

VPC Specialty Lending Investments PLC **ANNUAL REPORT** **AND AUDITED** **FINANCIAL STATEMENTS**

For the year ended 31 December 2022

VPC SPECIALTY LENDING
INVESTMENTS PLC

CONTENTS

INTRODUCTION

Financial Highlights	1
Introduction to the Company and the Group	5
Investment Objectives	5

STRATEGIC REPORT

Chairman's Statement	8
Investment Manager's Report	10
Business Model	18
Performance Management	20
Principal Risks	21
Culture	28
Employees, Human Rights, Social and Community Issues	29
Board Diversity	29
Environmental, Social, and Governance (ESG) Issues	29
Streamlined Energy and Carbon Reporting (SECR)	29

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report	31
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FINANCIAL STATEMENTS

Consolidated Statement of Financial Position	40
Consolidated Statement of Comprehensive Income	42
Consolidated Statement of Changes in Equity	44
Consolidated Statement of Cash Flows	46
Parent Company Statement of Financial Position	48
Parent Company Statement of Changes in Equity	49
Parent Company Statement of Cash Flows	51
Notes to the Consolidated Financial Statements	52

GOVERNANCE

Board of Directors	101
Directors' Report	103
Corporate Governance Statement	108
Audit and Valuation Committee Report	119
Directors' Remuneration Report	122
Statement of Directors' Responsibilities in Respect of the Financial Statements	127
Regulatory Disclosures	128

SHAREHOLDER INFORMATION

Shareholder Information	130
Definitions of Terms and Alternative Performance Measures	132
Contact Details of the Advisers	134



INTRODUCTION

FINANCIAL HIGHLIGHTS

RETURN SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2022

Net Asset Value per
Ordinary Share

98.19P

(2021: 114.14p)

NAV (Cum Income)
Return

-6.97%

(2021: +27.60%)

Total Shareholder Return
at 31 December 2022
(based on share price)

-1.19%

(2021: +27.32%)

Dividends per
Ordinary Share

8.00p

(2021: 8.00p)

Revenue Return

£28.02 million

(2021: £21.12 million)

Total Net Return

-£22.11 million

(2021: £73.21 million)

Ordinary Share Price
at 31 December 2022

83.10p

(2021: 92.20p)

Discount to NAV
at 31 December 2022

15.37%

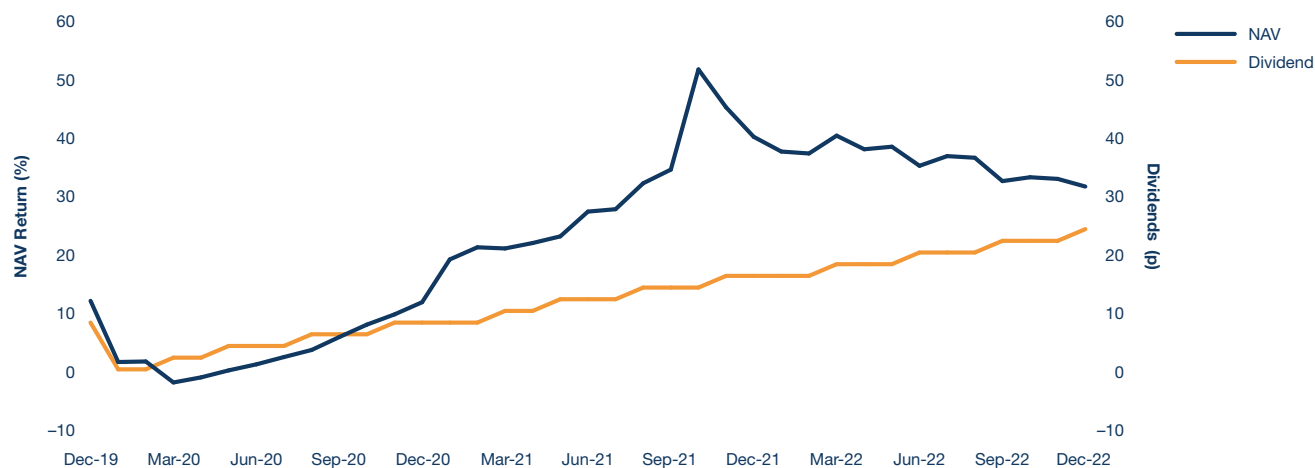
(2021: 19.22%)

All the terms and alternative performance measures above are defined on pages 132 and 133.

INTRODUCTION continued

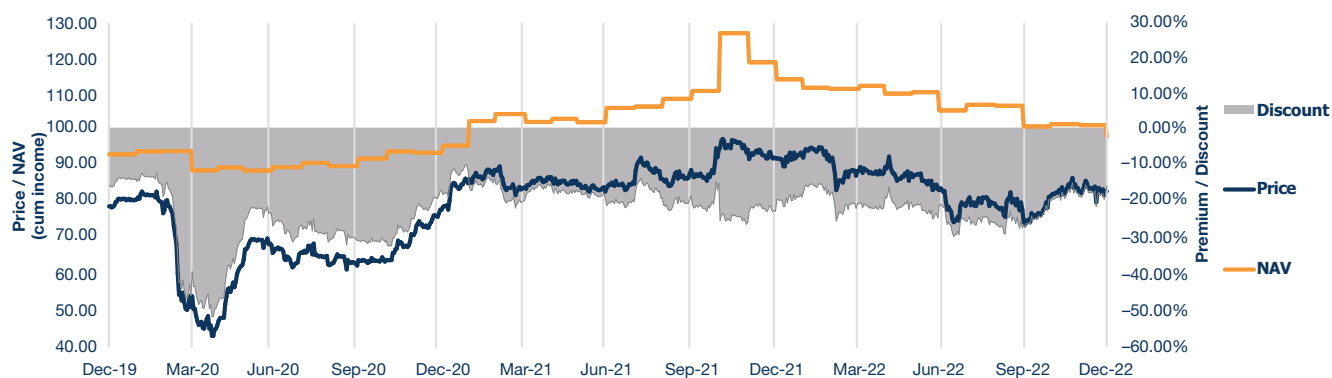
PERFORMANCE

The table below illustrates the Company's Cumulative NAV return and dividend per share from 1 January 2020 to 31 December 2022.



ORDINARY SHARE PERFORMANCE

The table below illustrates the Company's Ordinary Share performance over the past three years. The Company's discount to its Ordinary Share NAV remained relatively consistent when comparing the end of 2022 and 2021 with the discount decreasing slightly to 15.37% from 19.22%. The largest discount during the year was 29.39% (2021: 26.09%) while the smallest discount was 14.63% (2021: 9.53%). The graph below illustrates the movement between the trading price of the Ordinary Shares and the announced NAV adjusted for dividends declared. Further information on the share price discount management policy can be found on page 20.



TOP TEN POSITIONS

The table below provides a summary of the top ten exposures of the Group, net of gearing, as at 31 December 2022. The summary includes a look-through of the Group's investments in VPC Synthesis, L.P. and VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. to illustrate the exposure to underlying Portfolio Companies as it is a requirement of the investment policy (set out on pages 130 and 131) to consider the application of the restrictions in this policy on a look-through basis.

INVESTMENT	COUNTRY	INVESTMENT TYPE	PERCENTAGE OF NAV
Deinde Group, LLC	United States	Asset Backed Lending	11.76%
Deinde Group, LLC ("Integra") is an early-stage online provider of unsecured consumer loans to nonprime borrowers. Integra was founded in March 2014 by Arthur Tretyak (CEO) and is led by a team of seasoned consumer finance and risk analytics executives. The company is headquartered in Chicago, IL, and is owned by its management team and employees.			
Caribbean Financial Group Holdings, L.P.	Latin America	Asset Backed Lending	9.28%
Caribbean Financial Group Holdings, L.P. ("CFG") is the largest non-bank provider of unsecured consumer installment loans to the Caribbean market, operating primarily in the western and southern Caribbean. CFG was founded in 1979, operates over 70 store branches across eight Caribbean and Latin American countries, and has its most significant operations in Panama, Colombia, and Trinidad & Tobago. CFG's product offering includes loan sizes ranging from \$200 to \$13,000, loan terms up to 84 months with no prepayment penalties, and fully amortising simple interest loans with equal monthly payments and rates based on underwriting customers' ability to pay.			
Applied Data Finance, LLC	United States	Asset Backed Lending	8.74%
Applied Data Finance, LLC provides credit to non-prime and near-prime consumers in select states across the U.S. The company is headquartered in San Diego, with offices in New York, in addition to an IT and call centre support in Chennai, India. Financings are in the form of installment loans and range up to \$5,000.			
Perch HQ, LLC	United States	Asset Backed Lending	7.55%
Perch HQ, LLC ("Perch") is a technology-enabled platform that seeks to acquire and operate a diverse portfolio of e-commerce assets on retail marketplaces. The company aims to acquire underlying brands and drive value through post-acquisition brand initiatives, including pricing strategy, advertising strategy, cost savings, supply chain efficiencies, and general Amazon account management optimisation. The company was founded in October 2019 by Chris Bell, former Head of Custom Supply Chain at Wayfair and principal at Bain & Company.			
Razor Group GMBH	Germany	Asset Backed Lending	6.58%
Razor Group GmbH ("Razor") is a technology driven consumer goods platform that acquires and operates a diverse portfolio of branded Amazon third-party seller ("TPS") assets primarily in Europe. Razor targets brands with €100K – €3.5 million of seller's discretionary earnings ("Asset-Level EBITDA") to be acquired at purchase multiples of 1.5x – 5.0x TTM Asset-Level EBITDA.			
FinanceApp AG	Switzerland	Equity Investment	6.19%
FinanceApp AG ("WeFox") is a software application providing a hybrid technology and an in-person alternative to the modern insurance broker. The company operates in Switzerland and Germany, acting as an intermediary between major insurance providers and individual consumers. WeFox creates an innovative marketplace for the insurance industry, digitising the management of consumer and broker insurance portfolios and aggregating data via one secure, easy-to-use platform. Customer users can view their insurance agreements on their smartphones or computers, allowing them to review policies and premium pricing, submit claims, and receive superior customer service support all through the WeFox platform.			

INTRODUCTION continued

INVESTMENT	COUNTRY	INVESTMENT TYPE	PERCENTAGE OF NAV
FinAccel Pte Ltd	Singapore	Asset Backed Lending	5.65%
<p>FinAccel Pte Ltd ("FinAccel") provides underbanked Indonesian consumers with a digital credit platform (d/b/a Kredivo) to finance e-commerce purchases, pay bills and secure personal loans at competitive interest rates. The Kredivo platform allows users to secure 30-day "interest-free" point-of-sale loans to finance small ticket e-commerce purchases up to \$200. Eligible Kredivo users are also offered interest-bearing point-of-sale installment loans to finance larger e-commerce transactions up to \$2,200. Kredivo operates as a digital credit card and the underlying transaction engine with a dedicated checkout embedded into over 250 e-commerce merchant websites and a mobile application that facilitates direct merchant purchases.</p>			
Heyday Technologies, Inc.	United States	Asset Backed Lending	4.30%
<p>Heyday Technologies, Inc. ("Heyday") is a tech enabled platform that seeks to acquire and aggregate a diverse portfolio of retail assets which are sold primarily via e-commerce marketplaces. Heyday primarily targets Amazon Marketplace third-party sellers ("TPS"). The company aims to acquire underlying brands/seller at 2-5x earnings, and drive value through post-acquisition brand management initiatives and underlying multiple expansion. Heyday aims to differentiate itself from other TPS aggregators in the novel ecosystem by investing heavily and early in its technology and analytics capabilities thereby allowing the company to easily identify and optimise operating improvements within its portfolio at scale.</p>			
Elevate Credit, Inc.	United States	Asset Backed Lending	3.18%
<p>Elevate Credit, Inc. ("Elevate") is a lender of unsecured short-term cash advances and installment loans to individuals primarily through the internet. Elevate provides consumers with access to responsible and transparent credit options within the non-prime lending industry. Elevate currently offers and/or supports the following products: U.S. installment loans (Rise), lines of credit (Elastic) and credit cards (Today Card).</p>			
Heyday Technologies, Inc.	United States	Equity Investment	3.11%
<p>Heyday Technologies, Inc. ("Heyday") is a tech enabled platform that seeks to acquire and aggregate a diverse portfolio of retail assets which are sold primarily via e-commerce marketplaces. Heyday primarily targets Amazon Marketplace third-party sellers ("TPS"). The company aims to acquire underlying brands/seller at 2-5x earnings, and drive value through post-acquisition brand management initiatives and underlying multiple expansion. Heyday aims to differentiate itself from other TPS aggregators in the novel ecosystem by investing heavily and early in its technology and analytics capabilities thereby allowing the company to easily identify and optimise operating improvements within its portfolio at scale.</p>			

INTRODUCTION TO THE COMPANY AND THE GROUP

VPC Specialty Lending Investments PLC (the “Company” or “VSL”) provides asset-backed lending solutions to emerging and established businesses (“Portfolio Companies”) with the goal of building long-term, sustainable income generation. VSL focuses on providing capital to vital segments of the economy, which for regulatory and structural reasons are underserved by the traditional banking industry. Among others, these segments include small business lending, working capital products, consumer finance and real estate. VSL offers shareholders access to a diversified portfolio of opportunistic credit investments originated by non-bank lenders with a focus on the rapidly developing technology-enabled lending sector.

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 “Asset Backed 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.

A summary of the principal terms of the Investment Manager’s appointment and a statement relating to their continuing appointment can be found on page 118. The investment policy can be found beginning on page 130 of this Annual Report. Founded in 2007 and headquartered in Chicago, VPC is an SEC-registered investment adviser that has been actively involved in the financial services marketplace since 2010.

This annual report for the year to 31 December 2022 (the “Annual Report”) includes the results of the Company (also referred to as the “Parent Company”) and its consolidated subsidiaries (together the “Group”). The Company (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.

INVESTMENT OBJECTIVES

The Company provides asset-backed lending solutions to emerging and established businesses with the goal of building long-term, sustainable income generation. The Company focuses on providing capital to vital segments of the economy, which for regulatory and structural reasons are underserved by the traditional banking industry. Among others, these segments include small business lending, working capital products, consumer finance and real estate. The Company offers shareholders access to a diversified portfolio of opportunistic credit investments originated by non-bank lenders with a focus on the rapidly developing technology-enabled lending sector. Through rigorous diligence and credit monitoring, the Company generates stable income with significant downside protection.

As previously disclosed, the Board determined that it would be in the best interests of the Company and its shareholders to put forward formal proposals for a managed wind-down of the Company. Upon a successful vote at the general meeting on the proposals put forth by the Board, the updated investment objective of the Company will be to conduct an orderly realisation of the assets of the Company and be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximising value.

INVESTMENT POLICY

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

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

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

INTRODUCTION continued

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

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

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

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

STRATEGIC REPORT continued

CHAIRMAN'S STATEMENT

In last year's Chairman's Statement, I noted that while 2021 was a year of exceptional progress and strong returns for its shareholders, as 2022 unfolded, there was much to feel apprehensive about. In the event, although the threat of COVID-19 faded somewhat, Russia's invasion of Ukraine was a geopolitical event that indeed had broader implications for the global economy. It was also a year when central banks attempted to counter rising inflation with a programme of interest rate hikes that affected businesses and consumers. These factors all contributed to a turbulent economic and geopolitical backdrop, and also impacted the performance and the longer-term prospects of the VPC Specialty Lending Investments PLC ("VSL" or the "Company") itself. Despite economic and geopolitical turbulence and uncertainty, the Company's core asset backed lending business continued to perform in line with expectations; however, the equity and publicly traded investments experienced continued unrealised losses. Nonetheless, the Board will propose to shareholders that the Company change its investment policy to one providing for the orderly winding down of the Company – more detail on which the Board expects to be published shortly after certain regulatory approvals are received.

In light of the recent situation with Silicon Valley Bank ("SVB") and Signature Bank ("SB"), the Company has reviewed all portfolio company exposure and overall indirect exposure is considered to be low. As at 27 April 2023, there is no exposure to SB and minor exposure to SVB, as all impacted portfolio companies with meaningful balances at SVB were able to transfer almost all of their deposits out of the bank. Small deposit amounts may remain at SVB to pay out expenses as balances wind down and/or new accounts are opened.

To note, the Group, Company and the Investment Manager do not have a direct banking relationship with SVB or SB.

2022 HIGHLIGHTS

- ❖ Gross Revenue Return of 12.63% offset by Gross Capital Return of –15.13% for the year;
- ❖ Total Net Asset Value (NAV) return of –6.97% for the year and 56.91% from inception-to-date;
- ❖ Total Shareholder return of –1.19% for the year and 38.69% from inception-to-date;
- ❖ Strong performance of the asset backed lending investments with revenue returns of 10.70%; and
- ❖ The Company declared its 20th consecutive quarterly dividend of 2.00p per share for the three-month period to December 2022 in February 2023.

THE COMPANY'S BUSINESS

It was a year of significantly different investment performance between the debt and equity portfolios. However, credit performance was resilient. For the 12 months to the end of December 2022, the NAV per share of the Company decreased –6.97% on a total return basis, comprising a NAV per share reduction from 114.14p to 98.19p, plus the 8.00p of dividends paid in 2022. During the year, the traded share price fell from 92.20p to 83.10p. Dividends paid during the year were in line with the dividend of 8.00p per year set out in the IPO Prospectus ("the Target Dividend") and fully covered by the revenue returns. Paying dividends in line with the Target Dividend continues to be the near-term target of the Company.

During the year, the weighted average coupon on the Company's asset backed investments increased to 14.65% at 31 December 2022 from 10.41% at 31 December 2021 as the Company saw a rise in short-term interest rates.

As we announced on 22 December 2022, the commitment the Board made to Shareholders in 2020 (the "25% Exit Opportunity") was to offer Shareholders an Exit Opportunity for up to 25% of the shares in issue following the June 2023 Annual General Meeting, should the shares continue to trade at an average discount greater than 5% over the first quarter of 2023. Three measures of future performance were put in place in 2020, with the intention of offering the 25% Exit Opportunity in the event that all three measures could not be met.

Various steps were taken from 2020 through 2022 to find a solution that would reduce the discount to NAV. While some of those Shareholder-focused initiatives (including meetings with existing, new, and potential Shareholders) bore some fruit, the discount to NAV nonetheless remained stubbornly wide.

In 2022, while it was understood by the Board that two of the three measures of future performance would be achieved, the Board and its advisers believed that the third measure of reducing the discount to NAV would not be met. Further, the Board and its advisers took the view that the 25% Exit Opportunity alone would not have a lasting impact on the discount and that it might have a potentially detrimental impact on the Company's Shareholders. If the 25% Exit Opportunity was realised, the Company would shrink in size, resulting in the Company's shares potentially becoming less liquid and the ratio of fees and other costs potentially increasing as a proportion of NAV. After further consultation with its major Shareholders, the Board announced on 22 December 2022 that it would be in the best interests of the Company and Shareholders to put forward formal proposals to Shareholders for a managed wind-down of the entire Company instead of the 25% Exit Opportunity.

The Company expects shortly to issue a circular inviting shareholders to vote on two resolutions – the first to approve revisions to the investment policy of the Company so that the Company's assets can be realised in an orderly manner in order to provide a managed exit over time for all Shareholders; and the second (to be voted on by independent shareholders) to approve proposed amendments to the terms of the Investment Management Agreement between the Company and the Investment Manager, principally concerning the way in which the Investment Manager is remunerated. The purpose of this is to reflect the change in the Company's investment objective and policy and to better align the interests of the Shareholders and the Investment Manager. The resolution relating to the Investment Management Agreement will be voted on by independent shareholders only because it is a related party transaction under the Listing Rules. Full details will be contained in the Circular, but the Board, who have been so advised by its advisers, feels that the proposal is both fair and reasonable as far as shareholders are concerned and incentivises the Manager to undertake the winding up process efficiently and in a way that optimises value and decreases risk for shareholders.

THE COMPANY'S IMPACT

The Investment Manager continues to operate and invest responsibly, ethically, and fairly, and the Board remains committed to reviewing the Investment Manager's Environmental, Social and Governance ("ESG") policy. If during the course of an investment, VPC becomes aware of any material ESG risks, such ESG risks are documented in an Investment Committee memorandum and presented to the Investment Committee for review. VPC develops an action plan to address such risks as applicable. In addition, the Investment Manager continues to be a signatory of the United Nations Principles for Responsible Investment ("PRI"), the leading global network for investors committed to integrating ESG considerations into long-term investment decision-making.

OPERATIONAL RESILIENCE

There were a few consistent themes observed across the broader market throughout 2022: asset backed security spreads widened, both interest rates and inflation rose, equity markets were volatile, and there were lower transaction volumes for new capital raising. In the financial technology sector, the theme was a strong shift of investor interest and valuation from growth to profitability. To that end, many Portfolio Companies that overbuilt for growth in 2021 have enacted varying degrees of headcount reductions and other cost-cutting initiatives. The Board is aware that such cost-cutting initiatives can introduce elements of operational risk for the portfolio companies and this is being closely watched.

The Board believes risk management will remain a critical function throughout the wind-down process. The Investment Manager is committed to promoting a culture of proactive risk management and controls across its portfolio of investments. VPC has itself developed a culture of risk management. A team of 20 Risk and Operations professionals assess and monitor Portfolio Companies and related activities on a daily, weekly, or monthly basis using proprietary, technology-driven analytic tools. VPC's combination of deep credit and structuring expertise, the ability to navigate uncertain market conditions, and an adherence to consistent risk management will assist the Investment Manager to stay disciplined during the proposed wind-down process.

OUTLOOK

At the time of writing, fears of a U.S. recession and the COVID-19 global pandemic have somewhat abated, and there are encouraging signs that any recession may be mild. The Investment Manager expects modest origination activity may persist through much of 2023 and mergers will continue to gain popularity across the e-commerce space. VPC and its Portfolio Companies remain focused on mitigating external credit risks and managing downside protection in legacy assets. More details on the outlook for the Company can be found on page 17 of the Investment Manager's Report.

In the wake of the collapse of SVB, the Board expects that there will be many lessons learned in the market served by SVB. The Investment Manager will continue to employ prudent risk management practices and encourage its portfolio managers to be thoughtful about their risk exposure.

Finally, the Board wants to thank all Shareholders for their continued support as it works towards a successful wind-down of the Company. We will update you on our progress in our monthly reports.

Graeme Proudfoot

Chair

27 April 2023

STRATEGIC REPORT continued

INVESTMENT MANAGER'S REPORT

ABOUT VPC

The Company's investment manager is Victory Park Capital Advisors, LLC ("VPC", the "Firm", or the "Investment Manager"), an SEC-registered, established private capital manager. The Investment Manager was founded in 2007 and is headquartered in Chicago, Illinois, with additional resources in New York, Los Angeles, San Francisco, and London. VPC provides custom financing solutions across the private capital spectrum, focusing on asset-rich companies with significant corporate governance and a strong growth trajectory. VPC invests in both emerging and established businesses across various industries in the U.S. and abroad that often cannot access traditional sources of capital.

As of 31 December 2022, the Investment Manager had invested approximately \$9.1 billion across more than 200 investments since inception. Additionally, throughout its history, VPC has developed a significant culture of risk management. A team of 20 Risk & Operations professionals proactively assess and monitor Portfolio Companies and related activities on a daily, weekly, or monthly basis using proprietary, technology-driven analytic tools. Further, while investment returns are important, VPC places great significance on the <1%¹ cumulative principal loss since inception. VPC believes strong return and risk metrics result from a combination of deep credit and structuring expertise, the ability to navigate uncertain market conditions, and a significant adherence to risk management.

The Investment Manager was founded by Richard Levy and Brendan Carroll, who have worked together for more than two decades across multiple credit cycles and market environments. As of December 31, 2022, VPC employs 53 professionals across its Investment, Risk & Operations, Legal, and Investor Relations teams. For more information, please visit www.victoryparkcapital.com.

Established Credit Manager

- ❖ Founded prior to the global financial crisis in 2007 by Richard Levy and Brendan Carroll
- ❖ VPC has long-standing experience investing opportunistically amidst volatility and market complexities
- ❖ Headquartered in Chicago with resources in New York, Los Angeles, San Francisco, and London
- ❖ Investment Manager of the Company since its IPO in 2015

Private Credit Solutions

- ❖ Private credit specialist with a focus on capital preservation across multiple market environments
- ❖ Lender to both established and emerging businesses across various industries in the U.S. and abroad
- ❖ Extensive experience lending to companies across the credit spectrum

Developed Risk Management Culture & Process

- ❖ Deeply embedded risk culture
- ❖ VPC leverages proprietary risk tools and analytics to drive underwriting and portfolio management decisions
- ❖ Customised monitoring and reporting process allows for granular analysis across multiple dimensions

STRATEGY AND BUSINESS MODEL

Protective Deal Structuring

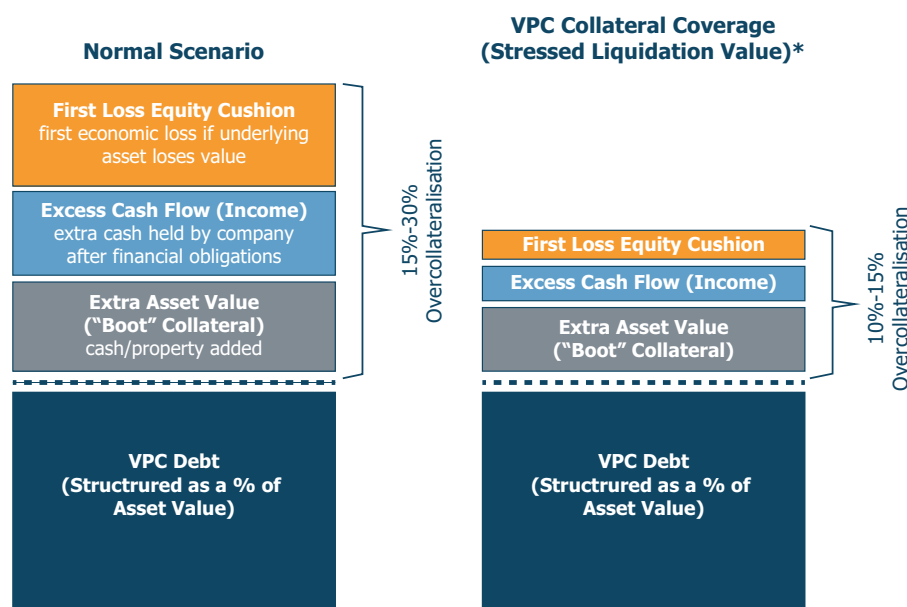
The Company's investments are typically structured as delayed draw, floating rate, and senior-secured term loans with significant credit enhancements. Portfolio Companies draw capital over time, subject to availability under their borrowing base, covenant compliance and underlying collateral performance. Utilising this structure provides added transparency into capital deployment as Portfolio Companies provide notice to VPC of present and expected future funding requests on the debt facilities. In addition, given the delayed draw structure, the at-risk capital on day one is typically not fully funded and grows over the life of an investment. VPC is able to monitor performance and become more familiar with the business and collateral prior to lending

¹ Loss Ratio reflects the cumulative net principal loss over the full life of each investment as a percentage of cumulative gross invested capital for the VPC Credit Strategies. VPC's historical track record data is tracked based on net loss rather than default and recovery ratios. VPC requires an executed NDA before further sharing additional information around potential defaults and recoveries, as well as historical examples of investments where a workout or liquidation was warranted. As mentioned above, VPC's historical loss ratio is minimal, at less than 1.00% since 2007.

additional capital. Structuring floating-rate loans has allowed VPC to benefit from the meaningful increase in spread as rates have risen in recent quarters. Additionally, VPC is predominantly the agent and sole lender in the transaction. Alternatively, in a syndicated transaction, there may be misalignment among lenders due to varying interests, leading to an inability to manage risk appropriately. As the agent and sole lender, VPC can better maximise value for Shareholders. Lastly, VPC's loans are typically shorter in duration (two to five years), which is generally attractive for borrowers looking for near-term solutions and beneficial for VPC to mitigate risk further.

As one of the pioneers of financial services lending, VPC has structuring expertise and long-standing industry relationships, enabling it to secure preferential capacity to lock up attractive, long-term economics through structured facility upsizes with meaningful over-collateralisation. VPC lends against a narrowly defined and dynamic collateral pool, which reduces adverse selection risk. Collateral is tested regularly to help avoid deterioration of the collateralised assets. If needed, VPC can foreclose on collateral and control the liquidation of assets to protect its investments and minimise losses. With the collateralised nature of the underlying investments within the Company's portfolio, under most scenarios, even with a default on the instrument, the Company would expect to recover most or all the investment. This robust structuring, monitoring and collateralisation has allowed the Company to minimise credit losses and record minimal expected credit losses as required by IFRS 9.

VPC's investments typically also include meaningful credit enhancements including first loss equity subordination, robust covenant packages, extensive reporting requirements and monitoring, corporate guarantees, first lien priority, and transparency and control over cash. VPC is able to 'control cash' by ring-fencing the collateral in a blocked account or special purpose vehicle ("SPV"). VPC also structures a right of first refusal ("ROFR") for most credit investments, allowing for control of the refinancing processes and ultimately creating an additional captive sourcing funnel for the investment portfolio. Lastly, VPC's loans are secured against liens and equity pledges on the corporate entity or collateral, further providing multiple avenues of structural protection. VPC is further able to support the growth of its Portfolio Companies, as it has the flexibility to invest with small and large Portfolio Companies alike and to continue to finance a Portfolio Company as it grows in size. Each additional draw request from a Portfolio Company requires an Investment Committee meeting, where the Investment Team is responsible for presenting a detailed update on the Portfolio Company and the rationale behind the funding before it is approved. As in all transactions, unanimous consent from the Investment Committee must be given prior to any new funding being released. VPC believes this feature uniquely positions the Firm to grow alongside its Portfolio Companies and effectively mitigates risk as fundings are thoughtfully paced out in line with performance.



* For illustrative purposes only, actual investments may differ due to individual circumstances.

STRATEGIC REPORT continued

Highly Selective Deal Sourcing

VPC has a cultivated sourcing network powered by investment professionals across the U.S. and London, creating a wide funnel of investment opportunities. Additionally, VPC has a local presence in five major cities in the U.S. and U.K., providing real-time “boots on the ground” for investment opportunities. The Investment Manager leverages an internal database to target attractive businesses and undertakes extensive outreach with management teams to diligence new investment opportunities. The network includes investment banks, business brokers, restructuring firms, private equity managers, venture capital firms, and law and accounting firms. Furthermore, VPC has long-standing relationships with Portfolio Company management teams, industry professionals, and experts in various sectors that bolster its access to transactions. When positioned as a premier financing solution, the Investment Manager’s executive board adds credibility and further provides VPC with a differentiated sourcing channel. Together, these efforts result in a robust pipeline of new investment opportunities built through trusted relationships, industry knowledge, and reliable partnerships.

More than 80% of the Firm’s deal flow is sourced directly. This highlights the strength of VCP’s relationships and its reputation as a flexible financing solutions provider. Notably, VPC only invests in approximately 1% of its deal flow which exemplifies its high barrier to entry.

LEVERAGING THE VPC PLATFORM

- Long-standing relationships with portfolio company management teams, industry professionals and experts create a differentiated deal pipeline
- Relationships are a critical advantage in sourcing deals and securing preferential capacity in a portfolio company’s development

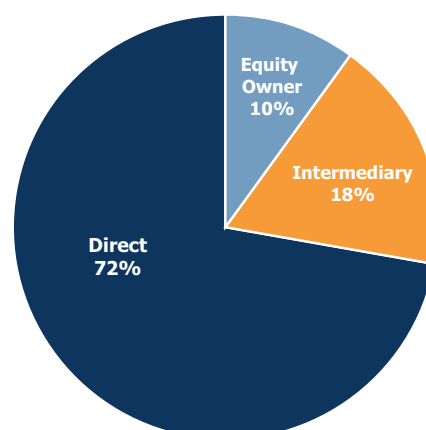
PROPRIETARY ADVANTAGE

- “Boots on the ground” in six major cities provides the VPC with a wide funnel of investment opportunities
- Extensive reach with active engagement of management teams and diligence opportunities
- Robust sourcing and direct origination allow VPC to primarily act as the sole lender for non-sponsored and non-syndicated investments

DIVERSIFIED CHANNELS

- Pipeline built through trusted and often repeat relationships, industry knowledge and value-added structuring capabilities
- Leverages a diverse database to directly target businesses that combine VPC’s underwriting expertise with its thematic industry subsector views
- Potential sourcing avenues include direct relationships with portfolio companies, venture capital and private equity firms, investment banks, fixed income, structured product desks, restructuring advisors and traditional lenders

VSL CREDIT STRATEGY – SOURCING CHANNELS¹



Currently, VPC has more than \$3.5 billion of investment opportunities in its active pipeline across the firm’s strategies²

¹ As of 31 December 2022. Sourcing channels for investments included in the VPC ABOC Credit Strategy composite.

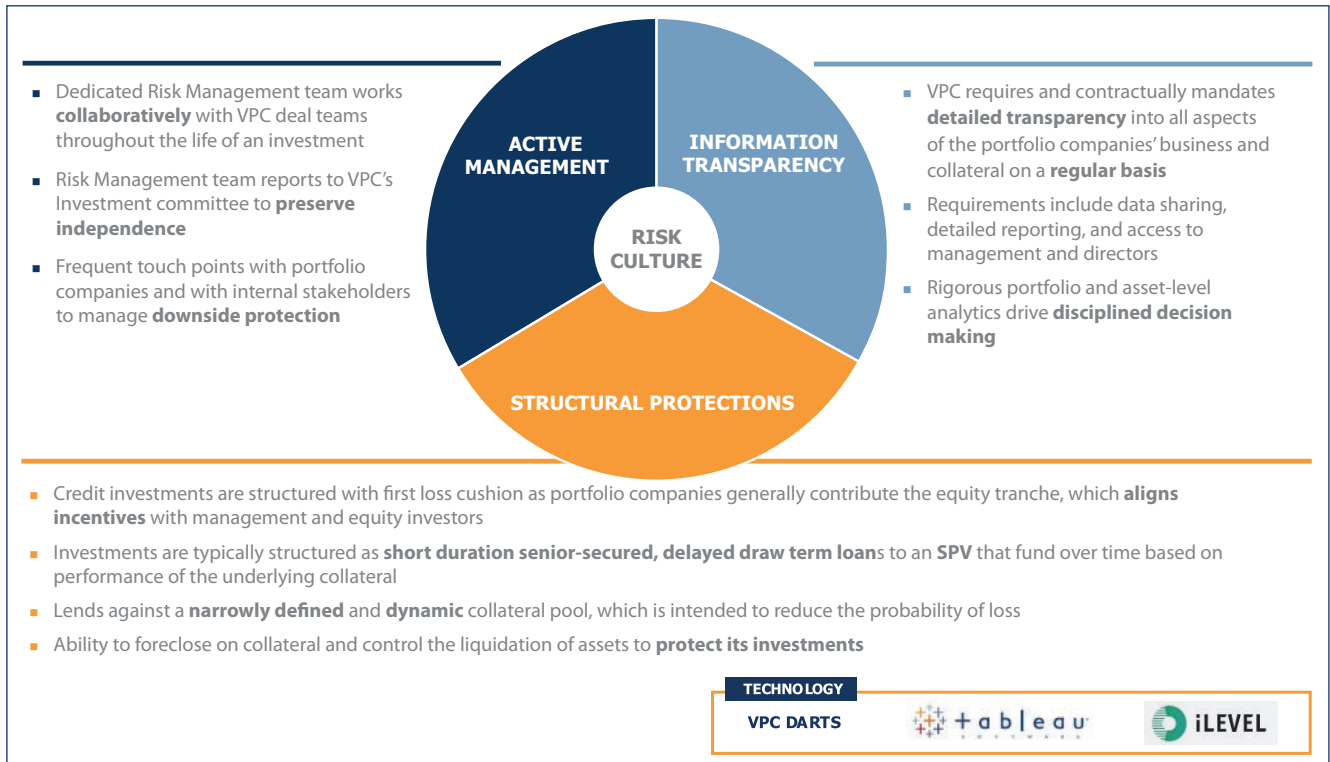
² As of 6 March 2023.

Best-in-Class Risk Management

VPC’s significant emphasis on risk management is the backbone of its investing ethos. As discussed above, VPC has 20 dedicated Risk & Operations professionals that proactively monitor Portfolio Companies daily, weekly, or monthly, utilising sophisticated, technology-driven analytics tools. VPC leverages iLevel and Tableau, which have been customised for VPC’s high-touch approach to risk management, to enhance further its ability to assess, manage and monitor risk and trends on a real-time basis.

At VPC, risk management is closely involved throughout the life cycle of an investment, from underwriting and structuring to monitoring and, ultimately, maturity. VPC has a well-established Risk Team, which is an objective, independent function that reports directly to the Investment Committee. The Senior Risk Team meets with the Executive Team twice-weekly to discuss any material risk issues and key initiatives. More broadly, the Investment Committee meets two to three times a week to collectively address and manage potential risks as appropriate. Additionally, the Risk Team will often travel on-site to meet with Portfolio Companies throughout the duration of the investment to ensure key metrics are being met and collateral performance is in line with expectations.

To bolster VPC's risk management efforts further, reputable third-party consultants may be used to assess specific, industry-related risks. Industry publications such as 2nd Order Solutions white papers are regularly reviewed for broader credit market trends that may influence VPC's investments. As a result of this best-in-class adherence to risk, VPC is proud to report a cumulative net principal loss of less than 1% since inception. After considering any post-default recoveries, the less than 1% net loss² represents the net principal shortfall on both completed and active investments. VPC places great significance on its institutional infrastructure and risk management process to structure, execute, monitor, and manage risk within the portfolio.



REVIEW OF 2022 PERFORMANCE

The Company completed the year with a total NAV return of -6.97%, a gross revenue return of 12.63% and a gross capital return of -15.13%. The Company's revenue return remained in line with expectations, thereby supporting the 8.00p per year dividend yield for Shareholders as set out in the IPO Prospectus ("the Target Dividend"). In February 2023, the Company declared its twentieth consecutive quarterly dividend payment of 2.00p per share for the three months to 31 December 2022, and the dividend was paid to Shareholders in March 2023. During the year, the weighted average coupon on the Company's asset backed investments increased to 14.65% at 31 December 2022 from 10.41%.

2022 was characterised by economic and geopolitical turbulence and uncertainty, including fears surrounding the COVID-19 global pandemic, Russia's invasion of Ukraine, and central banks' attempts to counter rising inflation with interest rate hikes. For example, in January 2022, the Fed Funds rate was 0%-0.25%. By the end of the year, after seven rate increases from the US Federal Reserve, it stood at 4.25%-4.5%, its highest level in 15 years, with the promise of further hikes in 2023.

Despite economic and geopolitical turbulence and uncertainty, the Company's core loan business continued to perform in line with expectations, benefiting from the rising short-term interest rate environment throughout 2022 and further illustrating the power of variable rate loans. The Company's core asset backed lending business represented approximately 67% of the total investment portfolio at year-end and continued to perform in line with expectations.

² Loss Ratio reflects the cumulative net principal loss over the full life of each investment as a percentage of cumulate gross invested capital for the VPC Credit Strategies. VPC's historical track record data is tracked based on net loss rather than default and recovery ratios. VPC requires an executed NDA before further sharing additional information around potential defaults and recoveries, as well as historical examples of investments where a workout or liquidation was warranted. As mentioned above, VPC's historical loss ratio is minimal, at less than 1.00% since 2007. For active investments, any unrealised value is determined based on the fair market value of the outstanding investment.

STRATEGIC REPORT continued

The Company's equity interests derive from its core lending business and provide it with equity participation without contributing equity risk capital. The mark down of equity prices during the year, specifically within the financial technology and e-commerce sectors, impacted the value of the Company's equity holdings and contributed to the negative total NAV return. Unrealised losses were also driven by the decrease in value of the Company's holdings in publicly traded investments. However, the unrealised losses on investments were due to Company investments being marked to publicly-traded prices, driven generally by the weaker market environment, rather than specific issues with underlying Portfolio Companies. Therefore, VPC does not view these mark downs as an indicator of concern to the underlying Portfolio Companies and are confident the lending to these businesses remains well secured.

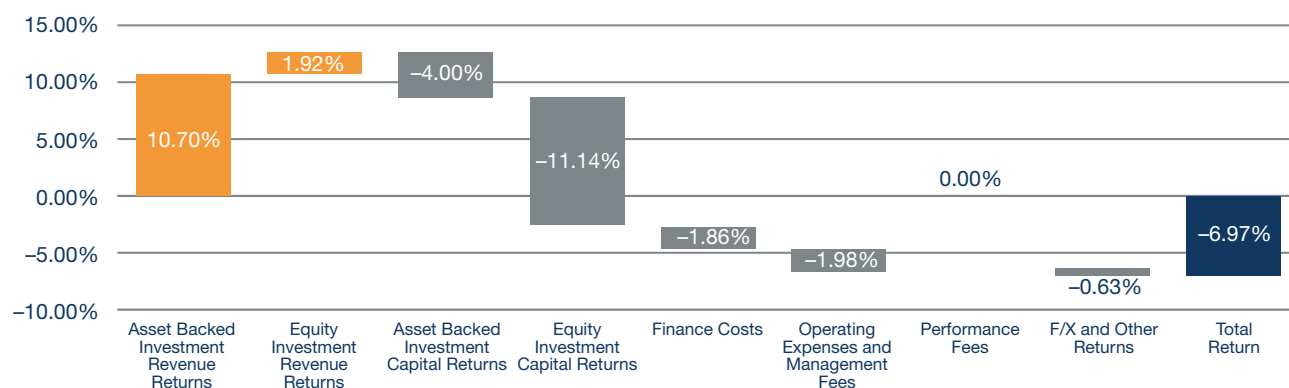
VPC's long-standing reputation and relationships with Portfolio Company management teams, industry professionals and experts continued to facilitate a differentiated deal pipeline. The Company was able to take advantage of market dislocation and closed four new asset backed investments during the year on attractive terms, which may not have been available to VPC in prior periods.

Overall, 2022 demonstrated the merit of VPC's approach to structured credit lending to technology-enabled businesses and a strong culture of risk management, which has proven particularly important during a volatile year. VPC has made additional investments in human capital throughout the year as it continues to grow, hiring 18 individuals across its front office, Operations, and Investor Relations teams, a testament to VPC's growth ambitions, its reputation, and standing within the investment management industry.

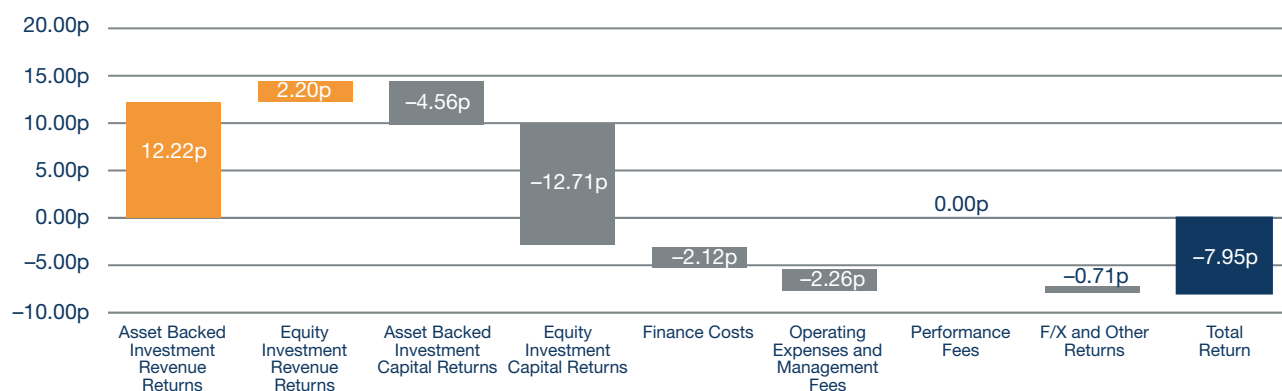
COMPANY PERFORMANCE

Below is a breakout of the Company's returns as a percentage of NAV and pence per share on the weighted average shares outstanding in 2022.

1 January 2022 to 31 December 2022 Total Return (% of NAV)



1 January 2022 to 31 December 2022 Total Return (pence per share)



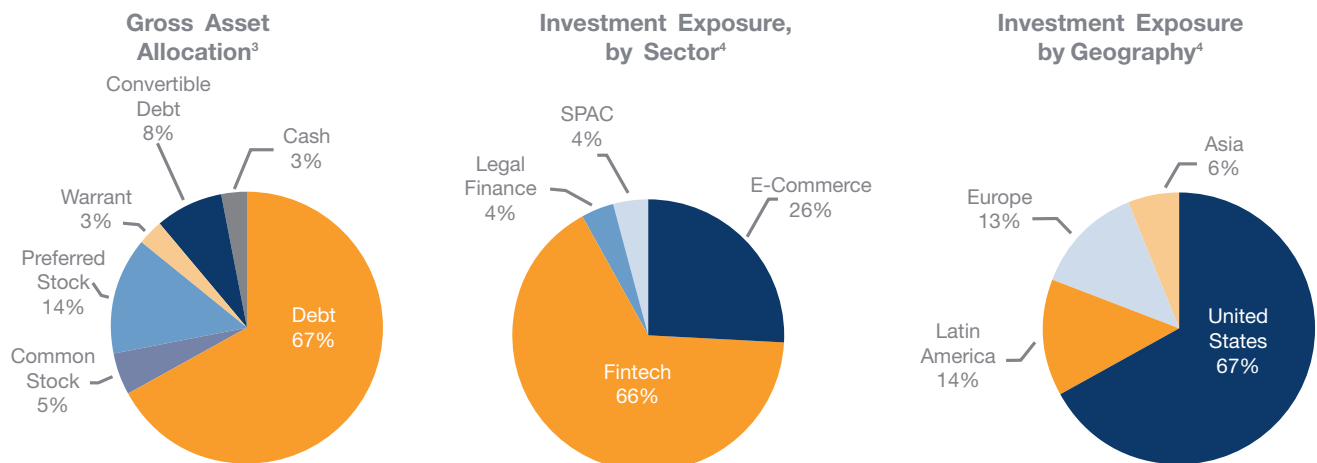
INVESTMENTS

To meet the Company's investment objectives within pre-defined portfolio limits, capital was allocated across several Portfolio Companies, focusing on portfolio-level diversification. As of 31 December 2022, the Company's investments were diversified across 48 different Portfolio Companies across the U.S., UK, Europe, Australia, Asia, and Latin America and the Company had exposure to 24 Portfolio Companies through asset backed loans.

VPC believes that its short-duration, non-correlated asset-intensive investments provide insulation across volatile environments, particularly during times of uncertainty (e.g., the Great Financial Crisis, ongoing impacts from the COVID-19 pandemic, etc.), and the Firm is equipped with an institutional risk infrastructure and independent risk management process focused on downside protection. Conversely and more prominently, the equity portfolio experienced continued unrealised negative returns, generally driven by the normalisation of equity instrument returns, ongoing volatile market conditions, and lower recent equity raises by comparable companies within the financial technology and e-commerce sectors. Lastly, unrealised losses were driven by the decrease in value of the Company's publicly traded investments.

Portfolio Composition as at 31 December 2022

The Company continued to implement the strategy of deploying capital across a broad range of Portfolio Companies with diverse geographies, borrower types and credit quality. Below are the breakouts of the Company's portfolio composition as of 31 December 2022:



GEARING AND CAPITAL MARKETS

The Company selectively employs gearing to enhance returns generated by the underlying credit assets. Gearing is structured to limit the borrowings to individual SPVs holding the assets to ensure the gearing providers have no recourse to the Company. Given the breadth of VPC's portfolio, the Company has a distinct competitive advantage in securing these gearing facilities at attractive rates. During the year, the Look-Through Gearing Ratio remained relatively consistent. Having started the year at 0.34x, it ended the year at 0.35x, as VPC continued to take a conservative approach to liquidity and risk management with the gearing facilities.

The Company's level of gearing may increase as a result of further drawdowns to honour commitments to funds under existing contractual arrangements, revaluations of the portfolio or realisation of assets at less than their carrying value. An increased level of gearing would increase Shareholders' exposure to realisation values.

ESG INVESTMENT CONSIDERATIONS

VPC has a long history of commitment to Environmental, Social and Governance ("ESG") considerations as part of its investment process and firm-wide operations. In 2018, VPC launched a partnership with the International Finance Corporation ("IFC"), the private sector arm of the World Bank, to provide credit to businesses in emerging markets. Since the initial policy in 2018, the policy and processes around how VPC integrates ESG into its investment strategies and firm operations have expanded in scope and sophistication.

³ Percentages calculated on a look-through basis to the Company's investee entities and SPVs.

⁴ Calculations using gross asset exposure and not reduced for gearing. Excludes cash.

STRATEGIC REPORT continued

VPC's ESG policy is considered in all investment decisions. Part of the policy involves clearly defining what the Company will and will not invest in, as specific industries and business practices are not supported. Another important piece of the ESG programme involves understanding the risks and potential risks related to ESG and identifying, mitigating and remediating any issues. Perhaps most importantly, the ESG policy creates accountability throughout the organisation and across Portfolio Companies.

VPC approaches ESG holistically to understand the full range of potential ESG risks for any given investment. For each investment underwritten, the applicable ESG factors are identified and mapped out with a due diligence plan to understand the relevant risks and mitigants related to those factors. With fintech investments, the Investment Manager focuses on the "Social" aspects of ESG, as those typically have the most significant overall impact on the business. VPC looks to invest in fintech companies that support financial inclusion and positively impact customers and other stakeholders. That means having products that are transparent and structured in a way that is fair to customers and promotes financial health. It also means having proper controls and systems to safeguard against harmful tactics or business practices.

As VPC has expanded into new investment categories, this frequently means re-evaluating ESG factors and risks in those specific areas. It is VPC's responsibility to educate itself about the key issues relating to any potential investment. VPC must set appropriate standards in these areas and discuss issues with all relevant partners.

As part of VPC's standard risk management process, it actively monitors Portfolio Companies across all dimensions, including ESG. It has frequent touchpoints with Portfolio Companies and receives extensive reporting to identify potential issues. It also holds weekly Investment Committee meetings to discuss any potential concerns and how to address or remediate them. Equally important, VPC regularly engages with Portfolio Companies to understand how they are thinking about ESG-related issues and to share best practices. Given that VPC works with many early-stage, high growth companies, it aims to act as a resource to Portfolio Companies as they grow and develop their ESG practices over time.

In August 2021, VPC announced it had become a signatory of the United Nations-supported Principles for Responsible Investment ("PRI"), further demonstrating its commitment to integrating ESG considerations into its investment decision making processes. PRI is the pre-eminent institution advocating for ESG issues to be at the forefront of investment decision making and VPC is proud to be a signatory. This demonstrates that VPC takes its responsibility to drive positive impact, both within the financial services industry and in society, very seriously and that it is committed to responsible investing for the long term.

Lastly, the Investment Manager is committed to maintaining a culture of good governance, as well as policies and procedures to assist with all aspects of diversity, as the Company's activities benefit from a wide range of skills, knowledge, experience, backgrounds, and perspectives. VPC formally published its DEI Policy in October 2021 and prioritised Diversity, Equity and Inclusion (DEI) goals for recruitment in Q3 of 2021 to diversify points of view and idea generation. To this end, VPC set formal goals of increasing the female population by 20% and ethnic diversity by 200% within the next five years. To date, VPC has exceeded those goals by increasing the female and ethnically diverse population by 64% and 500%, respectively.

SUMMARY AND HIGHLIGHTS FOR THE YEAR

The financial and business highlights for the year ended 31 December 2022 are as follows:

- ❖ **January 2022:** Dave Inc., a banking app on a mission to build products that level the financial playing field reported the closing of its previously announced business combination with VPC Impact Acquisition Holdings III, Inc. On 5 January 2022, the combined company began trading under the NASDAQ ticker symbol: "DAVE".
- ❖ **January 2022:** The Company partially exited its equity investment in Kueski, Inc., realising a gain on the sale of \$4.37 million, which was included in the NAV of the Company on 31 December 2021.
- ❖ **January 2022:** On 17 January 2022, one of the Company's privately held investments, Beforepay, closed its IPO and began trading on the Australian Stock Exchange under the ticker "B4P".
- ❖ **February 2022:** The Company declared its 16th consecutive dividend of 2.00 pence per share for the three months to 31 December 2021.
- ❖ **March 2022:** 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 and FinAccel, the parent company of Kredivo, the leading AI-enabled digital consumer credit platform in Southeast Asia, announced the mutual termination of their previously announced business combination agreement.
- ❖ **June 2022:** The Company declared its 17th consecutive dividend of 2.00p per share for the three months to 31 March 2022.
- ❖ **July 2022:** The Company invested in one new asset backed investment, Loyal Foundry Holdings, Inc. ("Loyal Foundry"). Loyal Foundry is a leading global platform of non-gaming mobile apps.

- ❖ **August 2022:** ZeroFox Inc., a VPC portfolio company and an enterprise software-as-a-service leader in external cybersecurity reported the closing of its previously announced business combination with L&F Acquisition Corp (“L&F”), a special purpose acquisition company, and ID Experts Holdings Inc. (“IDX”). On 4 August 2022, the combined company began trading under the NASDAQ ticker symbol: “ZFOX”.
- ❖ **August 2022:** The Company declared its 18th consecutive dividend of 2.00p per share for the three months to 30 June 2022.
- ❖ **November 2022:** The Company declared its 19th consecutive dividend of 2.00p per share for the three months to 30 September 2022.
- ❖ **December 2022:** After further consultation with its major Shareholders, the Board determined that it would be in the Company’s best interests and Shareholders to put forward formal proposals to Shareholders for a managed wind-down of the Company instead of the 25% Exit Opportunity. A circular with further details will be published shortly.

SUBSEQUENT EVENTS

Since the year ended 31 December 2022:

- ❖ **February 2023:** The Company declared its 20th consecutive dividend of 2.00p per share for the three months to 31 December 2022.

OUTLOOK

As noted above, the Company completed the year with a total NAV return of -6.97%, a gross revenue return of 12.63% and a gross capital return of -15.13%. It was a bifurcated year regarding investment performance, with credit performance remaining resilient. Importantly, the Company’s revenue return remained in line with expectations, thereby supporting the dividend yield for Shareholders.

Many of the Investment Manager’s peers and Portfolio Companies have not seen interest rates at these levels before, and rates are expected to continue trending up from here. In 2023, VPC expects equity valuations will be flat or down, an environment that encourages companies to be measured on valuation expectations. As such, Portfolio Companies are de-prioritising growth and instead working to reduce operating expenses to extend cash runway and/or generate free cash flow.

In specific credit market sectors in which the Company is invested, the Investment Manager market and risk commentary is as follows:

- ❖ **Consumer:** In the consumer space, consumer credit has exhibited signs of softening across multiple asset classes; however, metrics remain largely within historical norms and mirror those of 2019. Inflation continues to be a primary driver of pressure on consumers, particularly those in the lower income brackets. The Investment Manager is starting to see early indications of cracks in the strong employment and some segments of the economy are showing more significant weakness, such as subprime and lower income bands and certain geographic regions.
- ❖ **E-Commerce:** In E-Commerce, while many of the supply chain challenges from early 2022 have eased, inflation and rising rates has put pressure on margins. Additionally, many retail and e-commerce companies are facing inventory challenges. Generally, higher prices are not fully offsetting the pressure on margins and reductions in force have been commonplace as E-Commerce growth normalises to more historic run-rate levels.

In response to the market outlook, VPC and its Portfolio Companies remain focused on mitigating exogenous credit risks and managing downside protection in legacy assets. As noted above, VPC believes that its short-duration, non-correlated asset-intensive investments provide insulation across volatile environments, particularly during times of uncertainty, and the Firm is equipped with an institutional risk infrastructure and independent risk management process focused on downside protection. The Investment Manager will look to manage the wind-down effectively with the near-term goal to maintain the Company’s dividend target, and to manage the portfolio in accordance with VPC’s institutionalised policies and procedures and towards maximising returns to shareholders.

Victory Park Capital Advisors, LLC

Investment Manager
27 April 2023

STRATEGIC REPORT continued

BUSINESS MODEL

COMPANY STATUS

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

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

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

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

PURPOSE

The Company's defined purpose is to deliver its Investment Objective. Board culture promotes strong governance and long-term investment, mindful of the interests of all stakeholders. The Board believes that, as an investment company with no employees, this is best achieved by working in partnership with its appointed Investment Manager.

INVESTMENT OBJECTIVE

The Company provides asset-backed lending solutions to emerging and established businesses with the goal of building long-term, sustainable income generation. The Company focuses on providing capital to vital segments of the economy, which for regulatory and structural reasons are underserved by the traditional banking industry. Among others, these segments include small business lending, working capital products, consumer finance and real estate. The Company offers shareholders access to a diversified portfolio of opportunistic credit investments originated by non-bank lenders with a focus on the rapidly developing technology-enabled lending sector. Through rigorous diligence and credit monitoring, the Company generates stable income with significant downside protection.

As previously disclosed, the Board determined that it would be in the best interests of the Company and its shareholders to put forward formal proposals for a managed wind-down of the Company. Upon a successful vote at the general meeting on the proposals put forth by the Board, the updated investment objective of the Company will be to conduct an orderly realisation of the assets of the Company and be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximising value.

INVESTMENT POLICY

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

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

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

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

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

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

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

Borrowing policy

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

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

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

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

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

Management Arrangements

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

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

Details of the Investment Management fee and performance fees payable to VPC during the period are set out in Note 10 on pages 88 and 89.

STRATEGIC REPORT continued

PERFORMANCE MANAGEMENT

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

A full description of performance is contained in the Investment Manager's Report, commencing on page 10.

NAV AND TOTAL RETURN

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

At each meeting, the Board receives reports detailing the Company's NAV and total return performance, portfolio composition and related analyses.

DIVIDEND YIELD

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends.

GEARING RATIO

The aggregate gearing of the Company and any investee entity (on a look-through basis, including borrowing through securitisation using SPVs) shall not exceed 1.5 times its NAV (1.5x). The Board and Investment Manager monitor the look-through gearing ratio to ensure it is in line with the investment policy.

SHARE PRICE PREMIUM/DISCOUNT

As a closed-ended listed investment trust, the Company's share price can and does deviate from its NAV. This results in either a premium or a discount to NAV. This is another component of the long-term shareholder return. The Board continually monitors the Company's premium or discount to NAV and has the ability to issue or buy back shares to limit the volatility of the share price discount or premium. For more information on the Company's authorities in relation to its share capital, see page 104.

EXPENSES

The Board is conscious of the impact of expenses on returns and seeks to minimise expenses while ensuring that the Company receives good service from its suppliers. The industry-wide measure for investment trusts is the ongoing charges ratio. This seeks to quantify the on-going costs of running the Company. The ongoing charges ratio for 2022 was 1.99%, compared to 1.79% for 2021. This measures the annual normal on-going costs of an investment trust, excluding performance fees, one-off expenses and dealing costs, as a percentage of the average shareholders' funds.

PRINCIPAL RISKS

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

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

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

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

This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. Both the principal and emerging risks and the monitoring system are subject to a robust assessment at least annually. The last review by the Board took place in February 2023. Although the Board believes that it has a robust framework of internal controls in place, it can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

Below is a summary of the principal and emerging risks and uncertainties faced by the Company and the Group, which have remained unchanged throughout the year, and actions taken by the Board and, where appropriate, its Committees, to manage and mitigate these risks and uncertainties. Principal risks include liquidity risk, credit risk, financing risk, portfolio company risk, regulatory risk and market risk. Business continuity risk, climate risk and geopolitical risk are all considered to be emerging risks. The non-financial risks comprise of regulatory risk, business continuity risk and geopolitical risk and the financial risks comprise of liquidity risk, credit risk, financing risk, market risk and portfolio company risk. These are set out below:

RISK	MITIGATION
LIQUIDITY RISK	
Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price.	The Investment Manager manages the Group's liquidity risk by investing primarily in a diverse portfolio of assets. As at 31 December 2022, 53% of the loans had a stated maturity date of less than a year.
The Group may invest in the listed or unlisted equity of any Portfolio Company. Investments in unlisted equity, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed securities and therefore may be more difficult to realise.	In general, the weighted average maturity profile of the Group's assets was lower than or equal to the term of the Group's corresponding debt facilities which thereby reduced liquidity risk. Refer to Note 6 of the financial statements for the maturity profile of the Group's assets and liabilities.
In the event of adverse economic conditions in which it would be preferable for the Group to sell certain of its assets, the Group may not be able to sell a sufficient proportion of its portfolio as a result of liquidity constraints. In such circumstances, the overall returns to the Group from its investments may be adversely affected.	The Board and the Investment Manager review the investment portfolio to ensure it is in line with the investment policy, including restrictions, as outlined on pages 130 and 131. The Board reviews cash flow forecasts to ensure the group can meet its liabilities as they fall due.
The Group is also exposed to liquidity risk with respect to the requirement to pay margin cash to collateralise forward foreign exchange contracts used for currency hedging purposes.	The Group continuously monitors fluctuations in currency rates. The Group performs stress tests and liquidity projections to determine how much cash should be held back to meet potential future obligations to settle margin calls arising from foreign exchange hedging.
	The gearing facility has helped the Group reduce cash drag associated with the currency hedging portfolio, while also allowing the Group to meet its liabilities as they fall due.

STRATEGIC REPORT continued

RISK

MITIGATION

LIQUIDITY RISK *continued*

The Investment Manager monitors the cash balances of the Group daily to ensure that all ongoing expenses can be paid as they come due.

CREDIT RISK

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

The Group's credit risks arise principally through exposures to loans acquired by the Group, which are subject to risk of borrower default. The ability of the Group to earn revenue is completely dependent upon payments being made by the borrower, such as adverse movements in financial markets.

There is inherent credit risk in the Group's investments in credit assets. However, this is typically mitigated by the significant first loss protection provided by the Portfolio Company under the Asset Backed Lending Model and the excess spread generated by the underlying assets under both models.

The Investment Manager performs a robust analysis during the underwriting process for all new investments of the Group and monitors the eligibility of the collateral at least monthly of the current assets in the Group's portfolio. This process also includes due diligence performed by a third-party reviewer during the underwriting process and subsequent reviews at least once per year for the Group's Portfolio Companies.

The Group will invest across several Portfolio Companies, asset classes, geographies (primarily US, UK, Europe, Australia, Asia and Latin America) and credit bands to ensure diversification and to seek to mitigate concentration risks.

The Investment Manager did not see new payment defaults during the year and the Group has received all contractual payments through the date of this report.

The Board and the Investment Manager review the investment portfolio to ensure it is in line with the investment policy, including restrictions, as outlined on pages 130 and 131. The Investment Manager monitors performance and underwriting on an ongoing basis.

FINANCING RISK

Financing risk is the risk that, whilst the use of borrowings by the Group should enhance the net asset value of an investment when the value of an investment's underlying assets is rising, it will, however, have the opposite effect when the underlying asset value is falling. In addition, if an investment's income falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Group's investment and accordingly will have an adverse effect on the ability of the investment to make distributions to the Group.

The Group uses gearing to enhance returns generated by the underlying credit assets and is exposed to the availability of financing at acceptable terms as well as interest rate expenses and other related costs.

This risk is mitigated by limiting borrowings to ring-fenced SPVs without recourse to the Group and employing gearing in a disciplined manner.

The Group has maintained a level of gearing throughout the year significantly below the limit stipulated in the Prospectus as the Group is primarily invested in the Asset Backed Lending Model.

The Board and the Investment Manager review the investment portfolio to ensure it is in line with the investment policy, including investment restrictions, as outlined on pages 130 and 131.

RISK**MITIGATION****MARKET RISK**

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

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

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

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

The Group is exposed to risks related to the reference rate reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates. There remains some uncertainty around the timing and precise nature of these changes.

The Group has a diversified investment portfolio which significantly reduces the exposure to individual asset price risk. Detailed portfolio valuations and exposure analysis are prepared monthly and form the basis for the on-going risk management and investment decisions. In addition, regular scenario analysis is undertaken to assess likely downside risks and sensitivity to broad market changes, as well as assessing the underlying correlations amongst the separate asset classes.

Exposure to interest rate risk is limited as the underlying credit assets are typically fully amortising with a maximum maturity of five years. Furthermore, generally the Group's Credit Facilities include a floating interest rate component to the Portfolio Companies to account for an increase in interest rate risk and they also have a set floor in the instance that interest rates were to drop.

The Group mitigates its exposure to currency risk by hedging exposure between Pound Sterling and any other currencies in which a significant portion of the Group's assets may be denominated.

The Board reviews the price, interest rate and currency risk with the Investment Manager to ensure that exposure to these risks are appropriately mitigated.

The Investment Manager continues to monitor the potential impact of a discontinuation of LIBOR rates on the Company's investments, based on the expectation that reference rates will be evaluated and replaced timely for investments with a variable rate component. On November 30, 2020, the LIBOR administrator proposed extending the publication of the overnight and the one-, three-, six- and 12-month USD LIBOR settings through June 30, 2023, when many existing contracts that reference LIBOR will have expired. Accordingly, it is difficult to predict the full impact of the transition until new reference rates and fallbacks are commercially accepted.

PORTFOLIO COMPANY RISK

The current market in which the Group participates is competitive and rapidly changing. There is a risk that the Group will not be able to deploy its capital, re-invest capital and interest of the proceeds of any future capital raisings, in a timely or efficient manner given the increased demand for suitable investments.

The Group may face increasing competition for access to investments as the alternative finance industry continues to evolve. The Group may face competition from other institutional lenders such as fund vehicles and commercial banks that are substantially larger and have considerably greater financial, technical and marketing resources than the Group. Other institutional sources of capital may enter the market in the UK, US and other geographies.

VPC has negotiated a significant number of proprietary capital deployment agreements with its existing asset backed lending partners each of which typically ensures the ability to deploy capital on attractive terms for several years.

In addition, VPC is one of the largest investors in the specialty lending sector and therefore enjoys timely information and good access to emerging Portfolio Company opportunities. VPC has a team of investment and operational professionals which ensures that deployment opportunities with new and existing Portfolio Companies can be executed rapidly while minimising operational risk.

VPC's pipeline of deployment opportunities remains strong with both existing and new asset backed lending Portfolio Companies.

STRATEGIC REPORT continued

RISK

MITIGATION

REGULATORY RISK

As an investment trust, the Company's operations are subject to wide ranging regulations. The financial services sector continues to experience significant regulatory change at national and international levels. Failure to act in accordance with these regulations could cause fines, censure or other losses including taxation or reputational loss.

The Association of Investment Companies (AIC) is becoming increasingly focused on ensuring ESG measures are implemented within investment companies.

In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010.

The Company provides debt capital to Portfolio Companies, which typically must comply with various state and national level regulations. This includes some operating under interim permission and some now regulated from the FCA in the UK as well as consumer lending and collections licenses in some US states. This risk is limited via detailed upfront due diligence of Portfolio Companies' regulatory environments performed by the Investment Manager on behalf of the Board.

The Company continues to review its ESG stance to ensure that it promotes the values and commitment of the Company. All decisions taken are made with due consideration to the long-term sustainability and impact on stakeholders.

The Company has procedures to monitor the status of its compliance with the relevant requirements to maintain its Investment Trust status, including receiving and reviewing information and reporting from the Company Secretary and other service providers as appropriate.

CLIMATE RISK

The world is facing unprecedented challenges in the face of climate change and growing inequality. The FSB Task Force on Climate-related Financial Disclosures (TCFD) has developed climate-related financial risk disclosures for companies to provide information to investors, lenders, insurers, and other stakeholders.

The Investment Manager has performed an initial high-level materiality assessment of climate risk across its investment portfolio and is developing a comprehensive action plan for both the Company and Group. No material impact on the financial statements has been identified from the risks arising from climate change through the work performed by the Investment Manager from this initial assessment.

The Investment Manager is reviewing the core disclosure elements of the TCFD reporting framework. As an investment trust, the Company is not required to provide information in compliance with TCFD.

GEOPOLITICAL RISK

The Group is subject to risks associated with unforeseen geopolitical events, including war, terrorist attacks, natural disasters, and ongoing pandemics, which could create economic, financial, and business disruptions.

The Investment Manager has a dedicated risk committee comprised of senior leadership and key principals. This committee works with each individual portfolio investment team to develop a coordinated risk response across the entire portfolio. The Investment Manager also increased the frequency of portfolio company data collection and reporting.

Discussion on the Group's risk management and internal controls is on page 120.

DIRECTORS' DUTIES

Overview

The Directors' overarching duty is to act in good faith and in a way that is most likely to promote the success of the Company as set out in Section 172 of the Companies Act 2006. The Company also considers the principles and guidance of the AIC and in doing so, directors take into consideration the interests of the various stakeholders of the Company. All decisions made by the Directors are taken with a long-term view and with the intention of minimising the potential harmful impact on communities and the environment. The Company seeks to maintain its reputation for high standards of business conduct and fair treatment between the members of the Company.

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

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

Decision-making

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

Stakeholders

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

IMPORTANCE

SHAREHOLDERS

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

BOARD ENGAGEMENT

The Company has over 115 shareholders, including institutional investors. The Board is committed to maintaining open channels of communication and to engage with shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of shareholders. These include:

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

STRATEGIC REPORT continued

IMPORTANCE

SHAREHOLDERS *continued*

BOARD ENGAGEMENT

- ❖ **Publications** – The Annual Report and Half-Year results are made available on the Company's website and the Annual Report is circulated to shareholders. These reports provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by a monthly factsheet and quarterly reports which are available on the website and the publication of which is announced via the stock exchange. Feedback and/or questions the Company receives from the shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and understandable;
- ❖ **Shareholder meetings** – Unlike trading companies, shareholder meetings often take the form of meeting with the Investment Manager rather than members of the Board. Shareholders are able to meet with the Investment Manager throughout the year and the Investment Manager provides information on the Company. Feedback from all meetings between the Investment Manager and shareholders is shared with the Board. The Chair, the Chair of the Audit and Valuation Committee and other members of the Board are available to meet with shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Investment Manager, the Chair seeks meetings with shareholders who might wish to meet with him;
- ❖ **Shareholder concerns** – In the event shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chair at the registered office. Other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels; and
- ❖ **Investor Relations updates** – At every Board meeting, the Directors receive updates from the Company's brokers on the share trading activity, share price performance and any shareholders' feedback, as well as an update from the Investment Manager on any publications. To gain a deeper understanding of the views of its shareholders and potential investors, the Investment Manager also meets regularly with shareholders. Any pertinent feedback is taken into account when Directors discuss the share capital, any possible fundraisings or the dividend policy and actioned as and when appropriate. The willingness of the shareholders, including the partners and staff of the Investment Manager, to maintain their holdings over the long-term period is another way for the Board to gauge how the Company is meeting its objectives and suggests a presence of a healthy corporate culture.

IMPORTANCE**OTHER STAKEHOLDERS*****The Investment Manager***

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

BOARD ENGAGEMENT

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

- ❖ Encouraging open discussion with the Investment Manager, to ensure continuous feedback and innovative thinking;
- ❖ Recognising that the interests of shareholders and the Investment Manager are for the most part well aligned, adopting a tone of constructive challenge, balanced with robust negotiation of the Investment Manager's terms of engagement if those interests should not be fully united;
- ❖ Encouraging the Investment Manager to meet with stakeholders to ensure that salient matters are thoroughly discussed and, overall, ensure adequate communication channels; and
- ❖ Willingness to make the Board Members' experience available to support the Investment Manager in the sound long-term development of its business and resources, recognising that the long-term health of the Investment Manager is in the interests of shareholders in the Company.

Portfolio Companies

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

The relationship with the Investment Manager is fundamental to ensuring the Company meets its purpose. Day to day engagement with Portfolio Companies is undertaken by the Investment Manager. Details of how the Investment Manager carries out portfolio management, as well as information of the differentiated investment proposition and the proprietary sourcing and structuring of investments can be found in the Strategic Report on pages 10 to 12. The Board receives updates at each scheduled Board meeting from the Investment Manager on specific investments including regular valuation reports and detailed portfolio and returns analyses. The Investment Manager's engagement with Portfolio Companies incorporates recurring due diligence reviews and on-site visits to supplement regular reporting and management discussion cycles.

STRATEGIC REPORT continued

IMPORTANCE

The Administrator, the Company Secretary, the Registrar, the Custodians and the Brokers

In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of reputable advisors for support in meeting all relevant obligations.

BOARD ENGAGEMENT

The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely taken into account. The Board, through the Management Engagement Committee, formally assesses their performance, fees and continuing appointment annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit and Valuation Committee reviews and evaluates the financial reporting control environments in place for each service provider.

Institutional investors and proxy advisors

The evolving practice and support (or lack thereof) of proxy adviser agencies are important to the Directors, as the Company aims to build a good reputation and maintain high standards of corporate governance, which contribute to the long-term sustainable success of the Company.

The Board recognises that the views, questions from, and recommendations of many proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting evolving shareholders' expectations and concerns. When deemed relevant, the Company will engage with proxy advisers regarding resolutions that will be proposed to the Company's shareholders at AGMs and, based on feedback received, incorporate appropriate changes to future Annual Reports and Financial Statements to enhance disclosures.

Regulators

The Company can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its shareholders.

The Company regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best-practice guidance, and how any governance decisions it makes can have an impact on its stakeholders, both in the shorter and in the longer-term.

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

CULTURE

The Directors agree that establishing and maintaining a healthy corporate culture among the Board and in its interaction with the Investment Manager, shareholders and other stakeholders will support the delivery on its purpose, values, and strategy. The Board is encouraged to lead by example and exemplify the Company's culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Manager.

The Board strives to ensure that its culture is in line with the Company's purpose, values, and strategy. The Company has several policies and procedures in place to assist with maintaining a culture of good governance including those relating to diversity, Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board through Board meetings and during the annual evaluation process which is undertaken by each Director (for more information see the performance evaluation section on page 112).

The Board seeks to appoint the best possible service providers and evaluates their remit, performance, and cost effectiveness on a regular basis as described on page 111. The Board considers the culture of the Investment Manager and other service providers, including their policies, practices, and behaviour, through regular reporting from these stakeholders and during the annual review of the performance and continuing appointment of all service providers to ensure there is an alignment in the long-term objectives. The Investment Manager and other service providers appointment are reviewed annually to ensure these objectives are met.

EMPLOYEES, HUMAN RIGHTS, SOCIAL AND COMMUNITY ISSUES

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

BOARD DIVERSITY

As at 31 December 2022, the Board of Directors of the Company comprised of four male Directors and one female Director. As at the date of this report the Board composition remains unchanged. The Board acknowledges the benefits of diversity, including gender diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives. Further details of the Company's diversity policy are set out on page 115.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ISSUES

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

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

The Company has no internal operations and therefore no greenhouse gas emissions to report, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within its underlying investment portfolio. However, the AIC is encouraging all member companies to demonstrate how they are factoring ESG issues into their business practices. The company continues to monitor the guidance published by the AIC and works towards the drafting of its ESG policy. The business remains conscious of its business decisions and the Board, supported by its service providers and Investment Manager consider the long-term impact of all decisions and challenge appropriately.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Company has no employees or property, and it does not combust any fuel or operate any facility thus is taking the exemption. It does not, therefore, have any greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within its underlying investment portfolio. Additionally, there are no annual emissions from the purchase of electricity, heat, steam or cooling by the Company for its own use.

APPROVAL

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

Graeme Proudfoot
Chair
27 April 2023

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

- ❖ give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's and company's cash flows for the year then ended;
- ❖ have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- ❖ have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Company Statements of Financial Position as at 31 December 2022; the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows, and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- ❖ The scope of our audit and the nature, timing and extent of audit procedures performed were determined based on our risk assessment, taking into account changes from the prior year, the financial significance of subsidiaries and other qualitative factors. We executed the planned approach and concluded based on the results of our testing, ensuring that sufficient audit evidence had been obtained to support our opinion.

Key audit matters

- ❖ Valuation of investment assets designated as held at fair value through profit or loss (group and company).
- ❖ Valuation of loans at amortised cost (group).

Materiality

- ❖ Overall group materiality: £2,700,000 (2021: £3,100,000) based on 1% of Net Asset Value.
- ❖ Overall company materiality: £2,700,000 (2021: £3,100,000) based on 1% of Net Asset Value.
- ❖ Performance materiality: £2,000,000 (2021: £2,300,000) (group) and £2,000,000 (2021: £2,300,000) (company).

INDEPENDENT AUDITORS' REPORT

continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><i>Valuation of investment assets designated as held at fair value through profit or loss (group and company)</i></p> <p>Refer to the Audit and Valuation Committee Report 'Significant issues considered by the Audit and Valuation Committee'; Note 2 Significant Accounting Policies 'Financial assets and financial liabilities' and 'Critical accounting estimates – valuation of unquoted investments'; and Note 3 'Fair value measurement'.</p> <p>Investment assets held at fair value by the Group include investments that are not traded on active markets and for which valuation requires the use of inputs which are not readily observable in the market. These are classified as level 2 or level 3 under the IFRS 13 fair value hierarchy and comprise investments in funds of £22.5 million (company £22.5 million) and equity securities of £104.3 million (company: nil).</p> <p>Fair value of the investments in funds is estimated using commonly accepted valuation methodologies, which are set out in the International Private Equity and Venture Capital Valuation Guidelines. The fair value of fund investments held at 31 December 2022 are based on the net asset value ("NAV") disclosed in the fund audited financial statements.</p> <p>Fair value of equity securities classified as level 2 and 3 is determined using a variety of techniques including earnings multiples, discounted cash flow analysis and comparison to recent transactions.</p> <p>Determining unobservable inputs in fair value measurement of level 2 and level 3 investments involves judgement and is subject to a high degree of estimation uncertainty such that changes to estimates, assumptions and/or the judgements made can result, either on an individual investment or in aggregate, in a material change to the valuation.</p>	<p>We understood and evaluated the design of controls over estimating the fair value of level 2 and level 3 investments.</p> <p>We understood and evaluated the valuation methodology applied, by reference to accounting standards and industry practice, and tested the techniques used to determine the fair value of investment assets designated as held at fair value through profit or loss.</p> <p>With respect to investment in funds, we performed the following substantive testing:</p> <ul style="list-style-type: none"> ❖ We agreed the NAV used to calculate the fair value to audited financial statements and inspected those financial statements to assess whether the use of NAV as a basis for fair value was appropriate; and ❖ We obtained the fund partnership agreements and recalculated the Group's interest in the funds' fair value. <p>With respect to the level 2 and level 3 equity securities, with the assistance of our valuation experts, we performed the following:</p> <ul style="list-style-type: none"> ❖ On a sample basis, we corroborated the accuracy and reasonableness of inputs and assumptions used in valuations, including comparison to recent transaction prices, underlying investment company financial information and other market performance information. ❖ For certain investments, we determined a reasonable range for individual assumptions to arrive at a range of acceptable valuations and we compared the group's valuations to our independently derived valuation range. <p>We further considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible bias.</p> <p>We evaluated and tested the disclosures over investments made in the financial statements.</p> <p>We found that the fair value of investments designated as held at fair value through profit or loss were consistent with the group's accounting policies and supported by the audit evidence we obtained.</p>

KEY AUDIT MATTER***Valuation of loans at amortised cost (group)***

Refer to the Audit and Valuation Committee Report 'Significant issues considered by the Audit and Valuation Committee'; Note 2 Significant Accounting Policies 'Financial assets and financial liabilities' and 'Critical accounting estimates - measurement of the expected credit loss allowance'; and Note 9 'Impairment of financial assets at amortised cost'.

Loans reported at amortised cost amounted to £220.2 million for the group as at 31 December 2022 (company: nil). The amount is net of the expected credit loss ("ECL") allowance of £16.4 million. The determination of ECL is subject to a high degree of estimation uncertainty such that changes to key inputs to the estimates made can result, either on an individual loan or in aggregate, in a material change to the valuation.

In the context of the current economic outlook, considerable uncertainty remains around the measurement of ECL, including, the impact of recent increases in interest rates and inflation. The significant inputs and assumptions that we focused on in our audit included those with greater levels of judgement and for which variations had the most significant impact on ECL. These were the following :

- ❖ The application of portfolio company cumulative loss rates to portfolio exposures; and
- ❖ The application of forward looking economic assumptions used in the models, including the assumptions and judgements relating to a global downside scenario based on 2008 financial crisis data; and
- ❖ The probability of default applied to portfolio exposures.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We understood and evaluated the design of controls over the estimation of ECLs over loans at amortised cost.

We understood and evaluated the ECL methodology applied, by reference to accounting standards and industry practice, and tested the techniques used in estimating the ECL. We performed substantive testing over the following, with the assistance of our credit specialists:

- ❖ We tested the compliance of the ECL methodologies applied by the group with the requirements of IFRS 9, taking into account our understanding of the portfolio.
- ❖ We assessed the appropriateness of the significant assumptions and methodologies used for models on a sample basis, including the selection of macroeconomic scenarios, and the severity of the downside macroeconomic scenarios. Our analysis included assessing the 'breakeven' cumulative loss rates, comparison of the scenarios used to actual experience and the impact of applying alternative independent data and assumptions, where relevant.
- ❖ On a sample basis, we tested the appropriateness of forecast cumulative loss rates relative to historical experience.
- ❖ On a sample basis, we tested the integrity of the data used in the models to supporting documentation and tested the accuracy of the ECL calculations applied in the models by independently replicating the calculations in the models.

We further considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible bias.

We evaluated and tested the disclosures over loans at amortised cost less ECL made in the financial statements.

We found that the calculations and assumptions used to estimate the ECL on loans at amortised cost were supported by the audit evidence we obtained.

INDEPENDENT AUDITORS' REPORT

continued

How we tailored the audit scope

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. We performed a risk assessment, giving consideration to relevant external and internal factors, including climate change, economic risks and the Group's strategy. We also considered our knowledge and experience obtained in the prior year audits. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In establishing the overall approach to the audit, we scoped using the balances included in the financial statements consolidation pack. We determined the type of work that needed to be performed over the company and subsidiaries (the 'components') by us or auditors from PricewaterhouseCoopers LLP Chicago, USA ('PwC US') operating under our instruction. Our interactions with the PwC US auditors included regular communication throughout the audit, including the issuance of instructions, a review of working papers and formal clearance meetings.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

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

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

	Financial statements – group	Financial statements – company
Overall materiality	£2,700,000 (2021: £3,100,000).	£2,700,000 (2021: £3,100,000).
How we determined it	1% of Net Asset Value	1% of Net Asset Value
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for Investment Trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate basis for our audit.	We have applied this benchmark, a generally accepted auditing practice for Investment Trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate basis for our audit.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2,550,000 and £2,700,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2,000,000 (2021: £2,300,000) for the group financial statements and £2,000,000 (2021: £2,300,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Valuation Committee that we would report to them misstatements identified during our audit above £270,000 (group audit) (2021: £155,000) and £270,000 (company audit) (2021: £155,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- ❖ Performing a risk assessment to identify factors that could impact the going concern basis of accounting.
- ❖ Obtaining and evaluating management's going concern assessment.
- ❖ Reviewing the basis on which the directors have made their assessment of the group and company's ability to continue as a going concern taking into consideration both the impact of the vote to enter into a managed wind down of the company being passed at the next general meeting and the impact of the alternative scenario of the vote not being passed.
- ❖ Understanding and evaluating the group's financial forecasts and stress testing of those forecasts, including the severity of the stress scenarios that were used and consideration of the outcome of the managed wind down vote.
- ❖ Validation of year end financial resources such as cash and interest rate borrowings.
- ❖ Obtaining and evaluating debt compliance certificates and covenants testing.
- ❖ Evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

INDEPENDENT AUDITORS' REPORT

continued

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- ❖ The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- ❖ The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- ❖ The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- ❖ The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- ❖ The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- ❖ The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- ❖ The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- ❖ The section of the Annual Report describing the work of the Audit and Valuation Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

- ❖ Discussions with the Investment Manager and the Audit and Valuation Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- ❖ Reviewing Board meeting and other relevant committee minutes to identify any significant or unusual transactions or other matters that could require further investigation;
- ❖ Assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010;
- ❖ Challenging assumptions and judgements made by the Directors in their significant accounting estimates and judgements, in particular in relation to the valuation of investments reported at fair value through profit or loss and valuation of loans reported at amortised cost; and
- ❖ Identifying and testing journal entries meeting specific fraud criteria, including those posted with certain descriptions, posted to certain account combinations, backdated journals or posted by unexpected users.
- ❖ Obtaining confirmations from third parties to confirm the existence of a sample of balances; and
- ❖ Incorporating unpredictability in the selection of the nature, timing and extent of audit procedures performed.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

INDEPENDENT AUDITORS' REPORT

continued

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

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Valuation Committee, we were appointed by the members on 24 July 2015 to audit the financial statements for the period commencing 12 January 2015 and ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the periods ended 31 December 2015 to 31 December 2022.

OTHER MATTER

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Claire Sandford (*Senior Statutory Auditor*)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 April 2023

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTES	31 DECEMBER 2022 £	31 DECEMBER 2021 £
Assets			
Cash and cash equivalents	7	15,538,602	6,300,572
Cash posted as collateral	7	2,222,734	4,133,588
Derivative financial assets	3,4	1,081,849	2,069,698
Interest receivable		5,848,979	4,708,481
Dividend and distribution receivable		4,735	3,996
Other assets and prepaid expenses		2,190,718	2,877,815
Loans at amortised cost	3,9	220,225,329	279,339,002
Investment assets designated as held at fair value through profit or loss	3	130,870,709	141,797,222
Total assets		377,983,655	441,230,374
Liabilities			
Management fee payable	10	97,785	155,399
Performance fee payable	10	–	12,913,280
Derivative financial liabilities	3,4	3,283,142	1,508,675
Deferred income		41,201	174,603
Other liabilities and accrued expenses		1,815,268	1,550,415
Due to broker		4,848,569	–
Notes payable	8	94,669,284	107,267,260
Total liabilities		104,755,249	123,569,632
Total assets less total liabilities		273,228,406	317,660,742

See Notes to the consolidated financial statements set out on pages 52 to 99.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTES	31 DECEMBER 2022 £	31 DECEMBER 2021 £
Capital and reserves			
Called-up share capital		20,300,000	20,300,000
Share premium account		161,040,000	161,040,000
Other distributable reserve	14	112,779,146	112,779,146
Capital reserve		(48,473,649)	1,667,026
Revenue reserve		26,369,664	20,615,367
Currency translation reserve		1,213,245	1,213,245
Total equity attributable to shareholders of the Parent Company		273,228,406	317,614,784
Non-controlling interests	18	–	45,958
Total equity		273,228,406	317,660,742
Net Asset Value per Ordinary Share	12	98.19p	114.14p

The financial statements on pages 40 to 99 were approved by the Board of Directors on 27 April 2023 and signed on its behalf by:

Graeme Proudfoot
Chair

27 April 2023

See Notes to the consolidated financial statements set out on pages 52 to 99.

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	REVENUE £	CAPITAL £	TOTAL £
Revenue				
Net gain (loss) on investments	5	–	(42,614,991)	(42,614,991)
Foreign exchange gain (loss)		–	(1,552,676)	(1,552,676)
Interest income	5	33,917,279	–	33,917,279
Other income	5	7,418,009	–	7,418,009
Total return		41,335,288	(44,167,667)	(2,832,379)
Expenses				
Management fee	10	3,840,270	–	3,840,270
Performance fee	10	–	–	–
Credit impairment losses	9	–	5,956,807	5,956,807
Other expenses	10	2,432,132	–	2,432,132
Total operating expenses		6,272,402	5,956,807	12,229,209
Finance costs		7,046,478	–	7,046,478
Net return on ordinary activities before taxation		28,016,408	(50,124,474)	(22,108,066)
Taxation on ordinary activities	11	–	–	–
Net return on ordinary activities after taxation		28,016,408	(50,124,474)	(22,108,066)
Attributable to:				
Equity shareholders		28,016,408	(50,140,675)	(22,124,267)
Non-controlling interests	18	–	16,201	16,201
Return per Ordinary Share (basic and diluted)	13	10.07	(18.02)	(7.95)
Other comprehensive income				
Currency translation differences		–	–	–
Total comprehensive income		28,016,408	(50,124,474)	(22,108,066)
Attributable to:				
Equity shareholders		28,016,408	(50,140,675)	(22,124,267)
Non-controlling interests	18	–	16,201	16,201

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. 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 set out on pages 52 to 99.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	REVENUE £	CAPITAL £	TOTAL £
Revenue				
Net gain (loss) on investments	5	–	67,114,995	67,114,995
Foreign exchange gain (loss)		–	(2,049,374)	(2,049,374)
Interest income	5	33,158,150	–	33,158,150
Other income	5	4,419,620	–	4,419,620
Total return		37,577,770	65,065,621	102,643,391
Expenses				
Management fee	10	3,802,097	–	3,802,097
Performance fee	10	3,733,910	9,179,370	12,913,280
Credit impairment losses	9	–	3,636,142	3,636,142
Other expenses	10	3,212,166	159,909	3,372,075
Total operating expenses		10,748,173	12,975,421	23,723,594
Finance costs		5,706,429	–	5,706,429
Net return on ordinary activities before taxation		21,123,168	52,090,200	73,213,368
Taxation on ordinary activities	11	–	–	–
Net return on ordinary activities after taxation		21,123,168	52,090,200	73,213,368
Attributable to:				
Equity shareholders		21,123,168	52,060,604	73,183,772
Non-controlling interests	18	–	29,596	29,596
Return per Ordinary Share (basic and diluted)	13	7.55	18.62	26.17
Other comprehensive income				
Currency translation differences		–	(11,496)	(11,496)
Total comprehensive income		21,123,168	52,078,704	73,201,872
Attributable to:				
Equity shareholders		21,123,168	52,052,083	73,175,251
Non-controlling interests	18	–	26,621	26,621

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. 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 set out on pages 52 to 99.

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	CALLLED UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	CURRENCY TRANSLATION RESERVE £	TOTAL SHARE- HOLDERS' EQUITY £	NON- CONTROLLING INTERESTS £	TOTAL EQUITY £
Opening balance at 1 January 2022	20,300,000	161,040,000	112,779,146	1,667,026	20,615,367	1,213,245	317,614,784	45,958	317,660,742
Amounts paid on buyback of Ordinary Shares	-	-	-	-	-	-	-	-	-
Contributions by non-controlling interests	-	-	-	-	-	-	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	(62,159)	(62,159)
Return on ordinary activities after taxation	-	-	-	(50,140,675)	28,016,408	-	(22,124,267)	16,201	(22,108,066)
Dividends declared and paid	-	-	-	-	(22,262,111)	-	(22,262,111)	-	(22,262,111)
Other comprehensive income									
Currency translation differences	-	-	-	-	-	-	-	-	-
Closing balance at 31 December 2022	20,300,000	161,040,000	112,779,146	(48,473,649)	26,369,664	1,213,245	273,228,406	-	273,228,406

The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC").

See Notes to the consolidated financial statements set out on pages 52 to 99.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	CALLLED UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	CURRENCY TRANSLATION RESERVE £	TOTAL SHARE- HOLDERS' EQUITY £	NON- CONTROLLING INTERESTS £	TOTAL EQUITY £
Opening balance at 1 January 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	-	-	(3,741,814)	-	-	-	(3,741,814)	-	(3,741,814)
Contributions by non-controlling interests	-	-	-	-	-	-	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-
Return on ordinary activities after taxation	-	-	-	52,060,604	21,123,168	-	73,183,772	29,596	73,213,368
Dividends declared and paid	-	-	-	-	(22,355,761)	-	(22,355,761)	-	(22,355,761)
Other comprehensive income									
Currency translation differences	-	-	-	-	-	(8,521)	(8,521)	(2,975)	(11,496)
Closing balance at 31 December 2021	20,300,000	161,040,000	112,779,146	1,667,026	20,615,367	1,213,245	317,614,784	45,958	317,660,742

The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC").

See Notes to the consolidated financial statements set out on pages 52 to 99.

FINANCIAL STATEMENTS continued

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	31 DECEMBER 2022 £	RESTATED 31 DECEMBER 2021 £
Cash flows from operating activities:			
Total comprehensive income		(22,108,066)	73,201,872
Adjustments for:			
– Interest income		(33,917,279)	(33,158,150)
– Dividend and distribution income	5	(7,418,009)	(4,419,620)
– Finance costs		7,046,478	5,706,429
– Exchange (gains) losses		1,552,676	2,049,374
Total		(54,844,200)	43,379,905
Loss (gain) on investment assets designated as held at fair value through profit or loss		20,298,529	(67,354,436)
Gain on derivative financial instruments		(35,736,991)	(6,131,547)
Increase in other assets and prepaid expenses		687,097	(1,988,667)
(Decrease) increase in performance fee payable		(12,913,280)	63,158
(Decrease) increase in management fee payable		(57,614)	8,873,195
Decrease in deferred income		(133,402)	(78,800)
Increase in due to broker		4,848,569	–
(Decrease) increase in accrued expenses and other liabilities		58,599	250,148
Interest received		32,776,781	32,062,716
Purchase of loans		(33,762,745)	(129,180,445)
Redemption or sale of loans		123,524,905	145,742,133
Impairment of loans		5,956,807	3,636,142
Net cash inflow from operating activities		50,703,055	29,273,502
Cash flows from investing activities:			
Investment income received		7,417,270	4,419,436
Purchase of investment assets designated as held at fair value through profit or loss		(30,034,376)	(51,430,977)
Sale of investment assets designated as held at fair value through profit or loss		20,662,359	30,929,189
Increase (decrease) of cash posted as collateral		1,910,854	(2,993,588)
Net cash outflow from investing activities		(43,893)	(19,075,940)

See Notes to the consolidated financial statements set out on pages 52 to 99.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	31 DECEMBER 2022 £	RESTATED 31 DECEMBER 2021 £
Cash flows from financing activities:			
Dividends distributed		(22,262,111)	(22,355,761)
Treasury shares repurchased		–	(3,741,814)
Distributions to non-controlling interests		(62,159)	–
Proceeds from note payable		11,874,530	179,944,080
Repayment of note payable		(37,295,732)	(158,764,003)
Finance costs paid		(6,840,222)	(5,739,082)
Net cash outflow from financing activities		(54,585,694)	(10,656,580)
Net change in cash and cash equivalents		(3,926,531)	(459,018)
Exchange gains on cash and cash equivalents		13,164,561	343,562
Cash and cash equivalents at the beginning of year		6,300,572	6,416,028
Cash and cash equivalents at the end of the period	7	15,538,602	6,300,572

See Notes to the consolidated financial statements set out on pages 52 to 99.

FINANCIAL STATEMENTS continued

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	NOTES	31 DECEMBER 2022 £	31 DECEMBER 2021 £
Assets			
Cash and cash equivalents	7	14,640,647	4,301,574
Cash posted as collateral	7	2,222,734	4,133,588
Derivative financial assets	3,4	1,081,849	2,069,698
Interest receivable		5,848,979	4,298,886
Other current assets and prepaid expenses		3,015,560	2,881,811
Investments in subsidiaries	17	233,951,844	303,174,979
Investment assets designated as held at fair value through profit or loss	3	22,474,910	12,531,090
Total assets		283,236,523	333,391,626
Liabilities			
Management fee payable	10	97,785	155,399
Due to broker		4,848,569	–
Derivative financial liabilities	3,4	3,283,142	1,508,675
Deferred income		41,201	174,603
Performance fee payable	10	–	12,913,280
Other liabilities and accrued expenses		1,737,420	1,024,885
Total liabilities		10,008,117	15,776,842
Total assets less total liabilities		273,228,406	317,614,784
Equity attributable to Shareholders of the Company			
Called-up share capital	14	20,300,000	20,300,000
Share premium account	14	161,040,000	161,040,000
Other distributable reserve	14	112,779,146	112,779,146
Capital reserve		(47,260,404)	2,880,271
Revenue reserve		26,369,664	20,615,367
Total equity		273,228,406	317,614,784
Net return on ordinary activities after taxation		(22,124,267)	73,175,251

The financial statements on pages 48 to 99 were approved by the Board of Directors on 27 April 2023 and signed on its behalf by:

Graeme Proudfoot
Chair

27 April 2023

See Notes to the financial statements set out on pages 52 to 99.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	CALLLED-UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	TOTAL £
Opening balance at 1 January 2022	20,300,000	161,040,000	112,779,146	2,880,271	20,615,367	317,614,784
Amounts paid on repurchase of Ordinary Shares	-	-	-	-	-	-
Return on ordinary activities after taxation	-	-	-	(50,140,675)	28,016,408	(22,124,267)
Dividends declared and paid	-	-	-	-	(22,262,111)	(22,262,111)
Closing balance at 31 December 2022	20,300,000	161,040,000	112,779,146	(47,260,404)	26,369,664	273,228,406

See Notes to the financial statements set out on pages 52 to 99.

FINANCIAL STATEMENTS continued

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	CALLLED-UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	OTHER DISTRIBUTABLE RESERVE £	CAPITAL RESERVE £	REVENUE RESERVE £	TOTAL £
Opening balance at 1 January 2021	20,300,000	161,040,000	116,520,960	(49,171,812)	21,847,960	270,537,108
Amounts paid on repurchase of Ordinary Shares	-	-	(3,741,814)	-	-	(3,741,814)
Return on ordinary activities after taxation	-	-	-	52,052,083	21,123,168	73,175,251
Dividends declared and paid	-	-	-	-	(22,355,761)	(22,355,761)
Closing balance at 31 December 2021	20,300,000	161,040,000	112,779,146	2,880,271	20,615,367	317,614,784

See Notes to the financial statements set out on pages 52 to 99.

PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	31 DECEMBER 2022 £	31 DECEMBER 2021 £
Cash flows from operating activities:			
Net return on ordinary activities after taxation		(22,124,267)	73,175,251
Adjustments for:			
– Interest income		(34,288,810)	(31,871,341)
– Exchange (gains) losses		1,552,676	2,049,374
Total		(54,860,401)	43,353,284
Unrealised loss (gain) on investment assets designated as held at fair value through profit or loss		(6,815,010)	(7,141,907)
Unrealised loss (gain) on investments in subsidiaries		47,763,004	(52,213,993)
Gain on derivative financial instruments		(35,736,991)	(6,131,547)
Increase in other assets and prepaid expenses		(133,010)	(1,992,663)
(Decrease) increase in management fee payable		(57,614)	63,158
Increase in due to broker		4,848,569	–
Decrease in deferred income		(133,402)	(78,800)
(Decrease) increase in performance fee payable		(12,913,280)	8,873,195
Increase in accrued expenses and other liabilities		96,684	233,894
Net cash outflow from operating activities		(57,941,451)	(15,035,379)
Cash flows from investing activities:			
Interest received		33,353,829	30,746,141
Purchase of investment assets designated as held at fair value through profit or loss		(3,556,974)	(19,086,855)
Sale of investment assets designated as held at fair value through profit or loss		428,164	16,220,038
Purchase of investments in subsidiaries		(48,397,941)	(29,910,829)
Sales of investment in subsidiaries		106,463,368	45,377,842
Cash posted as collateral		1,910,854	(2,993,588)
Net cash inflow from investing activities		90,201,300	40,352,749
Cash flows from financing activities			
Treasury Shares repurchased		–	(3,741,814)
Dividends paid		(22,262,111)	(22,355,761)
Net cash outflow from financing activities		(22,262,111)	(26,097,575)
Net change in cash and cash equivalents		9,997,738	(780,205)
Exchange gains on cash and cash equivalents		341,335	343,562
Cash and cash equivalents at the beginning of the year		4,301,574	4,738,217
Cash and cash equivalents at the end of the year	7	14,640,647	4,301,574

See Notes to the financial statements set out on pages 52 to 99.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 31 December 2022, the Parent Company had equity in the form of 382,615,665 Ordinary Shares, 278,276,392 Ordinary Shares in issue and 104,339,273 Ordinary Shares in Treasury (31 December 2021: 382,615,665 Ordinary Shares, 278,276,392 Ordinary Shares in issue and 104,339,273 Ordinary Shares in Treasury). The Ordinary Shares are listed on the premium segment of the Official List of the UK Listing Authority and trade on the London Stock Exchange’s main market for listed securities.

Citco Fund Administration (Cayman Islands) Limited (the “Administrator”) is the administrator of the Group. The Administrator is responsible for the Group’s general administrative functions, such as the calculation and publication of the Net Asset Value (“NAV”) and maintenance of the Group’s accounting records.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are set out below and have been applied consistently in both the current and prior year.

Basis of preparation

The consolidated financial statements present the financial performance of the Group and Company for the year ended 31 December 2022. These statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies under those standards. They comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and International Financial Reporting Committee, including interpretations issued by the IFRS Interpretations Committee and interpretations issued by the International Accounting Standard Committee (“IASC”) that remain in effect. The financial statements have been prepared on a going concern basis and under the historical cost convention modified by the revaluation to a fair value basis for certain financial instruments as specified in the accounting policies below.

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 have considered the impact of the proposed winddown. 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 12 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 12 months from the date of this report.

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

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

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

Restatement of Consolidated Statement of Cash Flows

The presentation of cash flows related to notes payable within the Consolidated Statement of Cash Flows has been restated to report proceeds and repayments on a gross basis, which were previously reported on a net basis. Below is the impact of this change on the Consolidated Statement of Cash flows:

	31 DECEMBER 2021 £	31 DECEMBER 2021 (RESTATED) £
(Decrease) increase in note payable	21,180,077	–
Proceeds from note payable	–	179,944,080
Repayment of note payable	–	(158,764,003)

Basis of consolidation

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

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

Investments in subsidiaries

The Parent Company's investments in its subsidiaries are measured at fair value which is determined with reference to the underlying NAV of the subsidiary. The NAV of the subsidiaries are used as a best estimate of fair value through profit or loss. The NAV is the value of all the assets of the subsidiary less its liabilities to creditors (including provisions for such liabilities) determined in accordance with applicable accounting standards, which represents fair value based on the Company's assessment.

Presentation of Consolidated Statement of Comprehensive Income

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors have taken advantage of the exemption under Section 408 of the Companies Act 2006 and accordingly have not presented a separate Parent Company statement of comprehensive income. The net loss on ordinary activities after taxation of the Parent Company was £(22,124,267) (31 December 2021: £73,175,251).

Income

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

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

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

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

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

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

Finance costs

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

Expenses

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

The Group currently charges all expenses, including investment management fees and performance fees, to either revenue or capital based on the retained earnings of the investment that generates the fees from the perspective of the Parent Company.

At 31 December 2022, no management fees (31 December 2021: £nil) have been charged to the capital return of the Group or the Parent Company. At 31 December 2022, no performance fees (31 December 2021: £9,179,370) have been charged to the capital return of the Group and Parent Company relating to the net return on ordinary activities after taxation allocated to the capital return. Refer to Note 10 for further details of the management and performance fees.

All expenses are accounted for on an accruals basis.

Dividends payable to Shareholders

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

Taxation

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

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

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

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

Financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Business model assessment

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

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

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

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

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

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

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

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

Expected credit loss allowance for financial assets measured at amortised cost

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

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

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

- ❖ The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- ❖ EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12M EAD") or over the remaining lifetime ("Lifetime EAD"). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- ❖ LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

General expectations with regards to expected losses on loans are assessed based on an analysis of loan collateral and credit enhancement. Impairments are recognised once a loan is deemed to have a non-trivial likelihood of facing a material loss. The expected credit loss allowance reflects the increasing likelihood of loss as collateral and credit enhancement become diminished or impaired. The adequacy of credit enhancement is typically based on the actual contractual terms of the investment, including such provisions as collateral eligibility, advance rate and/or loan to value ratio. The value and cash flows of the collateral are determined based on all available historical performance data on the specific asset pool being assessed, including historical loss performance data and forward-looking information, supplemented by additional sources as needed.

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

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

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

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

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due which the Group does not rebut. A loan is normally written off, either partially or in full, when there is no realistic prospect of recovery (as a result of the customer's insolvency, ceasing to trade or other reason) and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded. The Company assesses at each reporting date whether there is objective evidence that a loan or group of loans is impaired. In performing such analysis, the Company assesses the probability of default based on the level of collateral and credit enhancement and on the number of days past due, using recent historical rates of default on loan portfolios with credit risk characteristics similar to those of the Company or past history if sufficient data is available to demonstrate a reliable loss profile.

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forward-looking information, including a “base case” view of the future direction of relevant economic variables and a representative range of other possible forecasts scenarios. The process will involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case will represent a most likely outcome and be aligned with information used for other purposes, such as strategic planning and budgeting. The number of scenarios used and their attributes are reassessed at each reporting date by investment. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. These scenarios are informed by data from the Federal Reserve regarding the probability of a recession in the US over the subsequent 12-month period.

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

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

Collateral and other credit enhancements

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

Modification of financial assets

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

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

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

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

Modification of loans

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

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

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

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

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

During the year, no investments were modified per the Group's policy. During the prior year, three investments were modified per the Group's policy. The Group performed the analysis mentioned above on the investments modified in 2021 and determined that the modifications did not result in a substantial changes to the terms of the loans and derecognition was not required. The modification of the loans in the prior year did not result in any gains or losses recognised as a result of the modification of the loans as the carrying value of the loans was the same before and after the modification.

Derecognition other than a modification

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

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

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

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

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

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

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

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

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

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Loans at amortised cost

Loans at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are recognised when the funds are advanced to borrowers and are carried at amortised cost using the effective interest rate method less provisions for impairment.

Purchases and sales of financial assets

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

Fair value estimation

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

Financial liabilities

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

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

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

Derivatives

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

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

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

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

Offsetting financial instruments

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

Investments in funds

Investments in funds are measured at fair value through profit or loss. The NAV of the fund is used as a best estimate of fair value through profit or loss. The NAV is the value of all the assets of the fund less its liabilities to creditors (including provisions for such liabilities) determined in accordance with applicable accounting standards, which represents fair value based on the Company's assessment. Refer to Note 3 and Note 19 for further information.

Equity securities

Equity securities are measured at fair value. These securities are considered either Level 1, 2, or 3 investments. Further details of the valuation of equity securities are included in Note 3. Equity securities consist of common and preferred stock, warrants and convertible note investments.

Other receivables

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

Cash and cash equivalents

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

Deferred income

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

Other liabilities

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

Share Capital

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

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

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

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

Foreign exchange

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

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

Capital reserves

Capital reserve – arising on investments sold includes:

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Capital reserve – arising on investments held includes:

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

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

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

Revenue reserves

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

Segmental reporting

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

Critical accounting estimates

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

The areas requiring a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the financial statements, are in relation to 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.

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. The investment manager proactively monitors and reviews the Company's investments monthly related to expected credit losses and IFRS 9. Specific models are developed for each underlying investment and the results are discussed on an ongoing basis as new information is received. A review is first performed to identify what stage the Company's investments are in and the appropriate analysis is then performed. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9. The most significant estimates that are discussed below are considered to be the effect of potential future economic scenarios, collateral cash flows and probability of default. These estimates vary on an investment-by-investment basis and may not be applicable to all investments held in the portfolio.

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 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 collateral performance assumptions for each transaction are established using all available historical performance data on the specific asset pool being assessed, including historical loss performance and forward-looking information, supplemented by additional sources as needed.

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 professionals based on general research and knowledge.

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

The last input component is the terms of the Group's investment, which includes the applicable advance rate and interest rate 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" scenarios are 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 having 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).

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

IFRS 9 calls for an assessment of the probability of default over the upcoming 12 months, and thus the Investment Manager provides a view of the probability of such a severe scenario occurring in the next 12 months for each of the investments which are at risk of incurring a loss (as some of the variables will vary between investments). Typically, the Investment Manager reviews macroeconomic data to assess the probability of a recession or stress scenario over a forward looking 12 month horizon. Such information may be supplemented with additional investment level or macroeconomic information to determine the appropriate probabilities of stress (most commonly any such adjustments would be to apply additional likelihood of stress). In certain instances, the assessed impairment reserves are constant across all scenarios, this most commonly occurs when the assessed impairment reserves are zero. In these instances, there shall be no need to assess probability weightings as it would not impact the overall analysis.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

For asset backed investments, two of the primary drivers of the impairment analysis are the underlying collateral cash flows and the probability of default which is defined as the likelihood of an economic recession in the upcoming 12-month period. Regarding the underlying collateral cash flows, these may vary based on various underlying drivers depending on asset class (such as loss rates for financial assets and asset revenue and margin for ecommerce assets). For financial assets, loss rates are stressed to 110%-210% of base case as part of the impairment analysis and the impacts of those stresses are reflected in the impairment amounts on a probability weighted basis. For ecommerce assets, revenue and margins are stressed, on average, by 18% and 10%, respectively, over the forecast period.

Establishing Impairment Reserves

Once the model has been run at the stressed scenario, if the cash flows continue to support the payment of all principal and interest after the burdens of servicing and liquidation costs, the portfolio is deemed to have adequate coverage based solely on direct collateral. 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 other additional credit enhancements provided in each deal (i.e., corporate guarantees, boot collateral, etc.). Such assessment would consider the likelihood of a scenario that could pose a loss or impairment 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 will also provide 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). The Investment Manager reviews macroeconomic data and central bank indicators to assess the probability of a recession or stress scenario over a forward looking 12-month horizon. Such information may be supplemented with additional investment level or macroeconomic information to determine the appropriate probabilities of stress (most commonly any such adjustments would be to apply additional likelihood of stress). In certain instances, the assessed impairment reserves are constant across all scenarios, this most commonly occurs when the assessed impairment reserves are zero. In these instances there shall be no need to assess probability weightings as it would not impact the overall analysis.

The Group has regarding the probability of default in the upcoming 12-month period, as at 31 December 2022 an increase in the likelihood of an economic recession of 10% would result in an increase of £460,209 to the expected credit losses. The impact on the estimated credit losses as of 31 December 2021 was not material.

The Group has established impairment reserves by applying a weighting of 46% to the base case scenario and 54% to the stress case scenario as at 31 December 2022. If the stress case scenario weighting was increased by 10% to 65% the impact on the increase to expected credit losses as at 31 December 2022 is not material. In 2021, the weighting was 100% to the stress scenario.

The cumulative loss rates ranged from 9% to 50%. If the cumulative loss rates in the stress scenario were increased by 10%, the impact on the increase to expected credit losses as at 31 December 2022 is not material. The probability of default percentages ranged from 3% to 23%. If the probability of default percentages were increased by 10%, the impact on the increase to the expected credit losses as at 31 December 2022 is not material.

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 is consolidated. Further details of the Parent Company's subsidiaries are included in Note 17.

The Group's investments in associates all consist of limited partner interest in funds. There are no significant restrictions between investors with joint control or significant influence over the associates listed above on the ability of the associates to transfer funds to any party in the form of cash dividends or to repay loans or advances made by the Group. Further details of the Parent Company's associates are included in Note 19.

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

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

IFRS 17 'Insurance Contracts' establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The Directors do not anticipate that the adoption of this standard and interpretations will have a material impact on the financial statements, given the nature of the Group's business being that it has no insurance contracts.

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

Accounting standards effective in the year

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

3. FAIR VALUE MEASUREMENT

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

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

Valuation of investments in funds

The Group's investments in funds are subject to the terms and conditions of the respective fund's offering documentation. The investments in funds are primarily valued based on the latest available financial information. The Investment Manager reviews the details of the reported information obtained from the funds and considers: (i) the valuation of the fund's underlying investments; (ii) the value date of the NAV provided; (iii) cash flows (calls/distributions) since the latest value date; and (iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the funds. If necessary, adjustments to the NAV are made to the funds to obtain the best estimate of fair value. The funds in which the Group invests are close-ended and unquoted. No adjustments have been determined to be necessary to the NAV as provided as at 31 December 2022 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.

Under the Enterprise Valuation Waterfall Analysis, the Group estimates the fair value of a portfolio company using traditional valuation methodologies including market, income, and cost approaches, as well as other applicable industry-specific approaches and then waterfall the enterprise value over the portfolio company's securities in order of their preference relative to one another. Some or all the traditional valuation methodologies are weighted based on the individual circumstances of the portfolio company to determine an estimate of the enterprise value. The traditional valuation methodologies consist of valuation estimates based on: valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, estimating the liquidation or collateral value of the portfolio company's assets, third-party valuations of the portfolio company or its assets, considering offers from third-parties to buy the portfolio company, estimating the value to potential strategic buyers and considering the value of recent investments in the equity securities of the portfolio company. To determine the enterprise value of a portfolio company, its historical and projected financial results, as well as other factors that may impact value, such as exposure to litigation, loss of significant customers or other contingencies are considered. This financial and other information is generally obtained from the Group's portfolio companies, and in most cases represents unaudited, projected, or pro-forma financial information.

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. When applicable, a weighted average cost of capital approach is used to derive a discount rate that takes into account i) the risk-free rate ii) the cost of debt for creditworthiness and iii) the cost of equity for performance risk. The three inputs to the discount rate are based on third-party market studies, portfolio company interest rates, and an overall understanding of the inherent risk in the cash flows. The remaining assumptions incorporated in the valuation methodologies used to estimate the enterprise value consist 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. Related to the use of private company transactions, when a portfolio company closes on new equity, the new round's implied valuation is used in valuing the equity investment. The use of an equity round includes gaining an understanding of the resulting rights between equity classes, and when applicable, a discount related to rights and preference differences is applied to the implied valuation. In addition, when a portfolio company has significant reason to believe an equity round is closing in the near future, a weighted-probability approach with the applicable discounts may be used. 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.

Due to the inherent uncertainty of determining the fair value of Level 3 assets that do not have a readily available market value, the fair value of the assets may differ significantly from the values that would have been used had a ready market existed for such assets and may differ materially from the values that may ultimately be received or settled. Further, such assets are generally subject to legal and other restrictions or otherwise are less liquid than publicly traded instruments. If the Group were required to liquidate a portfolio investment in a forced or liquidation sale, the Group may realise significantly less than the value at which such investment had previously been recorded.

The selection of appropriate valuation techniques may be affected by the availability of relevant inputs as well as the relative reliability of the inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. The results of the application of the various techniques may not be equally representative of fair value, due to factors such as assumptions made in the valuation.

In some situations, the Group may determine it appropriate to evaluate and weigh the results to develop a range of possible values, with the fair value based on the Group's assessment of the most representative point within the range.

Investments may be classified as Level 2 when market information becomes available, yet the investment is not traded in an active market and/or the investment is subject to transfer restrictions, or the valuation is adjusted to reflect illiquidity and/or non-transferability.

The Group, at times, may hold Level 1 investments and will use the available market quotes to value the investments. As noted above, these investments may include an illiquid period in which the investment does not have the ability to trade and will be classified as Level 2.

Valuation of derivative instruments

Forward contracts are typically traded in the over-the-counter ("OTC") markets and all details of the contract are negotiated between the counterparties to the agreement. Accordingly, the forward contracts are valued at the forward rate by reference to the contracts traded in the OTC markets and are classified as Level 2 in the fair value hierarchy. The change in the value of the forward contracts during the year is recognised as foreign exchange gain/(loss) on the Consolidated Statement of Comprehensive Income. When the contract is closed, the Group recognises the difference between the value of the contract at the time it was entered and the value at the time it was closed as foreign exchange gain/(loss).

Fair value disclosures

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 31 December 2022:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	22,474,910	–	–	22,474,910
Common stock	17,661,510	4,080,425	491,852	13,089,233
Preferred stock	52,310,062	–	–	52,310,062
Warrant	13,902,427	–	–	13,902,427
Convertible debt	24,521,800	–	–	24,521,800
Total	130,870,709	4,080,425	491,852	126,298,432
DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	1,081,849	–	1,081,849	–
Total	1,081,849	–	1,081,849	–
DERIVATIVE FINANCIAL LIABILITIES	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	3,283,142	–	3,283,142	–
Total	3,283,142	–	3,283,142	–

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 31 December 2021:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	12,531,090	–	–	12,531,090
Common stock	49,501,940	11,992,005	21,201,450	16,308,485
Preferred stock	38,090,065	–	–	38,090,065
Warrant	20,984,976	–	1,120,366	19,864,610
Convertible debt	20,689,151	–	–	20,689,151
Total	141,797,222	11,992,005	22,321,816	107,483,401
DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	2,069,698	–	2,069,698	–
Total	2,069,698	–	2,069,698	–
DERIVATIVE FINANCIAL LIABILITIES	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	1,508,675	–	1,508,675	–
Total	1,508,675	–	1,508,675	–

The following table analyses the fair value hierarchy of the Parent Company's assets and liabilities measured at fair value at 31 December 2022:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	22,474,910	–	–	22,474,910
Total	22,474,910	–	–	22,474,910
DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	1,081,849	–	1,081,849	–
Total	1,081,849	–	1,081,849	–
DERIVATIVE FINANCIAL LIABILITIES	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	3,283,142	–	3,283,142	–
Total	3,283,142	–	3,283,142	–

The following table analyses the fair value hierarchy of the Parent Company's assets and liabilities measured at fair value at 31 December 2021:

INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Investments in funds	12,531,090	–	–	12,531,090
Total	12,531,090	–	–	12,531,090

DERIVATIVE FINANCIAL ASSETS	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	2,069,698	–	2,069,698	–
Total	2,069,698	–	2,069,698	–

DERIVATIVE FINANCIAL LIABILITIES	TOTAL £	LEVEL 1 £	LEVEL 2 £	LEVEL 3 £
Forward foreign exchange contracts	1,508,675	–	1,508,675	–
Total	1,508,675	–	1,508,675	–

There were transfers into Level 3 fair value measurements of \$4,485,316 and \$nil for the Group during the year ended 31 December 2022 and 31 December 2021, respectively. There were no transfers into and out of Level 3 fair value measurements for the Parent Company during the years ended 31 December 2022 and 31 December 2021.

The following table presents the movement in Level 3 positions for the year ended 31 December 2022 for the Group:

	TOTAL £	INVESTMENTS IN FUNDS £	COMMON STOCK £	PREFERED STOCK £	WARRANT £	CONVERTIBLE DEBT £
Beginning balance, 1 January 2022	107,483,401	12,531,090	16,308,485	38,090,065	19,864,610	20,689,151
Purchases	30,030,596	3,556,974	6,607,765	6,511,747	2,602,645	10,751,465
Sales	(18,624,490)	(428,164)	(10,801,119)	(687,454)	(1,124,097)	(5,583,656)
Transfer In (Out)	4,485,316	–	4,485,316	–	–	–
Net change in unrealised gains (losses)	2,923,609	6,815,010	(3,511,214)	8,395,704	(7,440,731)	(1,335,160)
Ending balance, 31 December 2022	126,298,432	22,474,910	13,089,233	52,310,062	13,902,427	24,521,800

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

The following table presents the movement in Level 3 positions for the year ended 31 December 2021 for the Group:

	TOTAL £	INVESTMENTS IN FUNDS £	COMMON STOCK £	PREFERED STOCK £	WARRANT £	CONVERTIBLE DEBT £
Beginning balance, 1 January 2021	48,463,617	2,522,367	11,072,305	19,771,889	4,996,048	10,101,008
Purchases	45,439,031	19,086,855	7,661,428	2,250,450	5,338,445	11,101,853
Sales	(25,600,304)	(16,220,038)	(4,899,071)	(1,275,157)	(2,656,064)	(549,974)
Net change in unrealised gains (losses)	39,181,057	7,141,906	2,473,823	17,342,883	12,186,181	36,264
Ending balance, 31 December 2021	107,483,401	12,531,090	16,308,485	38,090,065	19,864,610	20,689,151

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The following table presents the movement in Level 3 positions for the period ended 31 December 2022 for the Parent Company:

	INVESTMENTS IN FUNDS £
Beginning balance, 1 January 2022	12,531,090
Purchases	3,556,974
Sales	(428,164)
Net change in unrealised foreign exchange gains (losses)	–
Net change in unrealised gains (losses)	6,815,010
Ending balance, 31 December 2022	22,474,910

The following table presents the movement in Level 3 positions for the period ended 31 December 2021 for the Parent Company:

	INVESTMENTS IN FUNDS £
Beginning balance, 1 January 2021	2,522,367
Purchases	19,086,855
Sales	(16,220,038)
Net change in unrealised foreign exchange gains (losses)	(5,567,642)
Net change in unrealised gains (losses)	12,709,548
Ending balance, 31 December 2021	12,531,090

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

Quantitative information regarding the unobservable inputs for Level 3 positions as at 31 December 2022 is given below:

DESCRIPTION	FAIR VALUE AT 31 DECEMBER 2022 £	VALUATION TECHNIQUE	UNOBSERVABLE INPUT	RANGE
Common stock	5,274,594	Discounted Cash Flows & Multiples	Discount Rate	20.0%
			Price to Book	1.1x
			Price to Earnings	5.7x
			Private Company Discount	10.0%
	261,649	Public Stock Price	N/A	N/A
	1,693,212	Transaction Price	Cost Basis of Investment	N/A
	4,815,023	Transaction Price/Recent Round Price	Deal Execution Risk Discount	20.0%
			Recent Round Price per Share	\$34.86
			Illiquidity Discount	30.0%
	1,044,755	Net Asset Value SPV	N/A	N/A

DESCRIPTION	FAIR VALUE AT 31 DECEMBER 2022 £	VALUATION TECHNIQUE	UNOBSERVABLE INPUT	RANGE
Convertible debt	1,716,747	Probability Weighting	Recent Round Price per Share	€6,036
			Rights & Preferences Discount	20.0%
	9,933,062	PV of Expected Proceeds/Discounted Cash Flows	Discount Rate	23.0%
			Annual Free Cash Flow Growth Rate	3.0%
			Expected Proceeds Discount Rate Range	16.0%
			Expected Proceeds Value	\$24.9M
	9,800,392	Transaction Price	Cost Basis of Investment	N/A
	1,156,323	Transaction Price/Recent Round Price	Recent Round Price per Share	\$3.41 – \$5.56
			Rights & Preferences Discount	20.0%
	1,915,276	Yield Analysis	Market Yield	13.8 % – 17.1%
Preferred stock	52,310,062	Transaction Price/Recent Round Price	Rights & Preferences Discount	20.0%
			Recent Round Price per Share	\$0.30 – €92.17
			Price per Share	€8.79
			Market Risk Discount	5.0% – 20.0%
			Illiquidity Discount	20.0%
Investments in funds	22,474,910	Net Asset Value	N/A	N/A
Warrants	610,074	Black Scholes	Price Per Share	\$0.57 – \$5.56
			Rights & Preferences Discount	0.0% – 20.0%
			Risk Free Rate	4.41%
			Term	1.5 – 3.0 years
			Volatility	22.3% – 40.0%
	43,562	Black Scholes/Recent Transaction Price	Market Risk Discount	20.0%
			Illiquidity Discount	0.27% – 7.64%
			Risk Free Rate	3.99%
			Term	4.0 – 4.6 years
			Volatility	25.0% – 40.0%
	13,248,791	Transaction Price/Recent Round Price	Deal Execution Risk Discount	20.0%
			Recent Round Price per Share	\$3.30 – \$34.86
			Price per Share	\$1.43 – €6,036
			Rights & Preferences Discount	20.0% – 40.0%
			Risk Free Rate	4.41%
			Term	1.3 – 2.0 years
			Volatility	40.0%
			Market Risk Discount	5.0% – 20.0%
Total	126,298,432			

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

If the illiquidity discount of the convertible debt valued based on discounted cash flows increased/decreased by 10% it would have resulted in an increase/decrease to the total value of those securities of £1,899,353 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

If the illiquidity discount of the preferred stock valued based on discounted cash flows increased/decreased by 10% it would have resulted in an increase/decrease to the total value of those securities of £6,276,925 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

If the volatility rate used for the warrants valued based on a Black Scholes increased/decreased by 10% it would have resulted in an increase/decrease to the total value of those equity securities of £1,042,220 which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 £12,526,169 (31 December 2021: £10,600,644) which would affect the Net gain/(loss) on investments within the capital return column of the Consolidated Statement of Comprehensive Income.

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

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 31 December 2022 but for which fair value is disclosed. 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. In determining the fair value of loans and advances to customers, the expected future cash flows are discounted back using a discount rate. The discount rate used incorporates market-based yields for similar credits in the public market and the underlying risk of the individual credit.

	CARRYING VALUE £	FAIR MARKET VALUE £
Assets		
Loans	220,225,329	224,705,680
Total	220,225,329	224,705,680

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

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 31 December 2021 but for which fair value is disclosed. The carrying value has been used where it is a reasonable approximation of fair value:

	CARRYING VALUE £	FAIR MARKET VALUE £
Assets		
Loans	279,339,002	279,339,002
Total	279,339,002	279,339,002

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

4. DERIVATIVES

Typically, derivative contracts serve as components of the Group's investment strategy and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Group. In 2022 and 2021, the Group did not designate any derivatives as hedges for hedge accounting purposes as described under IFRS 9. Derivative instruments are also used for trading purposes where the Investment Manager believes this would be more effective than investing directly in the underlying financial instruments. The only derivative contracts that the Group currently holds or issues are forward foreign exchange contracts.

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

Forward contracts

Forward contracts entered into represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised/unrealised gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date/year end date and is included in the Consolidated Statement of Comprehensive Income. Notional contract amounts of derivatives indicate the nominal value of transactions outstanding as of the balance sheet date and do not represent the amounts at risk.

As at 31 December 2022, the following forward foreign exchange contracts were included in the Group's Consolidated Statement of Financial Position at fair value through profit or loss and the Parent Company's Statement of Financial Position at fair value through profit or loss and all have a maturity of less than three months from 31 December 2022:

AS AT 31 DECEMBER 2022	NOTIONAL (£)	FAIR VALUE ASSETS (£)	FAIR VALUE LIABILITIES (£)
Foreign Exchange Rate Contracts	693,888,170	1,081,849	(3,283,142)

As at 31 December 2021, the following forward foreign exchange contracts were included in the Group's Consolidated Statement of Financial Position at fair value through profit or loss and the Parent Company's Statement of Financial Position at fair value through profit or loss and all have a maturity of less than three months from 31 December 2021:

AS AT 31 DECEMBER 2021	NOTIONAL (£)	FAIR VALUE ASSETS (£)	FAIR VALUE LIABILITIES (£)
Foreign Exchange Rate Contracts	334,162,068	2,069,698	(1,508,675)

The following tables provide information on the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement at 31 December 2022 for both the Parent Company and the Group:

AS AT 31 DECEMBER 2022	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSETS £	GROSS AMOUNTS OF FINANCIAL LIABILITIES TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION £	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION		NET AMOUNT £
				FINANCIAL INSTRUMENTS £	COLLATERAL RECEIVED £	
Foreign Exchange Contracts	12,068,610	(10,986,761)	1,081,849	–	–	1,081,849
Total	12,068,610	(10,986,761)	1,081,849	–	–	1,081,849

AS AT 31 DECEMBER 2022	GROSS AMOUNTS OF RECOGNISED FINANCIAL LIABILITIES £	GROSS AMOUNTS OF FINANCIAL ASSETS TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION £	NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION		NET AMOUNT £
				FINANCIAL INSTRUMENTS £	COLLATERAL RECEIVED £	
Foreign Exchange Contracts	14,269,903	(10,986,761)	3,283,142	–	–	3,283,142
Total	14,269,903	(10,986,761)	3,283,142	–	–	3,283,142

The following tables provide information on the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement at 31 December 2021 for both the Parent Company and the Group:

AS AT 31 DECEMBER 2021	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSETS £	GROSS AMOUNTS OF FINANCIAL LIABILITIES TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION £	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION		NET AMOUNT £
				FINANCIAL INSTRUMENTS £	COLLATERAL RECEIVED £	
Foreign Exchange Contracts	3,193,548	(1,123,850)	2,069,698	–	–	2,069,698
Total	3,193,548	(1,123,850)	2,069,698	–	–	2,069,698

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

AS AT 31 DECEMBER 2021	GROSS AMOUNTS OF RECOGNISED FINANCIAL LIABILITIES £	GROSS AMOUNTS OF FINANCIAL ASSETS TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION £	NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION £	RELATED AMOUNTS NOT ELIGIBLE TO BE SET-OFF IN THE STATEMENT OF FINANCIAL POSITION		NET AMOUNT £
				FINANCIAL INSTRUMENTS £	COLLATERAL RECEIVED £	
Foreign Exchange Contracts	2,632,525	(1,123,850)	1,508,675	–	–	1,508,675
Total	2,632,525	(1,123,850)	1,508,675	–	–	1,508,675

5. INCOME AND GAINS ON INVESTMENTS AND LOANS

Interest income in the amount of £33,917,279 (31 December 2021: £33,158,150) has been allocated to revenue and £nil (31 December 2021: £nil) has been allocated to capital in line with the Group's policy as set out in Note 2.

	31 DECEMBER 2022 £	31 DECEMBER 2021 £
Other Income		
Distributable income from investments in funds	6,294,501	1,265,158
Interest income from investment assets designated as held at fair value through profit or loss	288,503	2,088,723
Other income	835,005	1,065,739
Total	7,418,009	4,419,620

	31 DECEMBER 2022 £	31 DECEMBER 2021 £
Net gains (losses) on investments		
Realised loss on sale of investments	(1,924,340)	(239,441)
Unrealised gains on investment in funds	(377,775)	7,141,906
Unrealised (loss) gains on equity securities	(40,312,876)	60,212,530
Total	(42,614,991)	67,114,995

The Group received £20,662,359 from investments held at fair market value sold during the year. The cost of these investments sold were £22,586,699. These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

6. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Introduction

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

Risk management structure

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

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

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

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

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

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

Market price risk

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

Interest rate risk

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

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Due to the nature of the investments at 31 December 2022, the Group has limited exposure to variations in interest rates as the key components of interest rates are fixed and determinable or variable based on the size of the loan.

While the Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, the downside exposure of the Group is limited at 31 December 2022 due to the fixed rate nature of the investments or interest rate floors that are in place on most of the Group's variable interest rate loans. The interest rate floors that are in place on most of the Group's variable interest rate loans reduces the potential impact that a decrease in rates would have on the Group's investments.

As at 31 December 2022, if interest rates had increased by 1%, with all other variables held constant, the change in 12 months of future cash flows on the current investment portfolio, including both interest income and expense, would have been £814,989 (31 December 2021: 480,654). As at 31 December 2022, if interest rates had decreased by 1%, with all other variables held constant, the change in 12 months of future cash flows on the current investment portfolio, including both interest income and expense, would be £(814,989) (31 December 2021: £nil) due to the floors in place on the Group's investments.

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

Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There remains some uncertainty around the timing and precise nature of these changes.

The effect of a discontinuation of the above investments has had little impact to the Group as the underlying financial instruments have little to no exposure to any reference rates that are yet to transition apart from USD LIBOR at the portfolio company level. It is difficult to predict the full impact of the transition away from USD LIBOR until new reference rates and fallbacks are commercially accepted. Any USD LIBOR rates to which the Group is exposed will cease or become non-representative immediately after 30 June 2023.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The following table contains details of all of the financial instruments that the Group holds at 31 December 2022 which reference LIBOR and have not yet transitioned to an alternative interest rate benchmark.

AS AT 31 DECEMBER 2022 Assets and liabilities exposed to USD LIBOR	ASSETS £	LIABILITIES £
Loans at amortised cost	168,736,615	–
Notes Payable	–	94,669,284
Total exposure	168,736,615	94,669,284

AS AT 31 DECEMBER 2021 Assets and liabilities exposed to USD LIBOR	ASSETS £	LIABILITIES £
Loans at amortised cost	261,955,830	–
Notes Payable	–	107,267,260
Total exposure	261,955,830	107,267,260

Currency risk

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

The assets of the Group as at 31 December 2022 were invested in assets which were denominated in US Dollar, Euro, Australian Dollar, Pound Sterling and other currencies. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Group hedges currency exposure between Pound Sterling and any other currency in which the Group's assets may be denominated, in particular US Dollars, Australian Dollars, and Euros.

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

Micro and small cap company investing risk

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

Gearing and borrowing risk

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

Concentration of foreign currency exposure

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

The below table presents the net exposure to foreign currency at 31 December 2022. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Group's Consolidated Statement of Financial Position. If the GBP exchange rate simultaneously increased/decreased by 10% against the below currencies, the impact on profit would be an increase/decrease of £1,189,960. 10% is considered to be a reasonably possible movement in foreign exchange rates. The table above includes the exposure of the non-consolidated interest investment in the Group.

	ASSETS 31 DECEMBER 2022 £	LIABILITIES 31 DECEMBER 2022 £	FORWARD CONTRACTS 31 DECEMBER 2022 £	NET EXPOSURE 31 DECEMBER 2022 £
Euro	9,456,293	–	15,395,790	(5,939,497)
US Dollar	341,615,281	(94,669,284)	239,923,214	7,022,783
Swiss Francs	10,649,047	–	–	10,649,047
Australian Dollars	167,266	–	–	167,266

The below table presents the net exposure to foreign currency at 31 December 2021. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Group's Consolidated Statement of Financial Position.

	ASSETS 31 DECEMBER 2021 £	LIABILITIES 31 DECEMBER 2021 £	FORWARD CONTRACTS 31 DECEMBER 2021 £	NET EXPOSURE 31 DECEMBER 2021 £
Euro	8,010,560	–	10,656,310	(2,645,750)
US Dollar	402,708,565	(107,267,260)	320,884,955	(25,443,650)
Swiss Francs	10,238,876	–	–	10,238,876
Australian Dollars	2,591,233	–	2,620,803	(29,570)

The table below presents the net exposure to foreign currency at 31 December 2022. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Parent Company's Statement of Financial Position.

	ASSETS 31 DECEMBER 2022 £	LIABILITIES 31 DECEMBER 2022 £	FORWARD CONTRACTS 31 DECEMBER 2022 £	NET EXPOSURE 31 DECEMBER 2022 £
Euro	9,456,293	–	15,395,790	(5,939,497)
US Dollar	246,945,997	–	239,923,214	7,022,783
Swiss Francs	10,649,047	–	–	10,649,047
Australian Dollars	167,266	–	–	167,266

If the GBP exchange rate simultaneously increased/decreased by 10% against the above currencies, the impact on profit would be an increase/decrease of £1,189,960. 10% is considered to be a reasonably possible movement in foreign exchange rates.

The table below presents the net exposure to foreign currency at 31 December 2021. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Parent Company's Statement of Financial Position.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	ASSETS 31 DECEMBER 2021 £	LIABILITIES 31 DECEMBER 2021 £	FORWARD CONTRACTS 31 DECEMBER 2021 £	NET EXPOSURE 31 DECEMBER 2021 £
Euro	8,010,560	–	10,656,310	(2,645,750)
US Dollar	295,395,347	–	320,884,955	(25,489,608)
Swiss Francs	10,238,876	–	–	10,238,876
Australian Dollars	2,591,233	–	2,620,803	(29,570)

Liquidity risk

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

The maturities of the non-current financial liabilities are disclosed in Note 8. The following tables show the contractual maturity of the financial assets and financial liabilities of the Group as at 31 December 2022:

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Assets				
Loans	142,426,534	77,798,795	–	220,225,329
Cash and cash equivalents	15,538,602	–	–	15,538,602
Cash posted as collateral	2,222,734	–	–	2,222,734
Interest receivable	5,848,979	–	–	5,848,979
Dividend receivable	4,735	–	–	4,735
Other assets and prepaid expenses	2,190,718	–	–	2,190,718
Total	168,232,302	77,798,795	–	246,031,097

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Liabilities				
Notes payable	–	94,669,284	–	94,669,284
Management fee payable	97,785	–	–	97,785
Performance fee payable	–	–	–	–
Deferred income	41,201	–	–	41,201
Due to broker	4,848,569	–	–	4,848,569
Other liabilities and accrued expenses	1,753,109	–	–	1,753,109
Total	6,740,664	94,669,284	–	101,409,948

The following tables show the contractual maturity of the financial assets and financial liabilities of the Group as at 31 December 2021:

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Assets				
Loans	29,270,006	250,068,996	–	279,339,002
Cash and cash equivalents	6,300,572	–	–	6,300,572
Cash posted as collateral	4,133,588	–	–	4,133,588
Interest receivable	4,708,481	–	–	4,708,481
Dividend receivable	3,996	–	–	3,996
Other assets and prepaid expenses	2,877,815	–	–	2,877,815
Total	47,294,458	250,068,996	–	297,363,454

	WITHIN ONE YEAR £	ONE TO FIVE YEARS £	OVER FIVE YEARS £	TOTAL £
Liabilities				
Notes payable	–	19,834,365	87,432,895	107,267,260
Management fee payable	155,399	–	–	155,399
Performance fee payable	12,913,280	–	–	12,913,280
Deferred income	174,603	–	–	174,603
Other liabilities and accrued expenses	1,550,415	–	–	1,550,415
Total	14,793,697	19,834,365	87,432,895	122,060,957

The Investment Manager manages the Group's liquidity risk by investing primarily in a diverse portfolio of assets. At 31 December 2022, the Group had investments in 48 Portfolio Companies (31 December 2021: 48 Portfolio Companies). At 31 December 2022, 65% of the loans had a stated maturity date of less than a year (31 December 2021: 10%).

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.

As at 31 December 2022, £15.7 million (31 December 2021: £19.8 million) of the Group's liabilities relating to principal and interest payments are tied directly to the performance of investment assets that mature on or near the same date as the investment liability. The amounts above represent the values as at 31 December 2022 and do not project cash flows until maturity of the investment liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risks arise principally through exposures to loans acquired by the Group, which are subject to risk of borrower default. The ability of the Group to earn revenue is completely dependent upon payments being made by the borrower, such as adverse movements in investment markets.

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

Under the Asset Backed Lending Model, the Group provides a floating rate credit facility to the portfolio company most commonly via an SPV, which retains Debt Instruments that are originated by the portfolio company. The debt financing is typically arranged in the form of a senior secured facility and the portfolio company injects junior capital in the SPV, which provides significant first loss protection to the Group and excess spread. The Group's asset backed investments are loans to SPVs or other entities that are capitalised and actively managed by the portfolio companies in their capacity as both the owner and managing partner of the SPVs

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

and the SPVs are not considered structured entities under IFRS 12. Refer to pages 10 to 11 for further details on the structuring of the lending investments of the Group.

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

Credit quality

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

INTERNAL GRADE	FINTECH £	eCOMMERCE £	LEGAL FINANCE £	TOTAL 31 DECEMBER 2022 £
Stage 1				
A – 1	35,552,643	12,444,752	–	47,997,395
A – 2	101,982,526	23,312,077	–	125,294,603
B	19,550,356	4,058,917	9,148,556	32,757,829
C	–	–	–	–
Total	157,085,525	39,815,746	9,148,556	206,049,827
Stage 2				
A – 1	–	–	–	–
A – 2	–	18,607,769	–	18,607,769
B	–	–	–	–
C	–	–	–	–
Total	–	18,607,769	–	18,607,769
Stage 3				
A – 1	–	–	–	–
A – 2	–	–	–	–
B	–	–	–	–
C	11,952,754	–	–	11,952,754
Total	11,952,754	–	–	11,952,754

INTERNAL GRADE	UNITED STATES £	LATIN AMERICA £	EUROPE £	ASIA £	TOTAL 31 DECEMBER 2022 £
Stage 1					
A – 1	47,997,395	–	–	–	47,997,395
A – 2	72,452,114	30,513,572	15,049,798	7,279,119	125,294,603
B	17,413,809	–	4,058,917	11,285,103	32,757,829
C	–	–	–	–	–
Total	137,863,318	30,513,572	19,108,715	18,564,222	206,049,827

INTERNAL GRADE	UNITED STATES £	LATIN AMERICA £	EUROPE £	ASIA £	TOTAL 31 DECEMBER 2022 £
Stage 2					
A – 1	–	–	–	–	–
A – 2	18,607,769	–	–	–	18,607,769
B	–	–	–	–	–
C	–	–	–	–	–
Total	18,607,769	–	–	–	18,607,769
Stage 3					
A – 1	–	–	–	–	–
A – 2	–	–	–	–	–
B	–	–	–	–	–
C	–	–	11,952,754	–	11,952,754
Total	–	–	11,952,754	–	11,952,754

INTERNAL GRADE	FINTECH £	eCOMMERCE £	LEGAL FINANCE £	TOTAL 31 DECEMBER 2021 £
Stage 1				
A – 1	42,399,368	15,229,645	–	57,629,013
A – 2	144,483,270	49,803,839	4,216,832	198,503,941
B	9,917,622	3,470,478	8,182,974	21,571,074
C	–	–	–	–
Total	196,800,260	68,503,962	12,399,806	277,704,028
Stage 2				
A – 1	–	–	–	–
A – 2	–	–	–	–
B	–	–	–	–
C	–	–	–	–
Total	–	–	–	–

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

INTERNAL GRADE	FINTECH £	eCOMMERCE £	LEGAL FINANCE £	TOTAL 31 DECEMBER 2021 £
Stage 3				
A – 1	–	–	–	–
A – 2	–	–	–	–
B	–	–	–	–
C	14,098,947	–	–	14,098,947
Total	14,098,947	–	–	14,098,947

INTERNAL GRADE	UNITED STATES £	LATIN AMERICA £	EUROPE £	ASIA £	TOTAL 31 DECEMBER 2021 £
Stage 1					
A – 1	57,629,013	–	–	–	57,629,013
A – 2	123,954,264	48,352,882	13,417,801	12,778,994	198,503,941
B	18,100,596	–	3,470,478	–	21,571,074
C	–	–	–	–	–
Total	199,683,873	48,352,882	16,888,279	12,778,994	277,704,028

Stage 2					
A – 1	–	–	–	–	–
A – 2	–	–	–	–	–
B	–	–	–	–	–
C	–	–	–	–	–
Total	–	–	–	–	–

Stage 3					
A – 1	–	–	–	–	–
A – 2	–	–	–	–	–
B	–	–	–	–	–
C	–	–	14,098,947	–	14,098,947
Total	–	–	14,098,947	–	14,098,947

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

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

Portfolio Company restrictions

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

Asset class restrictions

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

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

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

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

Other restrictions

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

Maximum credit exposure

The carrying value of the Group's loan investments represents the maximum credit exposure of the Group.

7. CASH AND CASH EQUIVALENTS

	GROUP 31 DECEMBER 2022 £	GROUP 31 DECEMBER 2021 £	PARENT COMPANY 31 DECEMBER 2022 £	PARENT COMPANY 31 DECEMBER 2021 £
Cash held at bank	15,538,602	6,300,572	4,640,647	4,301,574
Total	15,538,602	6,300,572	4,640,647	4,301,574

The Parent Company has posted cash collateral of £1,140,000 as at 31 December 2022 (31 December 2021: £3,010,000) with Goldman Sachs and cash of £1,082,734 (31 December 2021: £1,123,927) with Morgan Stanley in relation to the outstanding derivatives. A portion of the Cash and cash equivalents balance is held as collateral for an underlying loan and the balance is also reflected as a liability under Due to broker on the Consolidated and Parent Company Statement of Financial Position.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Below are the credit ratings of the banks where the Parent Company and Group hold cash as at 31 December 2022 from Moody's:

BANK	RATING
Northern Trust	A2
Goldman Sachs	A2
Morgan Stanley	A1
Keybank	A1
Wells Fargo	A1
Bank of America	A2

8. NOTES PAYABLE

The Group entered into contractual obligations with a third party 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.

Notes payable is inclusive of unrealised foreign exchange losses of £12.8 and £4.6 million as of December 31, 2022 and 2021, respectively. Due to cash settlements the occurred during the period in a foreign currency and translated into GBP, these previously unrealised losses have been realised in cash in the period during which the purchase/sale had occurred.

The table below provides details of the outstanding debt of the Group at 31 December 2022:

31 DECEMBER 2022	INTEREST RATE	OUTSTANDING PRINCIPAL £	MATURITY
Credit Facility 03-2021	3.95% + 1M LIBOR	79,010,738	1 March 2027
Total		79,010,738	

The table below provides details of the outstanding debt of the Group at 31 December 2021:

31 DECEMBER 2021	INTEREST RATE	OUTSTANDING PRINCIPAL £	MATURITY
Credit Facility 03-2021	3.95% + 1M LIBOR	87,432,895	1 March 2027
Total		87,432,895	

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

The table below provides details of the outstanding first-out participation liabilities of the Group at 31 December 2022:

31 DECEMBER 2022	OUTSTANDING PRINCIPAL £	MATURITY
First-Out Participation 04-2019	15,658,546	1 January 2024
Total	15,658,546	

The table below provides details of the outstanding first-out participation liabilities of the Group at 31 December 2021:

31 DECEMBER 2021	OUTSTANDING PRINCIPAL £	MATURITY
First-Out Participation 03-2017	18,181,601	1 January 2024
First-Out Participation 04-2019	1,652,764	1 January 2024
Total	19,834,365	

The table below provides the movement of the notes payable and securities sold under agreements to repurchase for the year ended 31 December 2022 for the Group.

	NOTES PAYABLE £
Beginning balance, 1 January 2022	107,267,260
Purchases	11,874,530
Sales	(37,295,732)
Net change in unrealised foreign exchange gains	12,823,226
Ending balance, 31 December 2022	94,669,284

The table below provides the movement of the notes payable and securities sold under agreements to repurchase for the year ended 31 December 2021 for the Group.

	NOTES PAYABLE £
Beginning balance, 1 January 2021	86,087,183
Purchases	179,944,080
Sales	(163,403,782)
Net change in unrealised foreign exchange gains (losses)	4,639,779
Ending balance, 31 December 2021	107,267,260

9. IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

The table below provides details of the investments at amortised cost held by the Group as at 31 December 2022 under IFRS 9:

	COST BEFORE ECL £	ECL £	CARRYING VALUE £
Loans at amortised cost	236,610,350	16,385,021	220,225,329
Total	236,610,350	16,385,021	220,225,329

During the year ended 31 December 2022, £2,035,759 of loans were written off, all of which were previously fully reserved.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The table below provides details of the investments at amortised cost held by the Group as at 31 December 2021 under IFRS 9:

	COST BEFORE ECL £	ECL £	CARRYING VALUE £
Loans at amortised cost	291,802,975	12,463,973	279,339,002
Total	291,802,975	12,463,973	279,339,002

During the year ended 31 December 2021, no loans were written off.

The Parent Company does not hold any loans.

Credit impairment losses

The credit impairment losses of the Group for the year ended 31 December 2022 comprises of the following under IFRS 9:

	CREDIT IMPAIRMENT LOSSES 31 DECEMBER 2022 £
Change in expected credit losses	5,956,807
Currency translation on expected credit losses	–
Credit impairment losses	5,956,807

The impairment charge of the Group for the year ended 31 December 2021 comprises of the following under IFRS 9:

	CREDIT IMPAIRMENT LOSSES 31 DECEMBER 2021 £
Loans recovered	(358,867)
Change in expected credit losses	3,974,814
Currency translation on expected credit losses	20,195
Credit impairment losses	3,636,142

Impairment of loans written off

Impairment charges of loans written off (recovered) of £2,035,759 (31 December 2021: £(358,867)) have been recorded in the Group's Consolidated Statement of Financial Position and are included in credit impairment losses on the Consolidated Statement of Comprehensive Income. All loans written off in 2022 were previously fully reserved.

Provision for expected credit losses

As at 31 December 2022, the Group has created a reserve provision on the outstanding principal of the Group's loans of £16,385,021 (31 December 2021: £12,463,973), which have been recorded in the Group's Consolidated Statement of Financial Position and are included in Credit impairment losses on the Consolidated Statement of Comprehensive Income.

The allowance for expected credit losses comprised the following during 2022:

	31 DECEMBER 2022 £
Beginning balance 1 January 2022	12,463,973
Change in expected credit losses or equivalent	5,956,807
Loans written off	(2,035,759)
Ending balance 31 December 2022	16,385,021

The allowance for expected credit losses comprised the following during 2021:

	31 DECEMBER 2021 £
Beginning balance 1 January 2021	8,489,159
Change in expected credit losses or equivalent	3,974,814
Ending balance 31 December 2021	12,463,973

Below is a breakout of the provision for expected credit losses by stage of the ECL model as at 31 December 2022:

INTERNAL GRADE	FINTECH £	eCOMMERCE £	LEGAL FINANCE £	31 DECEMBER 2022 £
Stage 1	2,917,873	802,799	149,505	3,870,177
Stage 2	–	562,090	–	562,090
Stage 3	11,952,754	–	–	11,952,754
Expected credit losses	14,870,627	1,364,889	149,505	16,385,021

INTERNAL GRADE	UNITED STATES £	LATIN AMERICA £	EUROPE £	ASIA £	31 DECEMBER 2022 £
Stage 1	3,870,177	–	–	–	3,870,177
Stage 2	562,090	–	–	–	562,090
Stage 3	–	–	11,952,754	–	11,952,754
Expected credit losses	4,432,267	–	11,952,754	–	16,385,021

Below is a breakout of the provision for expected credit losses by stage of the ECL model as at 31 December 2021:

INTERNAL GRADE	FINTECH £	eCOMMERCE £	LEGAL FINANCE £	31 DECEMBER 2021 £
Stage 1	–	–	–	–
Stage 2	–	–	–	–
Stage 3	12,463,973	–	–	12,463,973
Expected credit losses	12,463,973	–	–	12,463,973

INTERNAL GRADE	UNITED STATES £	LATIN AMERICA £	EUROPE £	ASIA £	31 DECEMBER 2021 £
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	12,463,973	–	12,463,973
Expected credit losses	–	–	12,463,973	–	12,463,973

The breakout of the gross value of loans by stage of the ECL model as at 31 December 2022 and 31 December 2021 can be found in footnote 6. During the year, one investment was moved from Stage 1 to Stage 2 and during the prior year, one investment was moved from Stage 2 to Stage 3. All write-offs (recoveries) during the current and prior year were on assets that were considered Stage 3.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

10. FEES AND EXPENSES

Investment management fees

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

The management fee is payable in Pound Sterling monthly in arrears and is at the rate of 1/12 of 1.0% per month of NAV (the "Management Fee"). For the period from Admission until the date on which 90% of the net proceeds of the Issue have been invested or committed for investment (other than in Cash Instruments), the value attributable to any Cash Instruments of the Group held for investment purposes will be excluded from the calculation of NAV for the purposes of determining the Management Fee. The management fee expense of the group for the year is £3,840,270 (31 December 2021: £3,802,097), of which £97,785 (31 December 2021: £155,399) was payable as at 31 December 2022.

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

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

Performance fees

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

The performance fee will be calculated in respect of each 12 month period starting on 1 January and ending on 31 December in each calendar year (a "Calculation Period") and provided further that if at the end of what would otherwise be a Calculation Period no performance fee has been earned in respect of that period, the Calculation Period shall carry on for the next 12 month period and shall be deemed to be the same Calculation Period and this process shall continue until a performance fee is next earned at the end of the relevant period. The performance fee expense for the year is £nil (31 December 2021: £12,913,280), of which none (31 December 2021: £12,913,280) was payable as at 31 December 2022.

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 un compounded 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).

Administration

The Group has entered into an administration agreement with Citco Fund Administration (Cayman Islands) Limited. The Group pays to the Administrator an annual administration fee based on the Parent Company's net assets subject to a monthly minimum charge.

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

Secretary

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

Registrar

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

Custodian

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

Auditors' remuneration

For the year ended 31 December 2022, the remuneration for work carried out by PricewaterhouseCoopers LLP, the statutory auditors, was as follows:

	31 DECEMBER 2022 £	31 DECEMBER 2021 £
Fees charged by PricewaterhouseCoopers LLP:		
❖ the audit of the Parent Company and Consolidated Financial Statements; and	375,000	317,000
❖ the audit of the Company's subsidiaries.	–	22,300

Amounts are included in other expenses on the Consolidated Statement of Comprehensive Income and are exclusive of VAT. There were no non-audit services provided by PricewaterhouseCoopers LLP during the year.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. TAXATION ON ORDINARY ACTIVITIES

Investment trust status

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

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

The following table presents the tax chargeable on the Group for the period ended 31 December 2022:

	REVENUE £	CAPITAL £	TOTAL £
Net return on ordinary activities before taxation	28,016,408	(50,124,474)	(22,108,066)
Tax at the standard UK corporation tax rate of 19.00%	5,323,118	–	5,323,118
Effects of:			
Non-taxable income	(5,323,118)	–	(5,323,118)
Capital items exempt from corporation tax	–	–	–
Total tax charge	–	–	–

The following table presents the tax chargeable on the Group for the period ended 31 December 2021:

	REVENUE £	CAPITAL £	TOTAL £
Net return on ordinary activities before taxation	21,123,168	52,090,200	73,213,368
Tax at the standard UK corporation tax rate of 19.00%	4,013,402	9,897,138	13,910,540
Effects of:			
Non-taxable income	(4,013,402)	–	(4,013,402)
Capital items exempt from corporation tax	–	(9,897,138)	(9,897,138)
Total tax charge	–	–	–

Overseas taxation

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

12. NET ASSET VALUE PER ORDINARY SHARE

	AS AT 31 DECEMBER 2022 £	AS AT 31 DECEMBER 2021 £
Net assets attributable to Shareholders of the Parent Company	273,228,406	317,614,784
Ordinary Shares in issue (excluding Treasury Shares)	278,276,392	278,276,392
Net asset value per Ordinary Share	98.19p	114.14p

13. RETURN PER ORDINARY SHARE

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

	AS AT 31 DECEMBER 2022 £	AS AT 31 DECEMBER 2021 £
(Loss) profit for the year	(22,124,267)	73,183,772
Average number of Ordinary Shares in issue during the year (excluding Treasury Shares)	278,276,392	279,617,119
Earnings per Share (basic and diluted)	(7.95)p	26.17p

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

14. SHAREHOLDERS' CAPITAL

Set out below is the issued share capital of the Company as at 31 December 2022. All shares issued are fully paid with none not fully paid:

	NOMINAL VALUE £	NUMBER OF SHARES
Ordinary Shares in issue (excluding Treasury Shares)	0.01	278,276,392

Set out below is the issued share capital of the Company as at 31 December 2021. All shares issued are fully paid with none not fully paid:

	NOMINAL VALUE £	NUMBER OF SHARES
Ordinary Shares in issue (excluding Treasury Shares)	0.01	278,276,392

Rights attaching to the Ordinary Shares

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

Voting rights

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

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 through 31 December 2022:

FOR THE YEAR FROM 1 JANUARY 2022 TO 31 DECEMBER 2022	SHARES IN ISSUE AT THE BEGINNING OF THE PERIOD	SHARES REPURCHASED	SHARES IN ISSUE AT THE END OF THE PERIOD
Ordinary Shares	278,276,392	–	278,276,392

The table below shows the movement in shares through 31 December 2021:

FOR THE YEAR FROM 1 JANUARY 2021 TO 31 DECEMBER 2021	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

Share buyback programme

All Ordinary Shares bought back through the share buyback programme are held in treasury as at 31 December 2022. There were no share buybacks in 2022.

Details of the share buyback programme during the year ended 31 December 2021 as follows:

DATE OF PURCHASE	ORDINARY SHARES PURCHASED	AVERAGE PRICE PER SHARE	LOWEST PRICE PER SHARE	HIGHEST PRICE PER SHARE	TOTAL TREASURY SHARES
January 2021	–	0.00p	0.00p	0.00p	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
July 2021	–	0.00p	0.00p	0.00p	104,339,273
August 2021	–	0.00p	0.00p	0.00p	104,339,273
September 2021	–	0.00p	0.00p	0.00p	104,339,273
October 2021	–	0.00p	0.00p	0.00p	104,339,273
November 2021	–	0.00p	0.00p	0.00p	104,339,273
December 2021	–	0.00p	0.00p	0.00p	104,339,273

Other distributable reserve

During 2022, the Company declared and paid dividends of £nil (2021: £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 £nil (2021: £3,741,814). The closing balance in the other distributable reserve remains at £112,779,146 (31 December 2021: £112,779,146).

15. DIVIDENDS PER SHARE

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

	31 DECEMBER 2022 £	31 DECEMBER 2021 £
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	–	5,586,527
2021 interim dividend of 2.00 pence per Ordinary Share paid on 23 September 2021	–	5,565,528
2021 interim dividend of 2.00 pence per Ordinary Share paid on 23 December 2021	–	5,565,528
2021 interim dividend of 2.00 pence per Ordinary Share paid on 31 March 2022	5,565,527	–
2022 interim dividend of 2.00 pence per Ordinary Share paid on 21 July 2022	5,565,528	–
2022 interim dividend of 2.00 pence per Ordinary Share paid on 6 October 2022	5,565,528	–
2022 interim dividend of 2.00 pence per Ordinary Share paid on 29 December 2022	5,565,528	–
Total	22,262,111	22,355,761

An interim dividend of 2.00 pence per Ordinary Share, equalling £5,565,528, was declared by the Board on 22 February 2023 in respect of the period to 31 December 2022, was paid to shareholders on 30 March 2023. The interim dividend has not been included as a liability in these financial statements in accordance with International Accounting Standard 10: Events After the Balance Sheet Date.

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16. RELATED PARTY TRANSACTIONS

Each of the Directors is entitled to receive a fee from the Parent Company at such rate as may be determined in accordance with the Articles. Save for the Chair of the Board, the fees are £33,000 for each Director per annum. The Chair's fee is £55,000 per annum. The chair 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 chair of the Audit and Valuation Committee is £5,500 per annum.

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

At 31 December 2022, £269,183 (31 December 2021: £193,200) was paid to the Directors and £13,042 (31 December 2021: £nil) was owed for services performed.

As at 31 December 2022 and 31 December 2021, the Directors' interests in the Parent Company's Shares were as follows:

		31 DECEMBER 2022	31 DECEMBER 2021
Oliver Grundy	Ordinary Shares	30,000	30,000
Mark Katzenellenbogen	Ordinary Shares	215,000	215,000
Elizabeth Passey	Ordinary Shares	10,000	10,000
Clive Peggram	Ordinary Shares	333,240	333,240
Graeme Proudfoot	Ordinary Shares	130,000	130,000

Investment management fees for the year ended 31 December 2022 are payable by the Parent Company to the Investment Manager and these are presented on the Consolidated Statement of Comprehensive Income. Details of investment management fees and performance fees payable during the year are disclosed in Note 10.

During 2022, as part of an amendment to its management agreement, the Investment Manager continued to purchase Ordinary Shares of the Parent Company with 20% of its monthly management fee. The Ordinary Shares were purchased at the prevailing market price. As at 31 December 2022, the Investment Manager has purchased 706,659 (31 December 2021: 4,496,991) Ordinary Shares.

As at 31 December 2022, Partners and Principals of the Investment Manager held 510,000 (31 December 2021: 510,000) Shares in the Parent Company.

The Group has invested in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. The Investment Manager of the Parent Company also acts as manager to VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. The principal activity of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. is to invest in alternative finance investments and related instruments with a view to achieving the Parent Company's investment objective. As at 31 December 2022 the Group owned 26% (31 December 2021: 26%) of VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. and the value of the Group's investment in VPC Offshore Unleveraged Private Debt Fund Feeder, L.P. was £1,231,984 (31 December 2021: £1,640,256).

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 31 December 2022 the Group owned 4% (31 December 2021: 4%) of VPC Synthesis, L.P. and the value of the Group's investment in VPC Synthesis, L.P. was £21,242,926 (31 December 2021: £10,890,834).

The Investment Manager may pay directly various expenses that are attributable to the Group. These expenses are allocated to and reimbursed by the Group to the Investment Manager as outlined in the Management Agreement. Any excess expense previously allocated to and paid by the Group to the Investment Manager will be reimbursed to the Group by the Investment Manager. At 31 December 2022, none (31 December 2021: £23,697) was due to the Investment Manager and is included in the Accrued expenses and other liabilities balance on the Consolidated Statement of Financial Position.

17. SUBSIDIARIES

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	NATURE OF INVESTMENT	PERCENTAGE OWNERSHIP AS AT 31 DECEMBER 2022	PERCENTAGE OWNERSHIP AS AT 31 DECEMBER 2021
VPC Specialty Lending Investments Intermediate, L.P.	Investment vehicle	USA	Limited partner interest	Sole limited partner	Sole limited partner
VPC Specialty Lending Investments Intermediate Holdings, L.P.	Investment vehicle	USA	Limited partner interest	Sole limited partner	Sole limited partner
VPC Specialty Lending Investments Intermediate GP, LLC	General partner	USA	Membership interest	Sole member	Sole member
Fore London, L.P.	Investment vehicle	UK	Limited partner interest	Sole limited partner	Sole limited partner
Fore London GP, LLC	General partner	USA	Membership interest	Sole member	Sole member
Duxbury Court I, L.P.	Investment vehicle	USA	Limited partner interest	95%	95%
Duxbury Court I GP, LLC	General partner	USA	Membership interest	95%	95%
Drexel I, L.P.	Investment vehicle	USA	Limited partner interest	52%	52%
Drexel I GP, LLC	General partner	USA	Membership interest	52%	52%

The subsidiaries listed above as investment vehicles are consolidated by the Group and there is no activity to consolidate within the subsidiaries listed as general partners.

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

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The table below illustrates the movement of the investment in subsidiaries of the Parent Company in 2022:

	INVESTMENTS IN SUBSIDIARIES £
Beginning balance, 1 January 2022	303,174,979
Purchases	48,397,941
Sales	(106,463,368)
Change in fair value of investments in subsidiaries	(11,157,708)
Ending balance, 31 December 2022	233,951,844

The table below illustrates the movement of the investment in subsidiaries of the Parent Company in 2021:

	INVESTMENTS IN SUBSIDIARIES £
Beginning balance, 1 January 2021	257,491,532
Purchases	29,910,829
Sales	(45,377,842)
Change in fair value of investments in subsidiaries	61,150,460
Ending balance, 31 December 2021	303,174,979

18. NON-CONTROLLING INTERESTS

The non-controlling interests arises from investments in limited partnerships considered to be controlled subsidiaries into which there are other investors. The value of the non-controlling interests represents the portion of the NAV of the controlled subsidiaries attributable to the other investors. As at 31 December 2022, the portion of the NAV attributable to non-controlling interests investments totalled £nil (31 December 2021: £45,958). In the Consolidated Statement of Comprehensive Income, the amount attributable to non-controlling interests represents the increase in the fair value of the investment in the period.

The following entities have been consolidated which have non-controlling interests as at 31 December 2022:

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS HELD BY NON- CONTROLLING INTERESTS AS AT 31 DECEMBER 2022	PROFIT OR LOSS OF SUBSIDIARY ALLOCATED TO NON- CONTROLLING INTERESTS DURING THE PERIOD ENDED 31 DECEMBER 2022 £	ACCUMULATED NON- CONTROLLING INTERESTS IN SUBSIDIARY AS AT 31 DECEMBER 2022 £
Drexel I, L.P.	USA	47%	21,809	–
Duxbury Court I, L.P.	USA	5%	(5,608)	–
Totals			16,201	–

NAME OF SUBSIDIARY	SUMMARISED FINANCIAL INFORMATION FOR SUBSIDIARY	31 DECEMBER 2022 £
Drexel I, L.P.	Distributions to non-controlling interests	42,315
	Profit/(loss) of subsidiary for period ended 31 December 2022	41,681
	Assets as at 31 December 2022	104,584
	Liabilities as at 31 December 2022	104,584
Duxbury Court I, L.P.	Distributions to non-controlling interests	19,844
	Profit/(loss) of subsidiary for period ended 31 December 2022	80,558
	Assets as at 31 December 2022	630,907
	Liabilities as at 31 December 2022	630,907

The following entities have been consolidated which have non-controlling interests as at 31 December 2021:

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS HELD BY NON-CONTROLLING INTERESTS AS AT 31 DECEMBER 2021	PROFIT OR LOSS OF SUBSIDIARY ALLOCATED TO NON-CONTROLLING INTERESTS DURING THE PERIOD ENDED 31 DECEMBER 2021 £	ACCUMULATED NON-CONTROLLING INTERESTS IN SUBSIDIARY AS AT 31 DECEMBER 2021 £
Drexel I, L.P.	USA	47%	14,468	20,506
Duxbury Court I, L.P.	USA	5%	15,128	25,452
Totals			29,596	45,958

NAME OF SUBSIDIARY	SUMMARISED FINANCIAL INFORMATION FOR SUBSIDIARY	31 DECEMBER 2021 £
Drexel I, L.P.	Distributions to non-controlling interests	–
	Profit/(loss) of subsidiary for period ended 31 December 2021	31,707
	Assets as at 31 December 2021	81,028
	Liabilities as at 31 December 2021	36,960
Duxbury Court I, L.P.	Distributions to non-controlling interests	–
	Profit/(loss) of subsidiary for period ended 31 December 2021	32,424
	Assets as at 31 December 2021	527,330
	Liabilities as at 31 December 2021	36,960

FINANCIAL STATEMENTS continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

19. INVESTMENTS IN FUNDS

The Group has been determined to exercise significant influence in relation to certain of its in funds and other entities, as such these investments are considered to be associates for accounting purposes and represent interests in unconsolidated structured entities. The following additional information is therefore provided as required by IFRS 12, Disclosure of Interests in Other Entities:

NAME OF ASSOCIATE	PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTERESTS HELD	BASIS OF VALUATION	FAIR VALUE OF INTEREST AS AT 31 DECEMBER 2022 £	MAXIMUM EXPOSURE TO LOSS AS AT 31 DECEMBER 2022 £
VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.	Cayman Islands	Investment fund	26%	Designated as held at fair value through profit or loss – using NAV	1,231,984	1,231,984
VPC Synthesis, L.P.	USA	Investment vehicle	4%	Designated as held at fair value through profit or loss – using NAV	21,242,926	21,242,926

NAME OF ASSOCIATE	SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATE	31 DECEMBER 2022 £
VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.	Profit/(loss) of associate for period ended 31 December 2022	(436,363)
	Assets as at 31 December 2022	3,115,627
	Liabilities at 31 December 2022	110,043
VPC Synthesis, L.P.	Profit/(loss) of associate for period ended 31 December 2022	23,848,843
	Assets as at 31 December 2022	430,198,842
	Liabilities at 31 December 2022	340,919,367

NAME OF ASSOCIATE	PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTERESTS HELD	BASIS OF VALUATION	FAIR VALUE OF INTEREST AS AT 31 DECEMBER 2021 £	MAXIMUM EXPOSURE TO LOSS AS AT 31 DECEMBER 2021 £
VPC Offshore Unleveraged Private Debt Fund Feeder, L.P.	Cayman Islands	Investment fund	26%	Designated as held at fair value through profit or loss – using NAV	1,640,256	1,640,256
VPC Synthesis, L.P.	USA	Investment vehicle	4%	Designated as held at fair value through profit or loss – using NAV	10,890,834	10,890,834

NAME OF ASSOCIATE	SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATE	31 DECEMBER 2021 £
VPC Offshore Unleveraged	Profit/(loss) of associate for period ended 31 December 2021	1,151,744
Private Debt Fund Feeder, L.P.	Assets as at 31 December 2021	4,431,392
	Liabilities at 31 December 2021	157,672
VPC Synthesis, L.P.	Profit/(loss) of associate for period ended 31 December 2021	5,838,471
	Assets as at 31 December 2021	283,302,763
	Liabilities at 31 December 2021	237,818,787

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.

20. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Company declared a dividend of 2.00 pence per Ordinary Share, equalling £5,565,528 for the three-month period ended 31 December 2022 and paid the dividend on 30 March 2023.

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

GOVERNANCE

BOARD OF DIRECTORS

This section forms part of the Directors' Report.

All Directors are Non-Executive and are independent of the Investment Manager.

GRAEME PROUDFOOT, CHAIR

Appointed 1 December 2020^{1,2,3,4}

Appointed Chairman 24 June 2021

Independent Non-Executive Director

Graeme Proudfoot is also Chairman of BlackRock Income and Growth Investment Trust plc and brings a wealth of asset management expertise and investment trust experience, having spent his executive career at Invesco, latterly as Managing Director, EMEA and CEO of Invesco Pensions. Graeme joined Invesco in 1992 as a legal advisor and held various roles within the Invesco Group, including General Counsel of Invesco Global, before moving to take responsibility for several of Invesco's UK functions including its investment trust business, which he led from 1999 until his retirement in 2019. Graeme began his career at Wilde Sapte Solicitors, practising in London and New York.

MARK KATZENELLENBOGEN

Appointed 1 May 2019^{1,2,3,4}

Independent Non-Executive Director

Mark Katzenellenbogen has been involved in financial services for more than 40 years. He began his career in credit and banking with S.G Warburg before working for the bank's mergers and acquisitions department in the UK, US and South Africa. Mark was a non-executive director of Oldfield, a long-only value equity manager, from 2005 to 2022. In 2007, Mark was appointed CEO of Auden Capital LLP, a London-based corporate finance advisory firm specialising in the investment and wealth management sector. He was appointed as a Trustee of the Conran Foundation in 2022.

ELIZABETH PASSEY

Appointed 19 February 2015^{1,2,3,4}

Independent Non-Executive Director

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

CLIVE PEGGRAM

Appointed 19 February 2015^{1,2,3,4}

Independent Non-Executive Director

Clive Peggram has more than 35 years' experience of working in the asset management industry, from private equity through to structured finance. He is currently Chairman of Apex2100, a high-performance facility based in France. Before this appointment, he was Deputy Group CEO of Financial Risk Management, a US\$10 billion institutionally focused asset manager. Clive was formerly Managing Director of Banque AIG for ten years, where he was responsible for establishing and running its investment management team. Previously, he gained considerable experience in the developing derivative markets at Swiss Bank Corporation. Clive is a Non-Executive Director of several asset management companies and is also a Trustee of the Apex2100 Foundation.

1 = Management Engagement Committee *Chair of Committee.

2 = Audit & Valuation Committee *Chair of Committee.

3 = Nomination Committee *Chair of Committee.

4 = Disclosure Committee *Chair of Committee.

GOVERNANCE continued

OLIVER GRUNDY

Appointed 12 March 2021^{1,2*,3,4}

Independent Non-Executive Director

Oliver Grundy was an audit partner at Deloitte LLP for 28 years until his retirement in November 2019. He worked both in London and New York in various roles, including leading Deloitte's Banking Group team of 35 partners and 500 professionals, before becoming the audit and advisory partner to significant funds. From 2017 to 2019, Oliver was the Deloitte UK ethics partner, with responsibility for all whistleblowing and conduct matters as well as the firm's Public Interest Review Group. During his Deloitte career, Oliver also held several roles at the Institute of Chartered Accountants of England & Wales (ICAEW), including as Council member, Disciplinary Committee Tribunal Chairman and serving on the Practice, Risk & Regulation and the Ethics Standards Committees. Oliver is currently a member of the Red Cross International Medical Fundraising Board.

1 = Management Engagement Committee *Chair of Committee.

2 = Audit & Valuation Committee *Chair of Committee.

3 = Nomination Committee *Chair of Committee.

4 = Disclosure Committee *Chair of Committee.

DIRECTORS' REPORT

The Directors of the Company are pleased to present the Annual Report for the Company and its subsidiaries (the "Group") for the year ended 31 December 2022.

The Corporate Governance Statement, Audit and Valuation Committee Report and the Directors' Remuneration Report are included in this Directors' Report. The Board seeks to understand the needs and priorities of the Company's stakeholders. The report can be found within the Strategic Report on pages 25 to 28.

RESULTS AND DIVIDENDS

The interim dividends paid by the Company are set out in Note 15 of the financial statements. A summary of the Company's performance during the year is set out in the Strategic Report on pages 8 to 29.

INVESTMENT TRUST STATUS

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

DIRECTORS

Directors' Appointments

As at the date of this report, the Board consists of five Non-Executive Directors, all of whom are considered by the Board to be independent. Biographies of the Directors are set out on pages 101 and 102 and demonstrate the range of skills and experience each Director brings to the Board.

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

Directors' Interests

None of the current Directors, or any persons connected with them, had a material interest in the transactions and arrangements of, or an agreement with, the Investment Manager during the period. The remuneration of the Directors and their beneficial interests in the Company's securities are set out in the Directors' Remuneration Report on pages 122 to 126.

Directors' Indemnity and Compensation for Loss of Office

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

Conflicts of Interest

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

GOVERNANCE continued

SHARES AND SHAREHOLDERS

Share Capital

The share capital as at 31 December 2022, and rights attaching to the Shares are set out in Note 14 to the financial statements. As at the date of this report, the Company's issued share capital consisted of 278,276,392 Ordinary Shares of £0.01 each with voting rights. In addition, 104,339,273 shares were held in Treasury.

At the Company's Annual General Meeting ("AGM") on 13 June 2022, the shareholders of the Company passed certain resolutions in relation to the allotment and buyback of its equity securities which remained valid as at 31 December 2022. In summary, these resolutions were:

- ❖ An ordinary resolution, to issue shares other than pursuant to the Share Issuance Programme up to an aggregate nominal amount of £278,276 representing approximately 10% of the issued Ordinary Share capital at the date of the Notice of AGM, excluding shares held in treasury. The Board has authority to continue to allot shares up until the conclusion of the Company's next AGM in 2023.
- ❖ A special resolution authorising the Directors to dis-apply the pre-emption rights of existing Shareholders in relation to issues of Ordinary Shares (being in respect of Ordinary Shares up to an aggregate nominal amount of £278,276 representing up to 10% of the Company's issued Ordinary Share capital as at the date of the Notice, excluding shares held in treasury). This authority shall expire at the conclusion of the Company's next AGM in 2023.
- ❖ A special resolution authorising market purchases of Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased is up to 41,713,631 ordinary shares, representing 14.99% of the issued Ordinary Shares at the date of the Notice of AGM, excluding shares held in treasury. This authority shall expire at the conclusion of the Company's next AGM in 2023.

No shares were allotted by the Company during the year. Since the year end, no Ordinary Shares have been bought back and as at the date of this report there were 382,615,665 Ordinary Shares in issue of which 104,339,273 were held in treasury.

At the Company's AGM in 2023, the Board will seek authority to issue Shares and to renew its authority to purchase Ordinary Shares.

Shares bought back and held in Treasury will not be sold out of Treasury at a discount wider than the discount at which the Shares were initially bought back by the Company. The authority to allot new Ordinary Shares, dis-apply pre-emption rights or for the Company to purchase its own Shares will only be used if the Directors believe it is in the best interests of the Company. Proposals for these and other authorities sought at the AGM, including their restrictions, will be set out in the Notice of the 2023 AGM.

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

Substantial Shareholdings

The Company has been informed of the following notifiable interests as at 31 December 2022 in the Company's voting rights under DTR 5. This information was correct at the date of notification. It should be noted that these holdings may have changed since notified to the Company and may not therefore be wholly accurate statements of actual holdings as at 31 December 2022. However, notification of any change is not required until the next applicable threshold is crossed.

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF VOTING RIGHTS*
SVS Opportunity Fund GP, L.P.	56,256,107	20.22%
Schroders plc	22,400,000	8.05%
Premier Fund Managers Limited	22,165,000	7.97%
Newton Investment Management Limited	12,870,021	4.62%
AXA Investment Managers	8,250,000	2.96%
Metage Funds Limited	8,201,393	2.95%

* Percentage of voting rights as at 31 December 2022.

The Company has been notified of the following changes in notifiable interests since the 31 December 2022 and up until the date of this report:

The Company has been informed that on 11 April 2023 Metage Funds Limited increased their holding to 3% of the total voting rights in the Company.

Articles of Association

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

The Annual General Meeting

The Company's AGM will be held in June 2023 and explanations of the business proposed at the AGM will be contained in the Notice of that Meeting.

AUDITORS AND FINANCIAL STATEMENTS

Independent Auditors

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

The Audit and Valuation Committee has the responsibility for making a recommendation to the Board on the reappointment of the external auditors. After careful consideration and a review of their effectiveness as external auditors, the Audit and Valuation Committee has recommended that PwC be reappointed as the Company's Auditors. Resolutions will therefore be proposed at the forthcoming AGM to re-appoint PwC as Auditors and for the Audit and Valuation Committee to determine PwC's remuneration. For more information refer to the Audit and Valuation Committee Report on pages 119 to 121.

Audit Information

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

Financial Risk Management

The principal financial risks and the Group's policies for managing these risks are set out on pages 21 to 24.

Subsequent Events

The important subsequent events since 31 December 2022 are included on page 99.

GOVERNANCE continued

Responsibility for Financial Statements and Going Concern Statement

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 monthly NAV and the nature of its portfolio and expenditure projections.

Additionally, the Directors have considered the risks arising of reduced asset values, adverse economic conditions and the impact of the proposed managed winddown. The Investment Manager has 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 12 months in scenarios where the proposed managed winddown is approved and not approved by shareholders. 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 12 months from the date of this report.

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

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018, and as part of an ongoing programme of risk assessment, the Directors have assessed the prospects of the Company, to the extent that they are able, over a three-year period from 31 December 2022. The Directors have chosen a three-year period as this is viewed as sufficiently long term to provide shareholders with a meaningful view, without extending the period so far into the future as to undermine the exercise. Additionally, the asset backed investments held by the Group have maturities that extend beyond three years allowing for the investment cash flows, recycling of investments and expenditures commitments of the Group to be reasonably forecasted over this timeframe.

The three-year review considers the Group's cash flow, cash distributions and other key financial ratios over the period. The three-year review also makes certain assumptions about the normal level of expenditure likely to occur and considers the impact on the financing facilities of the Group.

Furthermore, the three-year review period to 31 December 2025 was modelled considering the impact of the proposed winddown. After being so advised by Winterflood and Jefferies, the Directors considered a number of factors in determining unanimously that shareholders should vote in favour of the amendment to the investment policy and has engaged in discussions with a number of shareholders and its advisers in reaching that conclusion, in addition to having considered the recent performance of the Company. Based on this assessment the Directors have made the assumption that the vote will pass, however recognise that the outcome of the vote is not yet known and therefore creates some uncertainty.

As a part of this review, the Directors reviewed a series of stress test scenarios carried out by the Investment Manager which assumed a significant fall in income and asset levels, delay in repayment of the asset backed lending facilities, and various assumptions on the equity investment portfolio, including the impacts to the Group's financing facilities and were satisfied with the result of this analysis. Additionally, the Directors reviewed models where the proposed managed winddown vote does not pass.

In making this assessment on the viability of the Group, the Directors have also taken into consideration each of the principal risks and uncertainties on pages 21 to 24, their mitigants and the impact these might have on the business model, future performance, solvency and liquidity. Both the principal risks and the monitoring system are subject to a robust assessment at least annually.

In addition, the Directors considered the Company's current financial position and prospects, the composition of the investment portfolio, the level of outstanding capital commitments, the term structure and availability of borrowings and the ongoing costs of the business. As part of the approach, due consideration has been given to the uncertainty inherent in financial forecasts and, where applicable, as described above reasonable sensitivities have been applied to the investment portfolio in stress situations.

All the analysis above indicates that due to the stability and cash generating nature of the investment portfolio throughout the managed winddown of the Company, specifically the asset backed lending investments, the Group would be able to withstand the impacts outlined above. Based on the robust assessment of the principal risks, prospects and viability of the Group, the Board confirms that they have reasonable expectation that the Group will be able to continue operation and meet its liabilities as they fall due over the three-year period to 31 December 2025.

ADDITIONAL DISCLOSURES

Requirements of the Listing Rules

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

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

Political Donations

The Company made no political donations during the period to organisations either within or outside of the EU. (Period to 31 December 2022: £nil).

Modern Slavery Act

As an investment trust, the Company does not provide goods or services in the normal course of business, does not have employees nor customers or turnover so is therefore not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. However, the Company has a zero-tolerance approach to modern slavery and regularly reviews its investment portfolio to ensure there are no breaches to the Modern Slavery Act.

This Report was approved by the Board of Directors on 27 April 2023 and signed on its behalf by

Link Company Matters Limited

Company Secretary

27 April 2023

GOVERNANCE continued

CORPORATE GOVERNANCE STATEMENT

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

APPLICABLE CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities in Respect of the Financial Statements on page 127, indicates how the Company has applied the principles of recommended governance of the Financial Reporting Council ("FRC") 2018 UK Corporate Governance Code (the "UK Code") and the AIC's Code of Corporate Governance issued in 2019, (the "AIC Code"), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to both Shareholders and stakeholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

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

STATEMENT OF COMPLIANCE

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

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

THE PRINCIPLES OF THE AIC CODE

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

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

BOARD LEADERSHIP AND PURPOSE

- A.** A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

The Board considers the long-term sustainable success of the Company as their main focus and all decisions are considered from this point of view. As outlined below, the Company has a set of core values and corporate culture which are embedded into everything the Company does. VPC takes an active interest in how the portfolio companies manage environmental, social and governance (“ESG”) issues and the Board and VPC agree that responsible business practices help to generate long term sustainable returns. VPC and the Board continue to work on implementing an ESG policy.

As part of this the opportunities and risks faced by the business are considered, monitored and assessed on a regular basis, both in terms of potential and emerging risks that the business may face. More detail regarding the principal risk and uncertainties and the sustainability of the business model can be found in the Strategic Report on pages 21 to 24.

- B.** The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The purpose of the Company is the investment objective as set out on page 5. The strategy that the Board follows in order to achieve this objective, is outlined in the Strategic Report on pages 8 to 29.

The Board adopts some key values which are embedded into the culture of the business and are key to any investment decision made by the Company. These values and culture also drive how the Board and the relationship with the Investment Manager proceed. These are:

- ❖ Ensure all business decisions are made once all potential impacts on stakeholders are fully understood
- ❖ Encourage open, honest and collaborative discussions at all levels in Board meetings, with shareholders and stakeholders and with third party service providers
- ❖ To avoid any potential conflicts of interest.

The values and culture of the business are considered as part of the annual board evaluation process to ensure that they remain a key focus that all decisions are based on.

- C.** The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Board regularly considers the Company's position the balance sheet, cash flow projections, the availability of funding and the Company's contractual commitments. The Company's objective is to deliver consistent, long-term returns to shareholders; therefore, one of the measures the Board considers is the total return per share.

The Board and the Management Engagement Committee assesses the performance of the Investment Manager in a number of different ways including through the KPIs set out on page 20.

The Audit and Valuation Committee is responsible for assessing and managing risks and further information about how this is done can be found in the Audit and Valuation Committee Report on pages 119 to 121.

- D.** In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

The Board understands its responsibilities to shareholders and stakeholders and considers the opinions of all such parties when making any decision. The Board considers that, other than shareholders, their other key stakeholders are their portfolio companies, their third-party providers and the Investment Manager in particular. The Management Engagement Committee considers the relationship with all third-party providers on at least an annual basis and there is an ongoing dialogue with the Investment Manager to ensure views are aligned.

The Board considers the impact any decision will have on all stakeholders to ensure that they are making a decision that promotes the long-term success of the Company, whether this be in relation to dividends, new investment opportunities, potential future fundraisings, etc.

GOVERNANCE continued

BOARD LEADERSHIP AND PURPOSE

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

In accordance with the guidance issued by the Investment Association in the cases where shareholder votes against a resolution exceed 20%, the Board must consult with shareholders to understand the reasons for their votes.

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

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

Further details of the Board's engagement with shareholders during the year can be found in the Strategic Report on pages 25 to 28 and the Chairman's Statement on pages 8 and 9.

DIVISION OF RESPONSIBILITIES

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

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

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

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

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

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

DIVISION OF RESPONSIBILITIES

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| <p>F. The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making.</p> | <p>All of the Directors are non-executive and are independent of the Investment Manager and the other service providers.</p> <p>The Chair, Graeme Proudfoot, was independent of the Investment Manager at the time of his appointment and remains so. The Board is aware of the AIC's guidance on this issue and regards Graeme Proudfoot as independent.</p> <p>Each Director is not a director of another investment company managed by the Company's Investment Manager, nor has any Board member been an employee of the Company or any of its service providers.</p> <p>The Board evaluation concluded that each Director provides a valuable contribution to Board meeting discussions and exercises appropriate levels of challenge and debate.</p> |
| <p>G. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.</p> | <p>As part of the Board evaluation process, the contributions of each director, as well as the time commitments made by each board member are considered and reviewed. As explained above, it was concluded that each Director provided appropriate levels of challenge and provided the Company and the Investment Manager with guidance and advice when required.</p> <p>The Management Engagement Committee reviews the performance and cost of the Company's third-party service providers on an annual basis. More information regarding the work of the Management Engagement Committee can be found on page 116.</p> |
| <p>H. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.</p> | <p>The Directors have access to the advice and services of the Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.</p> |

COMPOSITION, SUCCESSION AND EVALUATION

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| <p>I. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</p> | <p>independent Directors. This Committee will lead the appointment process of new Directors, as and when vacancies arise, and help from the Directors' ongoing succession plans. More information regarding the work of the Nomination Committee can be found on page 116.</p> <p>The Board has adopted a diversity policy, which acknowledges the benefits of greater diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the following objectives for the appointment of Directors have been established:</p> <ul style="list-style-type: none"> ❖ all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective; and ❖ long lists, and, ideally, short lists of potential should include diverse candidates of appropriate merit. <p>A statement on Chair succession is included on page 116.</p> |
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GOVERNANCE continued

COMPOSITION, SUCCESSION AND EVALUATION

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

Directors biographical details are set out on pages 101 and 102 of this Report. These demonstrate the wide range of skills and experience that they bring to the Board.

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

Details of the policies on tenure of the Directors and the Chairman can be found below on page 115 of this Report.

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

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

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

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

It is noted that after the shareholder vote on the proposed wind-down of the Company a review of the Board composition will take place. This will ensure that the Board continues to have the correct mixture of skills, experience, and knowledge to manage the Company's affairs.

The individual performance of each Director standing for election and re-election has been evaluated and a recommendation is being made that shareholders vote in favour of their election or re-election at the AGM. All Directors will be subject to annual re-election by shareholders. More information regarding the proposed election or re-election of each Director at the 2023 AGM can be found in the separate AGM circular.

AUDIT, RISK AND INTERNAL CONTROL

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

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

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

Further information regarding the work of the Audit and Valuation Committee can be found on pages 119 to 121.

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

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

AUDIT, RISK AND INTERNAL CONTROL

- N.** The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal and emerging risks the company is willing to take in order to achieve its long-term strategic objectives.

The Audit and Valuation Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon.

The Directors have carried out a review of the effectiveness of the Company's systems of internal control as they have operated over the year and up to the date of approval of the Annual Report. Given the nature of the business, the Company is reliant on its service providers and their internal controls. The Audit and Valuation Committee reviews the Investment Manager's compliance and control systems in operation insofar as they relate to the affairs of the Company.

As set out in more detail in the Report of the Audit Committee on pages 119 to 121, the Company has in place a system for assessing the adequacy of those controls.

There were no material matters arising from the review of the Company's controls that required further investigation and no significant failings or weaknesses were identified.

REMUNERATION

- O.** Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.

As outlined in the Remuneration Report on page 122, the Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and the duties and responsibilities of the role.

All Directors own shares in the Company, all of which were purchased in the open market and using the Directors' own resources.

At the Company's AGM in 2023 shareholders will be asked to approve changes to the remuneration policy. The changes will propose that in addition to time commitment, the duties of Directors and their responsibility, remuneration will also be compared with the Company's AIC peer group. The Board believes that it is appropriate to review against the AIC peer group, rather than the wider investment trust group, because it more accurately reflects the nature and complexity of the Company and its operations.

The Board considers that this revised approach will also ensure that the Company remains well positioned to attract and retain individuals of a calibre appropriate to the future development of the Company. All Directors will continue to be ineligible for bonuses, share options, long-term incentive schemes or other performance related benefits as the Board does not believe that this is appropriate for non-executive Directors.

More information regarding the work of the Remuneration Committee can be found in the Remuneration Report on pages 122 to 123.

- P.** A formal and transparent procedure for developing remuneration policy should be established. No director should be involved in deciding their own remuneration outcome.

As outlined by the AIC guidance no Director should be involved in deciding his or her own remuneration. The revised remuneration policy will propose that while Directors are not permitted to decide their own remuneration, Directors are permitted to discuss their remuneration as there is no separate remuneration committee.

Changes to Directors' remuneration will continue to be considered by the Board as a whole with a review of a range of factors including a comparison against the AIC peer group and with independent advice obtained from the Company's service providers.

There is an agreed fee which all non-executive directors receive (irrespective of experience or tenure) and an additional fee for the role of Audit and Valuation Committee Chair. There is also an agreed fee for the role of Chair of the Board. When discussing the remuneration of the Chair of the Board and the Audit and Valuation Committee both Directors will not decide their own remuneration.

GOVERNANCE continued

REMUNERATION

Q. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The remuneration policy will be revised and presented to shareholders at the 2023 AGM. Independent judgement on remuneration shall be maintained by requesting approval for remuneration in comparison to the Company's AIC peer group. Other factors such as the performance of the Company, time commitments and market conditions shall also be factored into any decision-making process.

2022 ANNUAL GENERAL MEETING

On 14 June 2022, the Board of the Company announced that all resolutions proposed at the 2022 Annual General Meeting of the Company (the "AGM") had been passed. The Investment Association outlines that investment trusts should consult with shareholders if any resolutions receive votes against exceeding 20%. In the case of the 2022 AGM no resolution reached the threshold.

ROLE OF THE BOARD

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

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

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

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

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

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

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

BOARD COMPOSITION

The Board is chaired by Graeme Proudfoot who was appointed with effect on 24 June 2021. The Board consists of five non-executive Directors who have all served throughout the period. All current members of the Board are regarded as independent of the Company's Investment Manager.

The Directors have a breadth of investment, financial and professional experience relevant to the Company's business and brief biographical details of each Director are set out on pages 101 to 102.

During the period, the Board satisfied itself that all Directors were and remain able to commit sufficient time to discharge their responsibilities to the Company's affairs effectively having given due consideration to their other significant commitments.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board notes that following the wind down vote by shareholders and in light of guidelines on tenure limits the Board composition will be reviewed.

TENURE

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

Under the Articles of Association, Shareholders may remove a Director before the end of his or her term by passing a special resolution at a meeting, and may by ordinary resolution appoint another person who is willing to act to be a Director in his or her place. A special resolution is passed if more than 75% and an ordinary resolution if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution. In addition, as set out in the Company's Articles of Association a person ceases to be a Director as soon as that person has for more than six consecutive months been absent, without permission of the Directors, from meetings of Directors held during that period and Directors make a decision to vacate that person's office. During the period of review no Director has missed six consecutive meetings.

In accordance with the above and the AIC Code, all Directors will stand for election or re-election at the 2023 AGM. The contribution and performance of the Directors seeking election or re-election was reviewed by the Nomination Committee at its meeting in February 2023 which recommended to the Board their continuing appointment. Biographies of each Director are available on pages 101 to 102. It is the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

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

Directors' tenure is reviewed by the Nomination Committee with the objective of ensuring that the Board complies with the Code and has the correct mixture of skills, experience and abilities to support the Company's affairs.

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

DIVERSITY

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

The Board acknowledges the new Financial Conduct Authority amendments to the Listing Rules which apply for financial years starting on or after 1 April 2022 and which set out diversity targets for listed companies and builds on the recommendations from the FTSE Women Leaders Review 2022 on gender diversity on boards and the Parker Review regarding ethnic representation on boards. The Board notes the importance of a diverse Board and has factored this into their succession planning. The Board remains committed to ensuring it promotes equal opportunities for all individuals and while the Board does not feel that it would be appropriate to set targets as all appointments must be made on merit it supports the recommendation to have ethnic representation on the Board and has included this as a key consideration in its succession planning.

GOVERNANCE continued

INDUCTION AND TRAINING

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

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

BOARD COMMITTEES

Directors are members of each of the Committees, as this was deemed appropriate given the size and nature of the Board. Each of the Committees has formal terms of reference established by the Board, which are available on the Company's website (<https://vpcspecialtylending.com>).

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

Audit and Valuation Committee

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

The main responsibilities of the Audit and Valuation Committee are set out below. The Company's Audit and Valuation Committee Report is on pages 119 to 121.

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

Management Engagement Committee

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

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

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

During the year, the Management Engagement Committee met once to consider the performance of the service providers and Investment Manager. Following the recommendation from the Management Engagement Committee, the Board agreed that the continuing appointment of the Investment Manager on the current terms (as summarised on page 118 was in the interest of the shareholders as a whole. This is primarily driven by the Investment Manager's extensive experience and impressive track record in the specialty lending sector.

Nomination Committee

The Nomination Committee is chaired by Mark Katzenellenbogen and meets at least once a year, or more often if required. The Nomination Committee is responsible for considering the structure, size and composition of the Board. It considers recommendations to shareholders concerning the (re)election of the Directors and is also responsible for considering succession planning.

The Nomination Committee is also responsible for conducting an annual performance evaluation of the Board, the Board's Committees, and individual Directors. The results of the annual performance review are reviewed by the Committee and appropriate recommendations are made to the Board.

During the period, the Nomination Committee met four times.

Disclosure Committee

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

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

Since the last Annual Report, the Disclosure Committee has not met. The Investment Manager regularly provided papers and updated the Board on items as they related to the Market Abuse Regulation as a part of the Board meetings.

The need for a Disclosure Committee is assessed at the end of each Board meeting.

BOARD AND COMMITTEE MEETING ATTENDANCE

The Board has at least seven scheduled meetings a year and meets more often if required. Directors' attendance at Board and Committee meetings held during the year to 31 December 2022 is set out in the below table:

DIRECTOR	BOARD ¹	AUDIT AND VALUATION COMMITTEE ¹	MANAGEMENT ENGAGEMENT COMMITTEE ¹	NOMINATION COMMITTEE ¹
Oliver Grundy	7 (7)	6 (6)	1 (1)	4 (4)
Mark Katzenellenbogen	7 (7)	6 (6)	1 (1)	4 (4)
Elizabeth Passey	7 (7)	6 (6)	1 (1)	4 (4)
Clive Peggram	7 (7)	6 (6)	1 (1)	4 (4)
Graeme Proudfoot	7 (7)	6 (6)	1 (1)	4 (4)

BOARD RESPONSIBILITIES AND RELATIONSHIP WITH INVESTMENT MANAGER

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

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

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

¹ The number in brackets denotes the number of meetings each Director was entitled to attend. In addition, during the course of the year the Board delegated to a sub-committee specific remit for consideration and recommendation but with the final responsibility in these areas remaining with the Board.

GOVERNANCE continued

Summary of Investment Management Agreement

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

Under the terms of the IMA, the Investment Manager is entitled to a management fee together with reimbursement of all reasonable costs and expenses incurred by it in the performance of its duties. The Investment Manager is also entitled to a performance fee in certain circumstances (see further below). Further documentation of the fees are included in Note 10 of the financial statements on pages 88 and 89.

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

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

In 2016, the Company and the Investment Manager agreed on an amendment to the IMA. Under the revised agreement, the Investment Manager agreed to invest 20% of its monthly management fee received from the Company into shares in the Company at the prevailing market price on an on-going basis, provided that the shares are trading at a discount to the prevailing net asset value and the Investment Manager does not hold more than 10% of the voting rights of the Company. Since 2016 the Investment Manager has acquired 4,496,991 Ordinary Shares in the Company through this mechanism.

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

Continuing appointment of the Investment Manager

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

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

Link Company Matters Limited

Company Secretary

27 April 2023

AUDIT AND VALUATION COMMITTEE REPORT

MEMBERSHIP OF THE COMMITTEE

The Audit and Valuation Committee (the “Committee”) meets at least two times a year and met six times during 2022. All the Directors are members of the Committee and Oliver Grundy is the Chair. At least one member of the Committee has recent and relevant financial experience, and the Committee as a whole has competence relevant to the sector within which the Company operates. Representatives of the Auditors also attend and present at meetings of the Committee. The other Directors considered that it was appropriate for Graeme Proudfoot as Chair of the Board to be a member of, but not chair, the Committee, due to the Board’s small size, the lack of perceived conflict of interest, and because the other Directors believe that Graeme Proudfoot continues to be independent. The Investment Manager’s management team also attends meetings of the Committee by invitation.

THE ROLE OF THE AUDIT AND VALUATION COMMITTEE

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

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

MATTERS CONSIDERED IN THE YEAR

The principal matters considered by the Committee were as follows:

- ❖ the internal controls, including cyber security, and risk management of the Group and Investment Manager;
- ❖ the Auditors’ fees;
- ❖ the timetable for the approval, announcement and distribution of dividends;
- ❖ the valuation of loans and equity, including valuation policy;
- ❖ the plan for the audit of the Group’s Annual Financial Statements;
- ❖ the Group’s half-year financial statements and Annual Financial Statements;
- ❖ making recommendations to the Board regarding interim dividend payments;
- ❖ key risks in relation to the Group’s financial statements (see page 121 for more details);
- ❖ the Group’s expected credit loss reserving policy;
- ❖ the Group’s non-audit services policy;
- ❖ the Viability and Going Concern statements;
- ❖ its own performance as a Committee, and its terms of reference; and
- ❖ the review of investee companies and their association to Russia.

GOVERNANCE continued

INTERNAL AUDIT

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

Discussion of the Group's principal risks is on pages 21 to 24.

EXTERNAL AUDIT

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

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

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

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

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

AUDIT FEES AND NON-AUDIT SERVICES

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

The Committee reviews and approves in advance the provision of non-audit services during the year by the Auditors, taking into account the recommendations of the Financial Reporting Council. There were no non-audit services provided during the year and the Committee does not believe there was any impediment to the Auditors' objectivity and independence from doing this work during the period.

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT AND VALUATION COMMITTEE

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

SIGNIFICANT AREA	HOW ADDRESSED
Valuation of unquoted investments reported at fair value through profit or loss.	Investments that are unlisted or not actively traded are valued using a variety of techniques to determine a fair value, as set out in the accounting policies note on beginning on page 52, and all such valuations are carefully reviewed by the Investment Manager's valuation committee as well as the Committee. Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors.
Expected credit losses on loans reported at amortised cost	The Investment Manager values the loans at amortised cost and monitors the performance and repayment of the loans to assess whether any expected credit losses exist, as set out in the accounting policies note beginning on page 52. The valuation approach has been reviewed by the Investment Manager's valuation committee as well as the Committee.
Fraud in income recognition	The Investment Manager recognises income as revenue return provided that the underlying assets of the investments comprise solely income generating loans, or investments in lending Portfolio Companies which themselves generate net interest income. The Committee has reviewed income recognition with the Investment Manager and has inquired with the Auditors regarding the testing performed over income recognition and the conclusions reached.

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

For and on behalf of the Audit and Valuation Committee

Oliver Grundy
Audit and Valuation Committee, Chair

27 April 2023

GOVERNANCE continued

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT FROM THE CHAIR

This Directors' Remuneration Report for the year ended 31 December 2022 has been prepared in accordance with Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and, alongside this Annual Statement, comprises two separate parts: the Annual Report on Remuneration and the Directors' Remuneration Report.

The Annual Report on Remuneration sets out payments made to the Directors during the period. This report, including this Annual Statement, is subject to an advisory vote by Ordinary Resolution at the Company's forthcoming AGM. The Directors' Remuneration Report is forward-looking and was approved by shareholders at the Company's last AGM in June 2021. The resolution at the 2021 AGM to approve the Directors' Remuneration Report was passed with 99.96% of the votes 'for'. The current shareholder approved policy governs the remuneration of the directors for a period of three years expiring at the AGM in 2022 (and was passed with 100% of the votes 'for'). Any views expressed by shareholders on the remuneration being paid to Directors will be taken into consideration by the Board.

At the 2023 AGM shareholders will be asked to approve a new Directors' Remuneration Policy set out below. A resolution to approve the policy must be put to shareholders at least every three years, the current policy having been approved by shareholders at the 2020 AGM. The new policy that shareholders are being asked to approve does not contain any substantive changes from the current policy but reflects current best practice. In summary, the changes are:

- ❖ Directors will be permitted to discuss, but not decide their own remuneration;
- ❖ Any consideration of Directors' fees will continue to consider the time commitment and responsibility of each Director but will also be compared against the Company's AIC peer group. The Board concluded that a review against the AIC peer group rather than the wider investment trust industry more accurately reflects the complexity and nature of the Company's business; and
- ❖ Any views expressed by shareholders on the remuneration being paid to Directors will be taken into consideration by the Board.

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

The Directors of the Company are all Non-Executive and receive a fee per annum which for the year ended 31 December 2022 was £55,000 for the Chair and £33,000 for the other Directors. The Chair is entitled to a higher fee to reflect the additional work required to carry out the role. The Chair of the Audit and Valuation Committee receives an additional fee of £5,500 per annum for taking on this responsibility. Throughout 2022 no Director received any additional fees in addition to the salary.

DIRECTORS' REMUNERATION POLICY

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

REMUNERATION TYPE	DESCRIPTION AND APPROACH TO DETERMINATION
Fixed fees	<p>The Directors are permitted to discuss but not to decide their own remuneration fee. Directors' decisions on remuneration are guided by a number of factors and with guidance from the Company's brokers and Company Secretary. Directors' remuneration is also considered with regard to time commitment, the Company's AIC peer group and other economic factors impacting the Company.</p> <p>These fees shall not exceed £500,000 per annum, divided between the Directors as they may determine.</p>
Additional fees	<p>If any Director, being willing and having been called upon to do so, shall render or perform extra or special services of any kind, including services on any Committee of the Board, or shall travel or reside abroad for any business or purposes of the Company, he or she shall be entitled to receive such sum as the Board may think fit for expenses, and also such remuneration as the Board may think fit, either as a fixed sum or as a percentage of profits or otherwise, and such remuneration may, as the Board shall determine, be either in addition to or in substitution for any other remuneration he or she may be entitled to receive.</p>

REMUNERATION TYPE	DESCRIPTION AND APPROACH TO DETERMINATION
Expenses	The Directors shall be entitled to be paid all expenses properly incurred by them in connection with their attendance at Director or shareholder meetings or otherwise in connection with the discharge of their duties as Directors of the Company.
Other	Directors are not eligible for bonuses, share options or long-term incentives schemes or other performance-related benefits. There are no pension arrangements in place for the Directors of the Company.

Directors' fee levels

COMPONENT	ROLE	RATE AS AT 31 DECEMBER 2022	PURPOSE OF REMUNERATION
Annual fee	Chair of the Board	£55,000	Commitment as Chair of the Board ¹
Annual fee	Non-executive Director	£33,000	Commitment as non-executive Director ²
Additional fee	Chair of the Audit & Valuation Committee	£5,500	For additional responsibilities and time commitments ³
Additional fee	All Directors	Nil	No additional payments were made in 2022 to any Director of the Company. ⁴

The Board's policy is that the remuneration of all non-executive Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments. The level of remuneration reflects the specific circumstances of the Company, the duties, and responsibilities of the Directors, and the value and amount of time committed to the Company's affairs. The Board notes that the remuneration of the non-executive Directors may be subject to review in the future to ensure that the future needs and development of the Company are met.

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

Fees of any new Director appointed will be on the above basis and are likely to be in-line with the fees of existing Directors. Fees payable in respect of subsequent periods will be determined following an annual review. The Company has no employees other than its Directors who are all Non-Executive. When considering the level of fees, the Board will evaluate the contribution and responsibilities of each Director and the time spent on the Company's affairs. Following approval of the Directors' Remuneration Policy by Shareholders at the AGM in June 2022, the Company believes the remuneration of Directors to be appropriate given the nature of the Company. The remuneration of Directors will be reviewed against its AIC peer group organisations with reference to the specific circumstances of the Company and the time committed by the Directors to the Company's affairs. The current fees are also within the limits set out in the Company's Articles of Association, which prohibit the total aggregate annual fees payable to the Directors in respect of any financial period to exceed £500,000 per annum. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

¹ The Chair of the Board is paid a higher fee than the other Directors to reflect the more onerous role.

² The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to £500,000 per annum.

³ The Chair of the Audit & Valuation Committee is paid a higher fee than the other Directors to reflect the more onerous role.

⁴ Additional fees would only be paid in exceptional circumstances in relation to the performance of extra or special services.

GOVERNANCE continued

ANNUAL REPORT ON REMUNERATION

Service Contracts Obligations and Payment on Loss of Office

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

Total Remuneration Paid to Each Director (Audited)

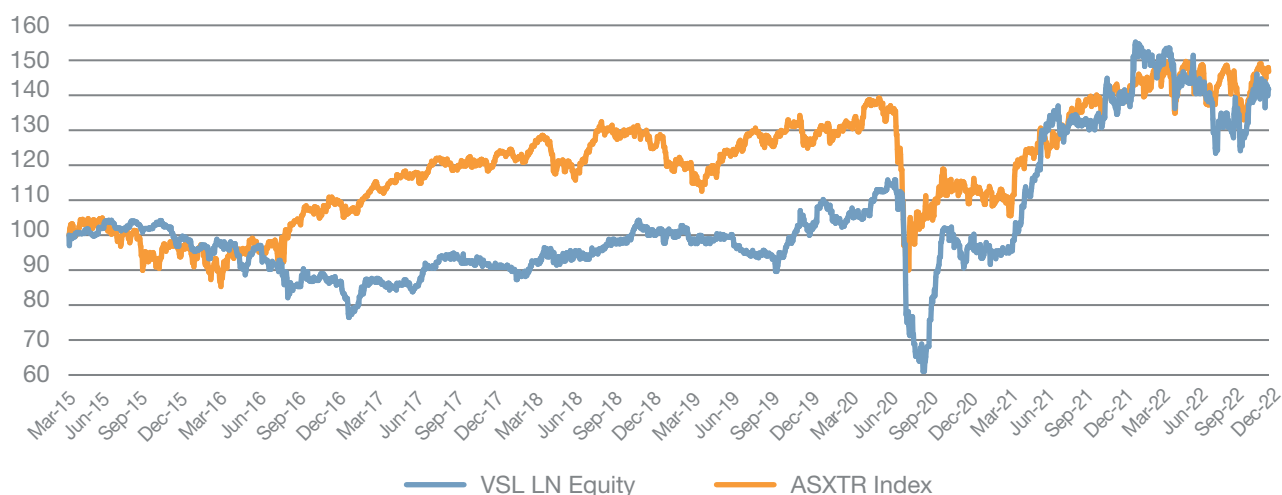
DIRECTORS' REMUNERATION	31 DECEMBER 2022 £	31 DECEMBER 2021 £
Oliver Grundy ¹	38,500	30,236
Kevin Ingram ²	Nil	13,750
Mark Katzenellenbogen ³	33,000	37,000
Elizabeth Passey	33,000	33,000
Clive Peggram	33,000	34,791
Graeme Proudfoot ⁴	55,000	44,423
Total	192,500	193,200

No Director is eligible for any pension entitlements.

Share Price Total Return

The graph below compares the shareholder return on the Company's Shares compared to that of the FTSE All-Share Total Return Index ("ASX Total Return Index") from 16 March 2015 to 31 December 2022. The Board has adopted as this measure for the Company's performance as there is no widely used comparative benchmark for the underlying credit assets that the Company invests in.

VSL vs ASX Total Return Index



Source: Bloomberg.

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

¹ Oliver Grundy was appointed as a Director on 12 March 2021.

² Kevin Ingram retired as Chair of the Board at the Company's AGM in 2021.

³ Mark Katzenellenbogen received an additional fee for his additional responsibilities and commitment to the Board in 2021.

⁴ Graeme Proudfoot was appointed as Chair of the Board at the Company's AGM in 2021.

Relative Importance of Spend on Pay

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

	2022 £	2021 £
Total Directors' Remuneration	192,500	193,200
Total Share Buyback	Nil	3,741,814
Total Dividend Payments	22,262,111	22,355,761

The 2022 total dividend payments above include the fourth quarter dividend to be paid in the first quarter of 2023. Refer to Note 15 to the financial statements further disclosures on the total dividend payments.

Remuneration Advisors

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

Directors' Interests (Audited)

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

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

DIRECTOR		31 DECEMBER 2022	31 DECEMBER 2021
Oliver Grundy ¹	Ordinary Shares	30,000	30,000
Mark Katzenellenbogen	Ordinary Shares	215,000	215,000
Elizabeth Passey	Ordinary Shares	10,000	10,000
Clive Pegram	Ordinary Shares	333,240	333,240
Graeme Proudfoot	Ordinary Shares	130,000	130,000

Implementation of Policy in the Next Year

Amendments to the remuneration policy will be proposed to shareholders at the 2023 AGM. The changes to the remuneration policy will seek approval for:

- ❖ Directors will be permitted to discuss, but not decide their own remuneration; and
- ❖ Any discussions on Directors' remuneration shall take into consideration comparative data retrieved and reviewed against the Company's AIC peer group.

The Directors believe that the changes proposed to the remuneration policy will continue to enable the Company to attract and retain individuals of a calibre appropriate to the future development of the Company. It shall also promote increased transparency with remuneration supported by factual data obtained from the industry peer group.

¹ Oliver Grundy was appointed as a Director on 12 March 2021.

GOVERNANCE continued

Approval

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Implementation summarises, as applicable, for the year to 31 December 2022:

- (a) the major decisions on Directors' remuneration;
- (b) any substantial changes relating to Directors' remuneration made during the year; and
- (c) the context in which the changes, if any, occurred and decisions have been taken.

This report was approved by the Board of Directors on 27 April 2023 and signed on its behalf by

Graeme Proudfoot

Chair

27 April 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- ❖ select suitable accounting policies and then apply them consistently;
- ❖ state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ❖ make judgements and accounting estimates that are reasonable and prudent; and
- ❖ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

DIRECTORS' CONFIRMATIONS

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

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

- ❖ the group and company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the group and company, and of the loss of the group; and
- ❖ the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board:

Graeme Proudfoot

Chair

27 April 2023

GOVERNANCE continued

REGULATORY DISCLOSURES

AIFMD DISCLOSURES

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

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

REPORT ON REMUNERATION

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

RISK DISCLOSURES

The financial risk disclosures relating to risk framework, gearing and liquidity risk as required in accordance with the AIFMD are set out on pages 21 to 24 and in Note 6 of the financial statements.

PRE-INVESTMENT DISCLOSURES

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

INFORMATION TO BE DISCLOSED IN ACCORDANCE WITH LISTING RULE 9.8.4R

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

SECTION	LISTING RULE REQUIREMENT	LOCATION
9.8.4 (1)	A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
9.8.4 (2)	Information required in relation to the publication of unaudited financial information.	Not applicable
9.8.4 (4)	Details of any long-term incentive schemes.	Not applicable
9.8.4 (5), (6)	Details of any arrangements under which a director has waived emoluments, or agreed to waive any future emoluments, from the company.	Not applicable
9.8.4 (7)	Details of any non pre-emptive issues of equity for cash.	Not applicable
9.8.4 (8)	Details of any non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	Not applicable
9.8.4 (9)	Details of parent participation in a placing by a listed subsidiary.	Not applicable
9.8.4 (10)	Details of any contract of significance with the Company (or one of its subsidiaries) with respect to which a director or controlling shareholder is material interested.	Pages 103 and 117
9.8.4 (11)	Details of any contract of significance for the provision of services to the Company (or one of its subsidiaries) by a controlling shareholder.	Not applicable
9.8.4 (12), (13)	Details of waiver of dividends by a shareholder.	Not applicable
9.8.4 (14)	Board statement in respect of relationship agreement with the controlling shareholder.	Not applicable

SHAREHOLDER INFORMATION

INVESTMENT OBJECTIVE

The Company provides asset-backed lending solutions to emerging and established businesses with the goal of building long-term, sustainable income generation. The Company focuses on providing capital to vital segments of the economy, which for regulatory and structural reasons are underserved by the traditional banking industry. Among others, these segments include small business lending, working capital products, consumer finance and real estate. The Company offers shareholders access to a diversified portfolio of opportunistic credit investments originated by non-bank lenders with a focus on the rapidly developing technology-enabled lending sector. Through rigorous diligence and credit monitoring, the Company generates stable income with significant downside protection.

As previously disclosed, the Board determined that it would be in the best interests of the Company and its shareholders to put forward formal proposals for a managed wind-down of the Company. Upon a successful vote at the general meeting on the proposals put forth by the Board, the updated investment objective of the Company will be to conduct an orderly realisation of the assets of the Company and be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximising value.

INVESTMENT POLICY

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

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

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

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

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

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

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

INVESTMENT RESTRICTIONS

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

PLATFORM RESTRICTIONS

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

ASSET CLASS RESTRICTIONS

Single loans acquired by the Company will typically be for a term no longer than five years.

The Company will not invest more than 20% of its Gross Assets, at the time of investment, via any single investment fund investing in Debt Instruments and Credit Facilities. In any event, the Company will not invest, in aggregate, more than 60% of its Gross Assets, at the time of investment, in investment funds that invest in Debt Instruments and Credit Facilities.

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

The following restrictions apply, in each case at the time of investment by the Company, to both Debt Instruments acquired by the Company via wholly-owned SPVs or partially-owned SPVs on a proportionate basis under the Marketplace Model, on a look-through basis under the Asset Backed Lending Model and to any Debt Instruments held by another investment fund in which the Company invests:

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

OTHER RESTRICTIONS

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

Where appropriate, the Company will ensure that any SPV used by it to acquire or receive (by way of assignment or otherwise) any loans to UK consumers shall first obtain the appropriate authorisation from the FCA for consumer credit business.

BORROWING POLICY

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

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

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

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

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

SHARE REGISTER ENQUIRIES

For shareholder enquiries, please contact the Company's registrar, Link Group on +44 (0) 371 664 0391.

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday (excluding public holidays in England and Wales).

SHAREHOLDER INFORMATION

continued

SHARE CAPITAL AND NET ASSET VALUE INFORMATION

Ordinary £0.01 Shares	278,276,392
SEDOL Number	BVG6X43
ISIN Number	GB00BVG6X439

SHARE PRICES

The Company's shares are listed on the London Stock Exchange.

ANNUAL AND HALF-YEARLY REPORTS

Copies of the Annual and Half-Yearly Reports are available from the Investment Manager on and are available on the Company's website <http://vpcspecialtylending.com>.

PROVISIONAL FINANCIAL CALENDAR

June 2023	Annual General Meeting
July 2023	Payment of interim dividend to 31 March 2022
30 June 2023	Half-year End
September 2023	Announcement of half-yearly results
October 2023	Payment of interim dividend to 30 June 2022
December 2023	Payment of interim dividend to 30 September 2022
31 December 2023	Year End

DIVIDENDS

The following table summarises the amounts recognised as distributions to equity shareholders relating to 2022:

	£
2022 interim dividend of 2.00 pence per Ordinary Share paid on 21 July 2022	5,565,527
2022 interim dividend of 2.00 pence per Ordinary Share paid on 6 October 2022	5,565,528
2022 interim dividend of 2.00 pence per Ordinary Share paid on 29 December 2022	5,565,528
2022 interim dividend of 2.00 pence per Ordinary Share paid on 30 March 2023	5,565,528
Total	22,262,111

DEFINITIONS OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

The Group uses the terms and alternative performance measures below to present a measure of profitability which is aligned with the requirements of our investors and potential investors, to draw out meaningful subtotals of revenues and earnings and to provide additional information not required for disclosure under accounting standards to assist users of the 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.

Dividend Yield on Average NAV – Calculated as the dividends declared during 2022 divided by the average Net Asset Value (Cum Income) of the Company for the year.

Gross Returns – The gross revenue and gross capital returns represent 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).

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.

	2022 Calculation	2021 Calculation	Inception to Date Calculation
(A) Closing NAV (Cum Income) per share	98.19p	114.14p	98.19p
(B) Opening NAV (Cum Income) per share	114.14p	95.72p	98.00p
(C) Dividends declared and paid	8.00p	8.00p	55.59p
$D = (A - B + C) / B$	-6.97%	27.60%	56.91%

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.

Ongoing Charges Ratio – Ongoing charges represents the management fee and all other operating expenses, excluding finance costs, transaction costs and any performance fee payable, expressed as a percentage of the average net asset values during the year.

	2022 Calculation	2021 Calculation
(A) Ongoing Charges	£5,911,749	£5,460,145
(B) Average Net Asset Value	£296,360,140	£304,231,779
$C = A / B$	1.99%	1.79%

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.

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 2022 to 31 December 2021 plus the dividends declared in 2022 divided by the traded share price as at 31 December 2021.

	2022 Calculation	2021 Calculation	Inception to Date Calculation
(A) Closing Ordinary Share price	83.10p	92.20p	83.10p
(B) Opening Ordinary Share price	92.20p	78.70p	100.00p
(C) Dividends declared and paid	8.00p	8.00p	55.59p
$D = (A - B + C) / B$	-1.19%	27.32%	38.69%

Trailing Twelve Month Dividend Yield – Calculated as the total dividends declared over the last 12 months as at 31 December 2022 divided by the 31 December 2022 closing share price.

SHAREHOLDER INFORMATION

continued

CONTACT DETAILS OF THE ADVISERS

Directors	Oliver Grundy Mark Katzenellenbogen Elizabeth Passey Clive Peggram Graeme Proudfoot <i>all of the registered office below</i>
Registered Office	6th Floor 65 Gresham Street London EC2V 7NQ United Kingdom
Company Number	9385218
Website Address	https://vpcspecialtylending.com
Corporate Brokers	Jefferies International Limited 100 Bishpsgate London EC2N 4JL United Kingdom Winterflood Securities Limited Cannon Bridge House 25 Dowgate Hill London EC4R 2GA
Investment Manager and AIFM	Victory Park Capital Advisors, LLC 150 North Riverside Plaza, Suite 5200 Chicago IL 60606 United States
Company Secretary	Link Company Matters Limited Beaufort House 51 New North Road Exeter EX4 4EP United Kingdom
Administrator	Citco Fund Administration (Cayman Islands) Limited 3 Second Street, Harborside Plaza 10, 6th Floor Jersey City NJ 07302 United States
Registrar	Link Group Central Square 29 Wellington Street Leeds LS1 4DL United Kingdom
PR Advisor	Montfort Communications Chelsea Harbour 109 Harbour Yard London SW10 0XD United Kingdom

Custodians	Merrill Lynch, Pierce, Fenner & Smith Incorporated 101 California Street San Francisco CA 94111 United States
English Legal Adviser to the Company	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT United Kingdom



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