of investment assets | (24,402,638) | (6,322,262) | (16,671,467) |
| Sale of investment assets | 5,874,872 | 3,275,979 | 8,538,783 |
| Decrease of cash posted as collateral | (898,095) | (120,000) | (160,000) |
| **Net cash inflow (outflow) from investing activities** | **(16,431,505)** | **(2,147,781)** | **(2,477,357)** |

*See notes to the consolidated financial statements*

# CONSOLIDATED STATEMENT OF CASH FLOWS continued

## FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

| | (UNAUDITED) 30 JUNE 2021 £ | (UNAUDITED) 30 JUNE 2020 £ | (AUDITED) 31 DECEMBER 2020 £ |
|---|---|---|---|
| **Cash flows from financing activities:** | | | |
| Dividends distributed | (11,224,706) | (12,300,230) | (23,674,744) |
| Treasury shares repurchased | (3,572,677) | (15,112,905) | (20,213,722) |
| Distributions to non-controlling interests | - | - | (123,908) |
| Increase (decrease) in note payable | 27,250,133 | (1,641,963) | (23,502,528) |
| Finance costs paid | (2,391,251) | (3,701,025) | (7,165,276) |
| **Net cash inflow (outflow) from financing activities** | **10,061,499** | **(32,756,123)** | **(74,680,178)** |
| | | | |
| Net change in cash and cash equivalents | 6,490,757 | 5,871,703 | 79,104 |
| Exchange gains (losses) on cash and cash equivalents | (79,261) | 2,832,919 | 205,802 |
| Cash and cash equivalents at the beginning of the period | 6,416,028 | 6,131,122 | 6,131,122 |
| **Cash and cash equivalents at the end of the period** | **12,827,524** | **14,835,744** | **6,416,028** |

*See notes to the consolidated financial statements*

## 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 focuses on providing capital to vital segments of the economy that are underserved by the traditional banking industry, including small businesses, working capital products, consumer finance and real estate, among others. The Group executes this strategy by identifying 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, which is limited by shares, was incorporated and domiciled 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 30 June 2021, the Company had total issued equity in the form of 382,615,665 Ordinary Shares (31 December 2020: 382,615,665; 30 June 2020: 382,615,665) of which 278,276,392 were outstanding (31 December 2020: 282,647,364; 30 June 2020: 290,036,012) and 104,339,273 were held as treasury shares (31 December 2020: 99,968,301; 30 June 2020: 92,579,653). These shares are listed on the premium segment of the Official List of the Financial Conduct Authority and trade on the London Stock Exchange's main market for listed securities.

As at 30 June 2021, 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 in Note 2 of the Annual Report for the year ended 31 December 2020.

### Basis of preparation

The consolidated financial statements present the financial performance of the Group for the six-month period to 30 June 2021. These statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and UK-adopted IAS34 'Interim Financial Reporting.'

The consolidated financial statements for the period ended 30 June 2021 have not been audited or reviewed by the Group's auditors and do not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. They do not include all financial information required for full annual financial statements. The consolidated financial statements and the comparative financial statements have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 December 2020.

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

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in November 2014 and updated in 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.

## Critical accounting estimates

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

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

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

### *Base case and stress case cash flow methodology under IFRS 9*

Each loan in the Group's investment portfolio is analysed to assess the likelihood of the Group incurring any loss either (i) in the normal course of events, or (ii) in a stress scenario. Given that these positions are typically secured by specific collateral, commonly in the form of cash flow receivables or similar assets, 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 are 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 significant percentage of the Group's investments within these scenarios are:

- Impact on receivable loss rates in a stress scenario – 1.1x to 2.1x (31 December 2020: 1.1x to 2.1x);
- Range of net losses – 0.0% to 46.2% (31 December 2020: 0.0% to 42.3%);
- Revenue growth / declines – 0.76x - 1.00x revenue factor (31 December 2020: N/A); and
- Margin growth / decline – (2.5%) – 0.00% period change (31 December 2020: N/A).

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 specific nature of the underlying collateral. The expected cash flows are assessed based on the relevant collateral parameters which will vary based on the specific asset class being assessed. In certain instances, the collateral cash flows may entail the presumed sale of collateral assets to third parties based on expected market values. Cash flow and market assumptions are based on a combination of (1) historical collateral data, (2) management forecasts, (3) proxy data from comparable assets or businesses, and (4) judgement from the Investment Manager's investment professionals based on general research and knowledge. The last input component is the terms of the Group's investment, which includes the applicable advance rate and interest rate which are based on the prevailing terms and circumstances of the facility.

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

### *Stress case*

Once the Base Case scenario is established, one or more "Stress Case" scenario(s) is created for each transaction. The Stress Case is established by stressing the inputs that are most directly tied to outcomes to an extent consistent with a severe recession or comparably severe deterioration in the investment position. The primary driver of collateral value for many asset classes is the loss rates on the underlying receivables as these have the most direct impact on liquidation outcomes. For other asset classes it may include revenue yields, market values, or other economic variables. Certain variables with less significant impacts on the cash flow outcomes may be held constant to enhance model explanatory power. Stress variables may be adjusted to reflect the fact that stress will emerge (and dissipate) over a period of time rather than being an immediate and constant impact.

| ***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, Second Order Solutions (June 2019)

Among the most heavily represented populations in the Group's borrower portfolios are personal loans (or amortising 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.

### *Establishing impairment reserves*

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.

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). Typically, the Investment Manager reviews macroeconomic data to assess the probability of a recession or stress scenario over a 12-month horizon, however such an analysis was not applicable during the current period as the determinations were made based on deal specific circumstances for each of the relevant investments. Given the continuation of COVID-19 around the globe and the ensuing macroeconomic impacts of the crisis, relevant models have assumed a 100% (31 December 2020: 100%) probability of a stress scenario, which is a conservative approach.

Regarding the likelihood of an economic recession in the upcoming 12-month period, as at 30 June 2021 an increase in the likelihood of an economic recession would have no impact on the expected credit losses.

### *Measurement of the expected credit loss allowance*

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

### *Valuation of unquoted investments*

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

## 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 14.

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.

## 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 30 June 2021 as this reflects fair value under the relevant valuation methodology. The NAV is provided to investors only and is not made publicly available.

## Valuation of equity securities

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

In using a valuation methodology based on the discounting of forecasted cash flows of the Portfolio Company, significant judgment is required in the development of an appropriate discount rate to be applied to the forecasted cash flows. The assumptions incorporated in the valuation methodologies used to estimate the enterprise value consists primarily of unobservable Level 3 inputs, including management assumptions based on judgment. For example, from time to time, a Portfolio Company has exposure to potential or actual litigation. In evaluating the impact on the valuation for such items, the amount that a market participant would consider in estimating fair value is considered. These estimates are highly subjective, 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 30 June 2021:

| Investment assets designated as held at fair value | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Investments in funds | 11,653,612 | - | - | 11,653,612 |
| Equity securities | 95,509,200 | - | 23,359,474 | 72,149,726 |
| **Total** | 107,162,812 | - | 23,359,474 | 83,803,338 |

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

| Derivative financial liabilities | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | 3,692,219 | - | 3,692,219 | - |
| **Total** | 3,692,219 | - | 3,692,219 | - |

There were no movements between Level 1 and Level 2 fair value measurements during the period ended 30 June 2021 and £6,419,396 of investment fair value transferred from Level 3 to Level 2 during the period.

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 30 June 2020:

| Investment assets designated as held at fair value | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Investments in funds | 3,710,091 | - | - | 3,710,091 |
| Equity securities | 35,382,829 | 1,208,896 | - | 34,173,933 |
| **Total** | 39,092,920 | 1,208,896 | - | 37,884,024 |

| Derivative financial assets | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | 1,416,582 | - | 1,416,582 | - |
| **Total** | 1,416,582 | - | 1,416,582 | - |

| Derivative financial liabilities | (UNAUDITED) TOTAL £ | (UNAUDITED) LEVEL 1 £ | (UNAUDITED) LEVEL 2 £ | (UNAUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | 155,933 | - | 155,933 | - |
| **Total** | 155,933 | - | 155,933 | - |

There were no movements between Level 1 and Level 2 fair value measurements during the period ended 30 June 2020 and no transfers into and out of Level 3 fair value measurements for the Group.

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 31 December 2020:

| Investment assets designated as held at fair value | (AUDITED) TOTAL £ | (AUDITED) LEVEL 1 £ | (AUDITED) LEVEL 2 £ | (AUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Investments in funds | 2,522,367 | - | - | 2,522,367 |
| Equity securities | 48,895,616 | 2,954,366 | - | 45,941,250 |
| **Total** | 51,417,983 | 2,954,366 | - | 48,463,617 |

| Derivative financial assets | (AUDITED) TOTAL £ | (AUDITED) LEVEL 1 £ | (AUDITED) LEVEL 2 £ | (AUDITED) LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | 5,758,880 | - | 5,758,880 | - |
| **Total** | 5,758,880 | - | 5,758,880 | - |

There were no movements between Level 1 and Level 2 fair value measurements during the year ended 31 December 2020 and no transfers into and out of Level 3 fair value measurements for the Group.

The following table presents the movement in Level 3 positions for the period for the Group at 30 June 2021:

| | (UNAUDITED) INVESTMENTS IN FUNDS £ | (UNAUDITED) EQUITY SECURITIES £ |
|---|---|---|
| Beginning balance, 1 January 2021 | 2,522,367 | 45,941,250 |
| Purchases | 9,462,777 | 14,936,631 |
| Sales | (93,226) | (2,815,737) |
| Transfers in/(out) | - | (6,419,396) |
| Net change in unrealised foreign exchange gains (losses) | (507,668) | (1,428,705) |
| Net realised gains (losses) | - | 142,090 |
| Net change in unrealised gains (losses) | 269,362 | 21,793,593 |
| **Ending balance, 30 June 2021** | 11,653,612 | 72,149,726 |

The following table presents the movement in Level 3 positions for the period for the Group at 30 June 2020:

| | (UNAUDITED) INVESTMENTS IN FUNDS £ | (UNAUDITED) EQUITY SECURITIES £ |
|---|---|---|
| Beginning balance, 1 January 2020 | 4,461,946 | 34,638,575 |
| Purchases | - | 6,322,262 |
| Sales | (718,047) | (2,557,932) |
| Net change in unrealised foreign exchange gains (losses) | 266,317 | 3,166,821 |
| Net change in unrealised gains (losses) | (300,125) | (7,395,793) |
| **Ending balance, 30 June 2020** | 3,710,091 | 34,173,933 |

The following table presents the movement in Level 3 positions for the year ended 31 December 2020 for the Group:

| | (AUDITED) INVESTMENTS IN FUNDS £ | (AUDITED) EQUITY SECURITIES £ |
|---|---|---|
| Beginning balance, 1 January 2020 | 4,461,946 | 34,638,575 |
| Purchases | - | 16,671,467 |
| Sales | (1,376,253) | (7,162,530) |
| Net change in unrealised foreign exchange gains (losses) | (624,808) | (1,010,734) |
| Realised gains (losses) | - | (8,676,617) |
| Net change in unrealised gains (losses) | 61,482 | 11,481,089 |
| **Ending balance, 31 December 2020** | 2,522,367 | 45,941,250 |

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

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

| DESCRIPTION | FAIR VALUE AT 30 JUNE 2021 £ | VALUATION TECHNIQUE | UNOBSERVABLE INPUT | RANGE |
|---|---|---|---|---|
| Investments in funds | 11,653,612 | Net asset value | N/A | N/A |
| Equity securities | 46,657,470 | Market Comparables | Rights and Preferences Discount | 10.0% - 40.0% |
| | | | Price Per Share | US$3.30 - €3,671.49 |
| | | | Price to Earnings (Comparable Median) | 8.9x |
| | | | Price to Book (Comparable Median) | 2.1x |
| | | | Private Company Discount | 0.1 |
| | | | Black Scholes Analysis - Price Per Share | US$0.0002 - €3,404.00 |
| | | | Black Scholes Analysis - Rights and Preferences Discount | 20.0% - 30.0% |
| | | | Black Scholes Analysis - Risk Free Rate | 0.13% - 0.87% |
| | | | Black Scholes Analysis - Term | 1.8 years - 5.0 years |
| | | | Black Scholes Analysis - Volatility | 20.0% - 40.0% |
| Equity securities | 10,144,750 | Discounted Cash Flows | Discount Rate | 8.0% - 50.0% |
| | | | Annual FCF Growth Rate | 3.00% |
| | | | Deal Execution Risk Discount | 8.00% |
| Equity securities | 15,347,506 | Transaction Price | Price Per Share | US$0.002 - US$10.81 |
| | | | Deal Execution Risk Discount | 10.0% - 20.0% |
| | | | Illiquidity Discount | 10.0% - 20.0% |
| | | | N/A | N/A |

The investments in funds consist of investments in VPC Offshore Unleveraged Private Debt Fund, L.P, and VPC Synthesis, 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 £1,373,427 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 £1,689,095 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 £8,380,334 which would affect the Net gain / (loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

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

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 30 June 2021 but for which fair value is disclosed. The carrying value has been used where it is a reasonable approximation of fair value:

| | (UNAUDITED) CARRYING VALUE £ | (UNAUDITED) FAIR MARKET VALUE £ |
|---|---|---|
| **Assets** | | |
| Loans | 291,351,321 | 291,351,321 |
| **Total** | 291,351,321 | 291,351,321 |

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 30 June 2020 but for which fair value is disclosed. The carrying value has been used where it is a reasonable approximation of fair value:

| | (UNAUDITED) CARRYING VALUE £ | (UNAUDITED) FAIR MARKET VALUE £ |
|---|---|---|
| **Assets** | | |
| Loans | 318,953,868 | 318,957,282 |
| **Total** | 318,953,868 | 318,957,282 |

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 2020 but for which fair value is disclosed. The carrying value has been used where it is a reasonable approximation of fair value:

| | (AUDITED) CARRYING VALUE £ | (AUDITED) FAIR MARKET VALUE £ |
|---|---|---|
| **Assets** | | |
| Loans | 293,123,379 | 293,123,379 |
| **Total** | 293,123,379 | 293,123,379 |

## 4. INCOME AND GAINS ON INVESTMENTS AND LOANS

| | (UNAUDITED) 30 JUNE 2021 £ | (UNAUDITED) 30 JUNE 2020 £ | (AUDITED) 31 DECEMBER 2020 £ |
|---|---|---|---|
| **Other Income** | | | |
| Distributable income from investments in funds | 644,529 | 26,667 | 609,083 |
| Interest income from investment assets | 2,349,778 | 626,115 | 4,791,537 |
| Other income | - | 361,486 | 399,147 |
| **Total** | 2,994,307 | 1,014,268 | 5,799,767 |

| | (UNAUDITED) 30 JUNE 2021 £ | (UNAUDITED) 30 JUNE 2020 £ | (AUDITED) 31 DECEMBER 2020 £ |
|---|---|---|---|
| **Net gains (losses) on investments** | | | |
| Realised (loss) gain on sale of investments | (1,616,556) | 601,633 | (9,159,855) |
| Unrealised gain (loss) on investment in funds | 269,362 | (300,125) | 61,482 |
| Unrealised gain (loss) on equity securities | 39,891,840 | (9,833,969) | 10,944,335 |
| **Total** | 38,544,646 | (9,532,461) | 1,845,962 |

## 5. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

### Introduction

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

### Risk management structure

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

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, 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.

The principal risks and uncertainties that could have a material impact on the Group's performance have not changed from those set out in detail on pages 15 to 18 of the Annual Report for the year ended 31 December 2020.

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.

### Liquidity risk

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

The maturities of the non-current financial liabilities are disclosed in Note 6.

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

The Investment Manager manages the Group's liquidity risk by investing primarily in a diverse portfolio of assets. At 30 June 2021, 2% of the loans had a stated maturity date of less than a year (31 December 2020: 15%; 30 June 2020: 24%).

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 obligations to settle margin calls arising from foreign exchange hedging.

## 6. NOTE PAYABLE

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

The table below provides details of the outstanding debt of the Group at 30 June 2021:

| 30 JUNE 2021 (UNAUDITED) | INTEREST RATE | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|---|
| Credit Facility 03-2021 | 3.95% + 1M LIBOR | 74,323,590 | 1 March 2027 |
| **Total** | | 74,323,590 | |

The table below provides details of the outstanding debt of the Group at 30 June 2020:

| 30 JUNE 2020 (UNAUDITED) | INTEREST RATE | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|---|
| Credit Facility 11-2018 | 4.25% + 1M LIBOR | 64,570,806 | 30 November 2022 |
| **Total** | | 64,570,806 | |

The table below provides details of the outstanding debt of the Group at 31 December 2020:

| 31 DECEMBER 2020 (AUDITED) | INTEREST RATE | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|---|
| Credit Facility 11-2018 | 4.25% + 1M LIBOR | 37,534,297 | 30 November 2022 |
| **Total** | | 37,534,297 | |

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 30 June 2021:

| 30 JUNE 2021 (UNAUDITED) | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|
| First-Out Participation 03-2017 | 20,244,010 | 1 January 2024 |
| First-Out Participation 04-2019 | 17,817,546 | 1 January 2024 |
| **Total** | 38,061,556 | |

The table below provides details of the outstanding first-out participation liabilities of the Group at 30 June 2020:

| 30 JUNE 2020 (UNAUDITED) | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|
| First-Out Participation 06-2015 | 11,152,655 | 13 June 2021 |
| First-Out Participation 03-2017 | 22,556,070 | 1 January 2024 |
| First-Out Participation 04-2019 | 19,852,481 | 1 January 2024 |
| **Total** | 53,561,206 | |

The table below provides details of the outstanding first-out participation liabilities of the Group at 31 December 2020:

| 31 DECEMBER 2020 (AUDITED) | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|
| First-Out Participation 06-2015 | 10,109,810 | 13 June 2021 |
| First-Out Participation 03-2017 | 20,446,931 | 1 January 2024 |
| First-Out Participation 04-2019 | 17,996,145 | 1 January 2024 |
| **Total** | 48,552,886 | |

The table below provides the movement of the notes payable for the period ended 30 June 2021 for the Group:

| (UNAUDITED) | NOTES PAYABLE £ |
|---|---|
| Beginning balance, 1 January 2021 | 86,087,183 |
| Purchases | 155,710,709 |
| Sales | (128,460,576) |
| Net change in unrealised foreign exchange gains (losses) | (952,170) |
| **Ending balance, 30 June 2021** | 112,385,146 |

The table below provides the movement of the notes payable for the period ended 30 June 2020 for the Group:

| (UNAUDITED) | NOTES PAYABLE £ |
|---|---|
| Beginning balance, 1 January 2020 | 111,667,069 |
| Purchases | 40,758,337 |
| Sales | (42,400,300) |
| Net change in unrealised foreign exchange gains (losses) | 8,106,906 |
| **Ending balance, 30 June 2020** | 118,132,012 |

The table below provides the movement of the notes payable for the year ended 31 December 2020 for the Group:

| (AUDITED) | NOTES PAYABLE £ |
|---|---|
| Beginning balance, 1 January 2020 | 111,667,069 |
| Purchases | 40,758,337 |
| Sales | (64,260,865) |
| Net change in unrealised foreign exchange gains (losses) | (2,077,358) |
| **Ending balance, 31 December 2020** | 86,087,183 |

## 7. IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

The table below provides details of the investments at amortised cost held by the Group for the period ended 30 June 2021 under IFRS 9:

| (UNAUDITED) | COST BEFORE ECL £ | ECL £ | LOANS WRITTEN-OFF £ | CARRYING VALUE £ |
|---|---|---|---|---|
| Loans at amortised cost | 300,945,981 | 9,549,220 | 45,440 | 291,351,321 |
| **Total** | 300,945,981 | 9,549,220 | 45,440 | 291,351,321 |

The table below provides details of the investments at amortised cost held by the Group for the period ended 30 June 2020 under IFRS 9:

| (UNAUDITED) | COST BEFORE ECL £ | ECL £ | LOANS WRITTEN-OFF £ | CARRYING VALUE £ |
|---|---|---|---|---|
| Loans at amortised cost | 335,957,589 | 15,605,793 | 1,397,928 | 318,953,868 |
| **Total** | 335,957,589 | 15,605,793 | 1,397,928 | 318,953,868 |

The table below provides details of the investments at amortised cost held by the Group for the year ended 31 December 2020 under IFRS 9:

| (AUDITED) | COST BEFORE ECL £ | ECL £ | LOANS WRITTEN-OFF £ | CARRYING VALUE £ |
|---|---|---|---|---|
| Loans at amortised cost | 303,128,410 | 8,489,159 | 1,515,872 | 293,123,379 |
| **Total** | 303,128,410 | 8,489,159 | 1,515,872 | 293,123,379 |

### Credit impairment losses

The credit impairment losses of the Group for the six months ended 30 June 2021 comprised of the following under IFRS 9:

| (UNAUDITED) | CREDIT IMPAIRMENT LOSSES 30 JUNE 2021 £ |
|---|---|
| Loans written off | 45,440 |
| Change in expected credit losses | 1,060,061 |
| Currency translation on expected credit losses | (2,531) |
| **Credit impairment losses** | 1,102,970 |

The credit impairment losses of the Group for the six months ended 30 June 2020 comprised of the following under IFRS 9:

| (UNAUDITED) | CREDIT IMPAIRMENT LOSSES 30 JUNE 2020 £ |
|---|---|
| Loans written off | 1,397,928 |
| Change in expected credit losses | 5,974,181 |
| Currency translation on expected credit losses | (67,318) |
| **Credit impairment losses** | 7,304,791 |

The impairment charge of the Group as at 31 December 2020 comprised of the following under IFRS 9:

| (AUDITED) | CREDIT IMPAIRMENT LOSSES 31 DECEMBER 2020 £ |
|---|---|
| Loans written off | 1,515,872 |
| Change in expected credit losses | (1,142,453) |
| Currency translation on expected credit losses | (260,869) |
| **Credit impairment losses** | 112,550 |

## Impairment of loans written off

Impairment charges of loans written off of £45,440 (31 December 2020: £1,515,872; 30 June 2020: £1,397,928) are included in credit impairment losses on the Consolidated Statement of Comprehensive Income.

## Provision for expected credit losses

As at 30 June 2021, the Group has created a reserve provision on the outstanding principal of the Group's loans of £9,549,220 (31 December 2020: £8,489,159; 30 June 2020: £15,605,793), which have been recorded in the Group's Consolidated Statement of Financial Position. The majority of the loans reserved against by the Group would be classified as secured other when being assessed for the credit quality of loans.

The allowance for expected credit losses comprised the following as at 30 June 2021:

| (UNAUDITED) | 30 JUNE 2021 £ |
|---|---|
| Beginning balance 1 January 2021 | 8,489,159 |
| Change in expected credit losses or equivalent | 1,060,061 |
| **Ending balance 30 June 2021** | 9,549,220 |

The allowance for expected credit losses comprised the following as at 30 June 2020:

| (UNAUDITED) | 30 JUNE 2020 £ |
|---|---|
| Beginning balance 1 January 2020 | 9,631,612 |
| Change in expected credit losses or equivalent | 5,974,181 |
| **Ending balance 30 June 2020** | 15,605,793 |

The allowance for expected credit losses comprised the following as at 31 December 2020:

| (AUDITED) | 31 DECEMBER 2020 £ |
|---|---|
| Beginning balance 1 January 2020 | 9,631,612 |
| Change in expected credit losses or equivalent | (1,142,453) |
| **Ending balance 31 December 2020** | 8,489,159 |

Below is a breakout of the provision for expected credit losses by stage of the ECL model as at 30 June 2021:

| (UNAUDITED) | CONSUMER | SME | LEGAL FINANCE | 30 JUNE 2021 £ |
|---|---|---|---|---|
| Stage 1 | - | - | - | - |
| Stage 2 | - | - | - | - |
| Stage 3 | 9,549,220 | - | - | 9,549,220 |
| **Expected credit losses** | 9,549,220 | - | - | 9,549,220 |

Below is a breakout of the provision for expected credit losses by stage of the ECL model as at 30 June 2020:

| (UNAUDITED) | CONSUMER | SME | LEGAL FINANCE | 30 JUNE 2020 £ |
|---|---|---|---|---|
| Stage 1 | 5,848,813 | - | - | 5,848,813 |
| Stage 2 | 9,507,820 | - | - | 9,507,820 |
| Stage 3 | 249,160 | - | - | 249,160 |
| **Expected credit losses** | 15,605,793 | - | - | 15,605,793 |

Below is a breakout of the provision for expected credit losses by stage of the ECL model as at 31 December 2020:

| (UNAUDITED) | CONSUMER | SME | LEGAL FINANCE | 31 DECEMBER 2020 £ |
|---|---|---|---|---|
| Stage 1 | 61,040 | - | - | 61,040 |
| Stage 2 | 524,804 | - | - | 524,804 |
| Stage 3 | 7,903,315 | - | - | 7,903,315 |
| **Expected credit losses** | 8,489,159 | - | - | 8,489,159 |

Below is a breakout of the carrying value of loans by stage of the ECL model as at 30 June 2021:

| (UNAUDITED) | CONSUMER | SME | LEGAL FINANCE | 30 JUNE 2021 £ |
|---|---|---|---|---|
| Stage 1 | 211,642,138 | 62,481,728 | 11,990,510 | 286,114,376 |
| Stage 2 | - | - | - | - |
| Stage 3 | 5,236,945 | - | - | 5,236,945 |
| **Loans at amortised cost** | 216,879,083 | 62,481,728 | 11,990,510 | 291,351,321 |

Below is a breakout of the carrying value of loans by stage of the ECL model as at 30 June 2020:

| (UNAUDITED) | CONSUMER | SME | LEGAL FINANCE | 30 JUNE 2020 £ |
|---|---|---|---|---|
| Stage 1 | 275,251,782 | - | 36,311,006 | 311,562,788 |
| Stage 2 | 7,265,370 | - | - | 7,265,370 |
| Stage 3 | 125,710 | - | - | 125,710 |
| **Loans at amortised cost** | 282,642,862 | - | 36,311,006 | 318,953,868 |

Below is a breakout of the carrying value of loans by stage of the ECL model as at 31 December 2020:

| (UNAUDITED) | CONSUMER | SME | LEGAL FINANCE | 31 DECEMBER 2020 £ |
|---|---|---|---|---|
| Stage 1 | 231,471,825 | 12,296,728 | 41,934,631 | 285,703,184 |
| Stage 2 | 3,176,854 | - | - | 3,176,854 |
| Stage 3 | 4,243,341 | - | - | 4,243,341 |
| **Loans at amortised cost** | 238,892,020 | 12,296,728 | 41,934,631 | 293,123,379 |

## 8. FEES AND EXPENSES

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

### Investment management fees

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

The Investment Manager shall not charge a management fee twice. Accordingly, if at any time the Group invests in or through any other investment fund or special purpose vehicle and a management fee or advisory fee is charged to such investment fund or special purpose vehicle by the Investment Manager or any of its affiliates, the Investment Manger agrees to either (at the option of the Investment Manager): (i) waive such management fee or advisory fee due to the Investment Manager or any of its affiliates in respect of such investment fund or special purpose vehicle, other than the fees charged by the Investment Manager under the Management Agreement; or (ii) charge the relevant fee to the relevant investment fund or special purpose vehicle, subject to the cap set out in the paragraph below, and ensure that the value of such investment shall be excluded from the calculation of the NAV for the purposes of determining the Management Fee payable pursuant to the above. The management fee expense of the Group for the period is £1,780,159 (31 December 2020: £3,394,740; 30 June 2020: £1,798,060).

Notwithstanding the above, where such investment fund or special purpose vehicle employs leverage from third parties and the Investment Manager or any of its affiliates is entitled to charge it a fee based on gross assets in respect of such investment, the Investment Manager may not charge a fee greater than

1.0% per annum of gross assets in respect of any investment made by the Parent Company or any member of the Group.

### Performance fees

The performance fee is calculated by reference to the movements in the Adjusted Net Asset Value since the end of the Calculation Period in respect of which a performance fee was last earned or Admission if no performance fee has yet been earned. 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 of the Group for the period is £7,047,774 (31 December 2020: £4,040,085; 30 June 2020: £nil).

## 9. NET ASSET VALUE PER SHARE

| | (UNAUDITED) AS AT 30 JUNE 2021 | (UNAUDITED) AS AT 30 JUNE 2020 | (AUDITED) AS AT 31 DECEMBER 2020 |
|---|---|---|---|
| **Ordinary Shares** | | | |
| Net assets | £ 295,507,964 | £ 260,396,391 | £ 270,537,108 |
| Shares in issue | 278,276,392 | 290,036,012 | 282,647,364 |
| Net asset value per Ordinary Share | 106.19p | 89.78p | 95.72p |

## 10. RETURN PER ORDINARY SHARE

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

| | (UNAUDITED) AS AT 30 JUNE 2021 | (UNAUDITED) AS AT 30 JUNE 2020 | (AUDITED) AS AT 31 DECEMBER 2020 |
|---|---|---|---|
| Profit for the period | £ 39,938,375 | -£ 3,495,706 | £ 22,879,629 |
| Average number of shares in issue during the period | 280,766,314 | 305,045,099 | 295,430,078 |
| Earnings per Share (basic and diluted) | 14.22p | -1.15p | 7.74p |

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

### 11. SHAREHOLDERS' CAPITAL

Set out below is the issued share capital of the Company as at 30 June 2021:

| (UNAUDITED) | NOMINAL VALUE £ | NUMBER OF SHARES |
|---|---|---|
| Ordinary Shares | 0.01 | 278,276,392 |

Set out below is the issued share capital of the Company as at 30 June 2020:

| (UNAUDITED) | NOMINAL VALUE £ | NUMBER OF SHARES |
|---|---|---|
| Ordinary Shares | 0.01 | 290,036,012 |

Set out below is the issued share capital of the Company as at 31 December 2020:

| (AUDITED) | NOMINAL VALUE £ | NUMBER OF SHARES |
|---|---|---|
| Ordinary Shares | 0.01 | 282,647,364 |

### Rights attaching to the Ordinary Shares

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

### Voting rights

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

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 2025 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 during the period through 30 June 2021:

| FOR THE PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021 (UNAUDITED) | SHARES IN ISSUE AT THE BEGINNING OF THE PERIOD | SHARES REPURCHASED | SHARES IN ISSUE AT THE END OF THE PERIOD |
|---|---|---|---|
| Ordinary Shares | 282,647,364 | (4,370,972) | 278,276,392 |

The table below shows the movement in shares during the period through 30 June 2020:

| FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020 (UNAUDITED) | SHARES IN ISSUE AT THE BEGINNING OF THE PERIOD | SHARES REPURCHASED | SHARES IN ISSUE AT THE END OF THE PERIOD |
|---|---|---|---|
| Ordinary Shares | 312,302,305 | (22,266,293) | 290,036,012 |

The table below shows the movement in shares during the period through 31 December 2020:

| FOR THE YEAR FROM 1 JANUARY 2020 TO 31 DECEMBER 2020 | SHARES IN ISSUE AT THE BEGINNING OF THE PERIOD | SHARES REPURCHASED | SHARES IN ISSUE AT THE END OF THE PERIOD |
|---|---|---|---|
| Ordinary Shares | 312,302,305 | (29,654,941) | 282,647,364 |

## Share buyback programme

During the period, the Company continued to repurchase shares through the share buyback programme. All shares bought back are held in treasury as at 30 June 2021. Details of the programme are as follows:

| MONTH OF PURCHASE (UNAUDITED) | ORDINARY SHARES PURCHASED | AVERAGE PRICE PER SHARE | LOWEST PRICE PER SHARE | HIGHEST PRICE PER SHARE | TOTAL TREASURY SHARES |
|---|---|---|---|---|---|
| January 2021 | - | - | - | - | 99,968,301 |
| February 2021 | 583,465 | 88.25p | 86.65p | 88.99p | 100,551,766 |
| March 2021 | 1,587,507 | 84.01p | 82.61p | 89.77p | 102,139,273 |
| April 2021 | 550,000 | 85.56p | 85.39p | 85.80p | 102,689,273 |
| May 2021 | 600,000 | 85.63p | 85.00p | 86.20p | 103,289,273 |
| June 2021 | 1,050,000 | 84.07p | 83.48p | 84.07p | 104,339,273 |

## Other distributable reserve

During the period, the Company declared and paid dividends of £Nil (31 December 2020: £Nil, 30 June 2020: £Nil) from the other distributable reserve. Further, the cost of the buyback of ordinary shares as detailed above was funded by the other distributable reserve of £3,741,824 (31 December 2020: £35,049,382; 30 June 2020: £15,290,346).

## 12. DIVIDENDS PER SHARE

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

| | (UNAUDITED) 30 JUNE 2021 £ | (UNAUDITED) 30 JUNE 2020 £ | (AUDITED) 31 DECEMBER 2020 £ |
|---|---|---|---|
| 2019 interim dividend of 2.00 pence per Ordinary Share paid on 2 April 2020 | - | 6,184,004 | 6,184,004 |
| 2020 interim dividend of 2.00 pence per Ordinary Share paid on 11 June 2020 | - | 6,116,226 | 6,116,226 |
| 2020 interim dividend of 2.00 pence per Ordinary Share paid on 17 September 2020 | - | - | 5,711,983 |
| 2020 interim dividend of 2.00 pence per Ordinary Share paid on 17 December 2020 | - | - | 5,662,531 |
| 2020 interim dividend of 2.00 pence per Ordinary Share paid on 1 April 2021 | 5,638,178 | - | - |
| 2021 interim dividend of 2.00 pence per Ordinary Share paid on 24 June 2021 | 5,586,528 | - | - |
| **Total** | **11,224,706** | **12,300,230** | **23,674,744** |

An interim dividend of 2.00 pence per Ordinary Share was declared by the Board on 19 August 2021 in respect of the period to 30 June 2021 and was paid to shareholders on 23 September 2021. The interim dividend has not been included as a liability in these accounts in accordance with International Accounting Standard 10: Events After the Balance Sheet Date.

### 13. 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.

As at 30 June 2021, the Directors' interests in the Parent Company's shares were as follows:

| | | (UNAUDITED) 30 JUNE 2021 | (UNAUDITED) 30 JUNE 2020 | (AUDITED) 31 DECEMBER 2020 |
|---|---|---|---|---|
| Kevin Ingram | Ordinary Shares | NA | 64,968 | 64,968 |
| Mark Katzenellenbogen | Ordinary Shares | 215,000 | 140,000 | 215,000 |
| Richard Levy | Ordinary Shares | NA | 1,300,000 | NA |
| Elizabeth Passey | Ordinary Shares | 10,000 | 10,000 | 10,000 |
| Clive Peggram | Ordinary Shares | 333,240 | 258,240 | 333,240 |
| Graeme Proudfoot | Ordinary Shares | 130,000 | NA | 50,000 |
| Oliver Grundy | Ordinary Shares | - | NA | NA |

Investment management fees for the period ended 30 June 2021 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 8.

During 2021, the Investment Manager continued to purchase shares of the Parent Company with 20% of its monthly management fee. The shares were purchased at the prevailing market price. As at 30 June 2021, the Investment Manager has purchased 4,039,247 (31 December 2020: 3,705,991; 30 June 2020: 3,377,094) shares.

As at 30 June 2021, Partners and Principals of the Investment Manager held 510,000 Ordinary Shares (31 December 2020: 510,000; 30 June 2020: 2,195,000) in the Parent Company.

The Group has invested in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. The Investment Manager of the Parent Company also acts as manager to VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. The principal activity of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. is to invest in alternative finance investments and related instruments with a view to achieving the Parent Company's investment objective. As at 30 June 2021, the Group owned 26% of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. (31 December 2020: 26%; 30 June 2020: 26%) and the value of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. was £2,031,539 (31 December 2020: £2,454,004; 30 June 2020: £3,519,232).

The Group has invested in VPC Synthesis, L.P. The Investment Manager of the Parent Company also acts as manager to VPC Synthesis, L.P. The principal activity of VPC Synthesis, L.P. is to invest in alternative finance investments and related instruments with a view to achieving the Parent Company's investment objective. As at 30 June 2021, the Group owned 7% of VPC Synthesis, L.P. (31 December 2020: NA; 30 June 2020: NA) and the value of the Group's investment in VPC Synthesis, L.P. was £9,622,073 (31 December 2020: NA; 30 June 2020: NA).

The Investment Manager may pay directly various expenses that are attributable to the Group. These expenses are allocated to and reimbursed by the Group to the Investment Manager as outlined in the Management Agreement. Any excess expense previously allocated to and paid by the Group to the Investment Manager will be reimbursed to the Group by the Investment Manager. At 30 June 2021, £24,038 was due to the Investment Manager (31 December 2020: £44,240; 30 June 2020: £20,369) and is included in the Other liabilities and accrued expenses balance on the Consolidated Statement of Financial Position.

## 14. SUBSIDIARIES

| NAME | PRINCIPAL ACTIVITY | COUNTRY OF INCORPORATION | NATURE OF INVESTMENT | (UNAUDITED) 30 JUNE 2021 PERCENTAGE OWNERSHIP | (UNAUDITED) 30 JUNE 2020 PERCENTAGE OWNERSHIP | (AUDITED) 31 DECEMBER 2020 PERCENTAGE OWNERSHIP |
|---|---|---|---|---|---|---|
| VPC Specialty Lending Investments Intermediate, L.P. | Investment vehicle | US | Limited partner interest | Sole limited partner | Sole limited partner | Sole limited partner |
| VPC Specialty Lending Investment Intermediate Holdings, L.P. | Investment vehicle | US | Limited partner interest | Sole limited partner | N/A | N/A |
| VPC Specialty Lending Investments Intermediate GP, LLC | General partner | US | Membership interest | Sole member | Sole member | Sole member |
| Fore London, L.P. | Investment vehicle | UK | Limited partner interest | Sole limited partner | Sole limited partner | Sole limited partner |
| Fore London GP, LLC | General partner | UK | Membership interest | Sole member | Sole member | Sole member |
| Duxbury Court I, L.P. | Investment vehicle | US | Limited partner interest | 95% | 95% | 95% |
| Duxbury Court I GP, LLC | General partner | US | Membership interest | 95% | 95% | 95% |
| Drexel I, L.P. | Investment vehicle | US | Limited partner interest | 53% | 53% | 52% |
| Drexel I GP, LLC | General partner | US | Membership interest | 53% | 53% | 52% |

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

| NAME | REGISTERED ADDRESS |
|---|---|
| VPC Specialty Lending Investments Intermediate, L.P. | 150 North Riverside Plaza, Suite 5200, Chicago, IL 60606 |
| VPC Specialty Lending Investments Intermediate Holdings, 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 |
| 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 |
| 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 |

## 15. NON-CONTROLLING INTERESTS

The non-controlling interests arise from investments in limited partnerships considered to be controlled subsidiaries into which there are other investors. The value of the non-controlling interests at 30 June 2021 represents the portion of the NAV of the controlled subsidiaries attributable to the other investors. As at 30 June 2021, the portion of the NAV attributable to non-controlling interests' investments totalled £27,260 (31 December 2020: £19,337; 30 June 2020: £103,376). 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.

## 16. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Company, on 21 August 2021, declared a dividend of 2.00 pence per Ordinary Share for the three-month period ended 30 June 2021 and paid the dividend on 23 September 2021.

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

# SHAREHOLDER INFORMATION

## DEFINITIONS OF TERMS AND 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 financial statements 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.

**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.

**NAV per Share (Cum Income)** – The NAV (Cum 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.

**Premium/(Discount) to NAV (Cum Income)** – The amount by which the share price of the Company is either higher (at a premium) or lower (at a discount) than the NAV per Share (Cum Income), expressed as a percentage of the NAV per share.

**Revenue Return** – Represents the difference between the **NAV (Cum Income) Return** and the **NAV (Ex Income) Return** as defined above.

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

**Total Shareholder Return** – Calculated as the change in the traded share price from 31 December 2020 to 30 June 2021 plus the dividends declared during the first six months of 2021 divided by the traded share price as at 31 December 2020.

## CONTACT DETAILS OF THE ADVISORS

| | |
|---|---|
| **Directors** | Graeme Proudfoot (Chairman)<br>Oliver Grundy<br>Mark Katzenellenbogen<br>Elizabeth Passey<br>Clive Peggram<br>*all of the registered office below* |
| **Registered Office** | 6th Floor<br>65 Gresham Street<br>London EC2V 7NQ<br>United Kingdom |
| **Company Number** | 9385218 |
| **Website Address** | https://vpcspecialtylending.com |
| **Corporate Brokers** | Jefferies International Limited<br>100 Bishpsgate<br>London EC2N 4JL<br>United Kingdom<br><br>Winterflood Securities Limited<br>Cannon Bridge House<br>25 Dowgate Hill<br>London EC4R 2GA<br>United Kingdom |
| **Investment Manager and AIFM** | Victory Park Capital Advisors, LLC<br>150 North Riverside Plaza<br>Suite 5200<br>Chicago<br>IL 60606<br>United States |
| **Company Secretary** | Link Company Matters Limited<br>Beaufort House<br>51 New North Road<br>Exeter, Devon EX4 4EP<br>United Kingdom |
| **Administrator** | Northern Trust Hedge Fund Services LLC<br>50 South LaSalle Street<br>Chicago<br>Illinois 60603<br>United States |
| **Registrar** | Link Group<br>Central Square<br>29 Wellington Street<br>Leeds LS1 4DL<br>United Kingdom |
| **Custodians** | Merrill Lynch, Pierce, Fenner & Smith Incorporated<br>101 California Street<br>San Francisco<br>CA 94111<br>United States<br><br>Millennium Trust Company<br>2001 Spring Road<br>Oak Brook<br>IL 60723<br>United States |
| **Legal Adviser** | Stephenson Harwood LLP<br>1 Finsbury Circus<br>London EC2M 7SH<br>United Kingdom |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>7 More London Riverside<br>London SE1 2RT<br>United Kingdom |