# VPC SPECIALTY LENDING INVESTMENTS PLC

HALF-YEAR REPORT (UNAUDITED)

FOR THE SIX-MONTH PERIOD TO 30 JUNE 2023

COMPANY NUMBER 9385218

VICTORY PARK CAPITAL

# VPC SPECIALTY LENDING INVESTMENTS PLC
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# VPC SPECIALTY LENDING INVESTMENTS PLC
# INTRODUCTION

## FINANCIAL HIGHLIGHTS

### RETURN SUMMARY AS AT 30 JUNE 2023

**Net Asset Value ("NAV") per Ordinary Share**

**94.18p**
(30 June 2022: 105.51p)
(31 December 2022: 98.19p)

**NAV (Cum Income) Return**

**- 2.04%**
(30 June 2022: - 4.06%)
(31 December 2022: - 6.97%)

**Total Shareholder Return at 30 June 2023[1]**
(based on share price)

**- 14.32%**
(30 June 2022: - 5.21%)
(31 December 2022: - 1.19%)

**Dividends per Ordinary Share[2]**

**4.00p**
(30 June 2022: 4.00p)
(31 December 2022: 8.00p)

**Revenue Return**

**+ £21.79 million**
(30 June 2022: + £13.21 million)
(31 December 2022: + £28.02 million)

**Total Net Return**

**- £5.55 million**
(30 June 2022: - £12.88 million)
(31 December 2022: - £22.11 million)

**Ordinary Share Price at 30 June 2023**

**69.20p**
(30 June 2022: 83.40p)
(31 December 2022: 83.10p)

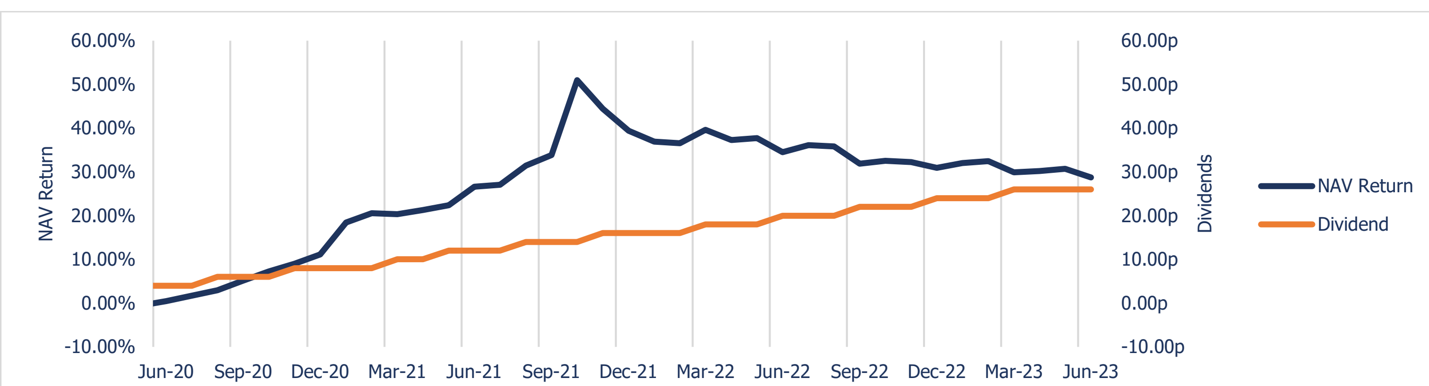
**Discount to NAV at 30 June 2023**

**26.53%**
(30 June 2022: 20.95%)
(31 December 2022: 15.37%)

1 Net of issue costs.
2 Dividends declared which relate to the period.

### COMPANY PERFORMANCE

The table below illustrates the Company's Cumulative NAV return and dividend per share for the three years from 1 July 2020 to 30 June 2023.[1]



## TOP TEN POSITIONS

The table below provides a summary of the top ten exposures of the Group, net of gearing, as at 30 June 2023. 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 page 3 to consider the application of the restrictions in this policy on a look-through basis.

| INVESTMENT | COUNTRY | INVESTMENT TYPE | EXPOSURE |
|---|---|---|---|
| Deinde Group, LLC | United States | Asset Backed Lending | 12.65% |
| Caribbean Financial Group Holdings, L.P. | Latin America | Asset Backed Lending | 6.90% |
| FinanceApp AG | Switzerland | Equity | 6.58% |
| Applied Data Finance, LLC | United States | Asset Backed Lending | 6.23% |
| FinAccel Pte Ltd | Singapore | Asset Backed Lending | 5.90% |
| Perch HQ, LLC | United States | Asset Backed Lending | 4.91% |
| Razor Group GMBH | Germany | Asset Backed Lending | 4.46% |
| Heyday Technologies, Inc. | United States | Asset Backed Lending | 3.95% |
| Heyday Technologies, Inc. | United States | Equity | 3.25% |
| Elevate Credit, Inc. | United States | Asset Backed Lending | 3.13% |

## 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 owners of shares of the Company ("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 ("U.S.") 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.

This half year report for the period to 30 June 2023 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. Proposals to amend the Company's investment policy to facilitate a managed wind-down of the Company were approved by Shareholders at the General Meeting on 12 June 2023.

## INVESTMENT OBJECTIVE

Following the wind-down vote and accompanying amendments to the investment policy, the Company's investments will be realised in an orderly manner, that is, with a view to achieving a balance between returning cash to Shareholders promptly and maximising value. On pages 5 and 8 of this report more information is provided about the intended schedule for liquidating VSL's portfolio.

## 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. There have been no new investments since 30 June 2023. The only circumstances where the Company will fund existing portfolio investments will be where there are contractual requirements to do so or where it is considered vital to protect the value of that investment.

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, small- and medium-sized enterprises ("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 mitigate concentration risks.

# STRATEGIC REPORT

# VPC SPECIALTY LENDING INVESTMENTS PLC

## CHAIRMAN'S STATEMENT

I present to you the half-year results for the Company for the period to 30 June 2023. Over this period, the Company delivered a total return of -2.04%, with strong revenue returns of 5.94% but capital and other returns were down by 8.10% due to challenges in the broader equity markets. Through this period, the Company's investment portfolio remained stable, and its dividend has been unaltered with quarterly dividends totalling 4.00 pence per share declared with 2.00 pence per share paid as of 30 June 2023.

The first half of 2023 has been dominated by Western economies attempting to dampen rising inflation with sustained monetary policy tightening. These efforts have made daily life increasingly difficult for consumers and borrowers, and investor sentiment has suffered. That said, there were some positive developments this year. For example, fears of banking sector contagion following the fallout of Silicon Valley Bank in March have dissipated, and lending conditions have tightened by less than initially feared. Moreover, even as growth has been anaemic, larger economies have so far this year managed to avoid recession. Consequently, we may be closer to the end of the rate-hiking cycle in both Europe and the U.S., even if the U.S. Federal Reserve ("Fed") appears unlikely to ease monetary policy before early 2024.

Closer to home, the Association of Investment Companies ("AIC") reported that UK investment trusts as a whole are now trading at the widest discount to net asset value ("NAV") since 2009 at the height of the Global Financial Crisis. The discount then continued to widen because of the still-challenging economic environment eroding investor confidence. Indeed, discounts appear particularly steep for those investment trusts invested in relatively illiquid assets, including private companies and real estate. Investment trust discounts are unlikely to close significantly until investors feel far more optimistic about the future direction of the global economy.

### THE COMPANY'S INVESTMENTS

The Company continues to generate robust returns from its core lending business in asset backed investments (which represent 76% of the total portfolio as at 30 June 2023). The core lending business benefits from a secure lending position, targeting minimal capital losses and a high level of income generation that supports regular dividend payments. Most of the Company's asset backed investments are delayed draw, floating rate senior secured loans that may have equity subordination. These asset backed investments are secured primarily by underlying collateral consisting of consumer loans, small business loans and alternative assets.

The Company's equity interests are often an affiliated accompaniment to its core lending activity, as are its investments in Special Purpose Acquisition Companies ("SPACs"). During the half-year review period, the proportion of the overall portfolio represented by equity investments, including investments in SPACs, increased slightly from 22% to 23%. The Company's investment in SPACs is valued at £4.9 million, approximately 2% of NAV.

More information about the performance of the Company's investments can be found in the Investment Manager's Report.

### INVESTMENT OBJECTIVE

Proposals to amend the Company's investment policy to facilitate a managed wind-down of the Company were approved by Shareholders at the General Meeting on 12 June 2023. There are two key aspects of the wind-down process I am keen to address to Shareholders; the first is the timing of realisations, and the second is the expedient and measured return of capital. In terms of realisations, the Investment Manager is committed to ensuring that the Company's investments will be realised in an orderly manner, that is, intending to achieve a balance between returning cash to Shareholders promptly and maximising value. Given the illiquid nature of the Company's investments, it is difficult to provide certainty on the timeframe for realisation; however, I would direct Shareholders to the Company's website to view the most recently published Monthly Report, where we will continue to publish any information relating to actual and potential realisations. The profile of contractual maturities less projected borrowing paydowns for Asset Backed Lending Investments as at 30 June 2023 is available on the Company's website: https://vpcspecialtylending.com/documents/ and updates will continue to be provided monthly. For ease of reference the maturity profile as at 30 June 2023 can be found on page 8 below.

In terms of returning capital to Shareholders, we are conscious that our Shareholder register features both institutional and retail investors. With that in mind, we will seek to ensure as far as possible that no Shareholder group is disadvantaged in how capital is returned over time.

Although Shareholders should place only limited reliance on this information, it is the Board's current estimate that the first distribution will occur at the end of 2023 or in early 2024 and that distributions will continue thereafter with a substantial proportion of the portfolio being realised within the next three years. Based on existing market conditions, potential cash flows and on the assumption of continued strong portfolio performance, the Company currently expects to continue paying dividends at the current rate for at least a year and potentially longer. The Company will communicate the expected timing of distributions as the portfolio is realised, through Monthly Reports and via direct Shareholder communication as required.

### INVESTOR ENGAGEMENT

Following the votes at the General Meeting and the AGM, the Board has been engaging with Shareholders to understand the reasons for over 20% of the votes being cast against Resolution 2 (To revise the investment management agreement) at the General Meeting and at the AGM: on Resolutions 5 (To re-elect the Chairman as a Director), 10 (To authorise the Directors to allot Ordinary Shares), and 11 (To dis-apply pre-emption rights[1]). We acknowledged the outcome of these votes in our communications after both meetings and have subsequently been in contact with a number of Shareholders to listen to the reasons for their votes against those Resolutions and to assure them that their concerns have been acknowledged. I would like to thank those Shareholders who engaged in these constructive

[1] Special Resolution.

discussions. We will continue to consult Shareholders regularly.

One key piece of feedback was concern from some Shareholders regarding Resolution 2 of the General Meeting to restructure the Investment Manager's management and performance fee arrangements in light of the wind-down process. In response, it is important to note that the revised management and performance fee arrangements require a full NAV return (i.e., the High Water Mark NAV Amount) in cash to Shareholders before any performance fees are paid to the Investment Manager, which was not previously the case. Further, the Company will not pay performance fees on unrealised gains in the future, with performance fees only being paid out of realised returns. The arrangement should mitigate against disposals at an excessive discount which would expedite the voluntary liquidation of the Company but may disadvantage Shareholders.

We continue to believe that the revised management and performance fee arrangements better align the interests of the Company, its Shareholders and the Investment Manager, as it incentivises the Investment Manager to undertake the wind-down process efficiently and in a way that optimises value and decreases risk for Shareholders. A fixed management fee alone could not achieve the same degree of alignment, and I hope this helps to further allay any Shareholder concerns on this matter.

## THE COMPANY'S ESG IMPACT

As an investment trust, the Company does not have employees, property, or factories. Therefore, its ability to make a positive environmental, social, and governance ("ESG") impact is directed by the Investment Manager and through the Portfolio Companies the Company invests in. The Investment Manager aims to operate and invest responsibly, ethically, and fairly and 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.

As a consequence of the new investment policy, we recognise we have an even greater responsibility to ensure we treat all underlying Portfolio Companies fairly in respect of timings of exits and in our efforts to achieve a fair value for all concerned parties. Decisions will continue to be taken after considering the impact on all relevant stakeholders.

The Board and the Investment Manager remain committed to ensuring the Company's culture is aligned with its stated purpose, values, and strategy, throughout the wind-down process. Moreover, the Company continues to have policies and procedures in place to maintain a culture of good governance, including policies and procedures relating to all aspects of diversity, equity, and inclusion.

## OUTLOOK

We have been encouraged by the Company's resilience during continued market uncertainty and in an era of significant interest rate hikes. This resilience stems from the nature of the core asset backed securities held by the Company, the deal structuring applied to portfolio investments, the risk management measures implemented, as well as the Investment Manager's long-standing credit expertise.

Now that the wind-down process has begun in earnest, the Board will meet regularly to review the following: (i) progress in implementing the Company's revised investment objective and policy, and (ii) the liquidity of unrealised holdings. We recognise that the strategy for realising individual investments must be flexible and may need to be altered to reflect changes in the circumstances of a particular investment or to account for prevailing market conditions. While some investments may be considered appropriate for sale in the shorter term, other investments may be held for a longer period with a view to enabling their inherent value to be achieved.

The Company's goal in the wind-down is to keep Shareholders updated on progress and to achieve realisations in a timely and efficient manner. We recognise that to be overly prescriptive on the timeframe could prove detrimental to the overall aims of the orderly wind-down, which is to achieve the best value for Shareholders. However, our conversations with Shareholders confirmed that timing is paramount for some. We will therefore endeavour to keep all Shareholders informed and updated throughout the realisation process while being mindful of our responsibilities to all Stakeholders and Portfolio Companies.

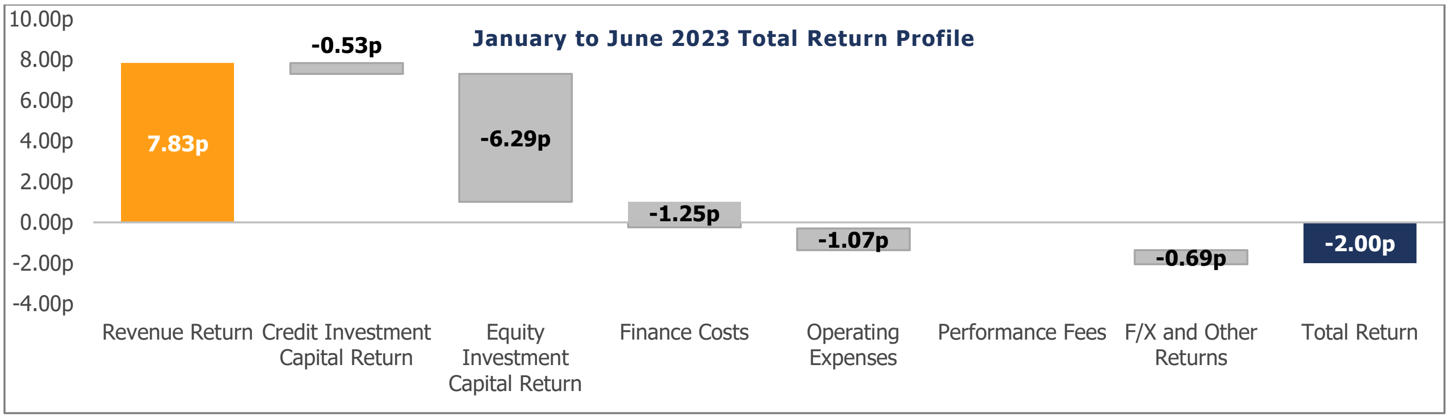
Finally, your Board and I would like to thank all Shareholders for their continued support.

Graeme Proudfoot
Chairman
28 September 2023

## PERFORMANCE REVIEW

Amid ongoing economic uncertainty during the first half of the year, the Company generated negative performance primarily driven by unrealised losses on equity investments within the eCommerce aggregation portfolio. Even so, we believe the portfolio remains well-positioned due to the protections structured into the Company's balance sheet investments, and the Company continues to make quarterly dividend payments to its investors in line with expectations.

During the period, the Company generated a total return of -2.04% (2.00p) for shareholders, declared dividends for the period of 4.00p and produced a NAV per share as at 30 June 2023 of 94.18p. The Company generated gross revenue returns of 7.98% (7.83p) as a percentage of NAV in the first half of 2023 from the Company's balance sheet investments, continuing the stable trend of the past few years. As detailed in the returns table below, gross capital returns of -6.95% (-6.82p) were primarily due to the unrealised losses from the Company's privately held and publicly traded equity investments. Finance costs were -1.28% (-1.25p) and operating expenses and management fees were -1.09% (-1.07p) for the period. A total return summary, showing returns per share, is shown below:




Revenue growth and contribution margins continue to be depressed within the eCommerce aggregation portfolio, a dynamic felt across the broader eCommerce and retail industries, driving the decision to adjust the fair market value of some investments. In addition, certain individual Portfolio Companies underperformed to budget, exacerbating the valuation adjustments.

Overall, the continued weak performance of equities and sustained pressure on consumer spending were notable themes during the first six months of the year, a dynamic felt in particular across the broader eCommerce and retail industries. After experiencing rapid growth during the pandemic, eCommerce companies have experienced a notable post-pandemic slowdown, and have been forced to navigate a slower growth environment. For context, even Amazon reported its first unprofitable year since 2014. Inflation, while showing signs of abating, continues to be a primary driver of pressure on consumers, particularly those in the lower income brackets. While many of the supply chain challenges faced by eCommerce since early 2022 have eased, higher prices have not fully offset the pressure on margins and reductions in force have been more commonplace.

In the second quarter of 2023, eCommerce Portfolio Companies continued to right-size balance sheets by reducing inventory to unlock working capital and manage corporate spending. This is not unique to the Company's portfolio but has been a broader theme consistent across the industry, from large multinationals to small third-party sellers. On a positive note, there have been signs that these right-size measures are paying off. Revenue and margin performance are improving while liquidity remains generally robust, albeit continued risk-management efforts to improve profitability and underlying asset performance will remain a work in process through the back half of the year.

The Company's fintech credit facilities have demonstrated continued resilience. In the consumer space, consumer credit is showing signs of normalisation, with credit card delinquencies returning to pre-pandemic levels.

The demand in Venture Capital ("VC") markets has, in general, been notably weaker during 2023, with VC investors scaling back funding and taking longer to assess new investment opportunities. Public equity volatility and a general reset in valuations have led to a higher "bar" for new equity investments. According to Crunchbase, seed funding in the first quarter of 2023 was down 44% year over year, and early-stage funding was down 54% over the previous year. The slowdown led to a decrease in valuations for the private equity book.

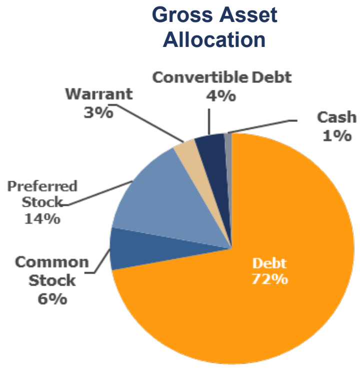
By contrast, the demand for private debt as a practical alternative to growth equity financing for emerging businesses has continued. In 2007, the private debt market had approximately US$190 billion in assets. It has subsequently increased to approximately US$1.5 trillion in assets in 2022[2]. The evidence suggests that as traditional funding has dried up, growth-stage companies are increasingly relying on debt financing and non-traditional funding to support their expansion plans.

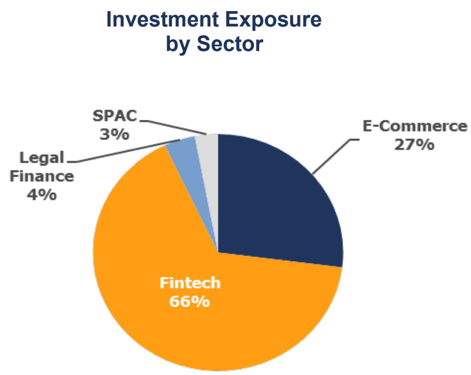
The Company's asset backed investment portfolio primarily consists of senior secured floating rate credit facilities. The senior secured floating rate credit facilities are further structured to provide significant first-loss protection to Company's investments. Recent higher interest rates have positively affected revenue returns, as rates on the Company's facilities are floating.

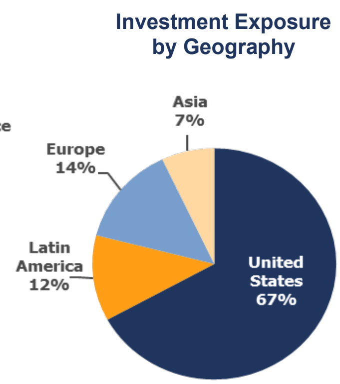
In keeping with the Company's expected credit loss allowance policy, reserves are reviewed monthly. Given the continued challenging economic environment and in running the scenarios detailed in the footnotes to the financial statements, the Company saw a nominal increase in the expected credit loss reserves by 9.63% or £1.6 million during the period.

## PORTFOLIO COMPOSITION

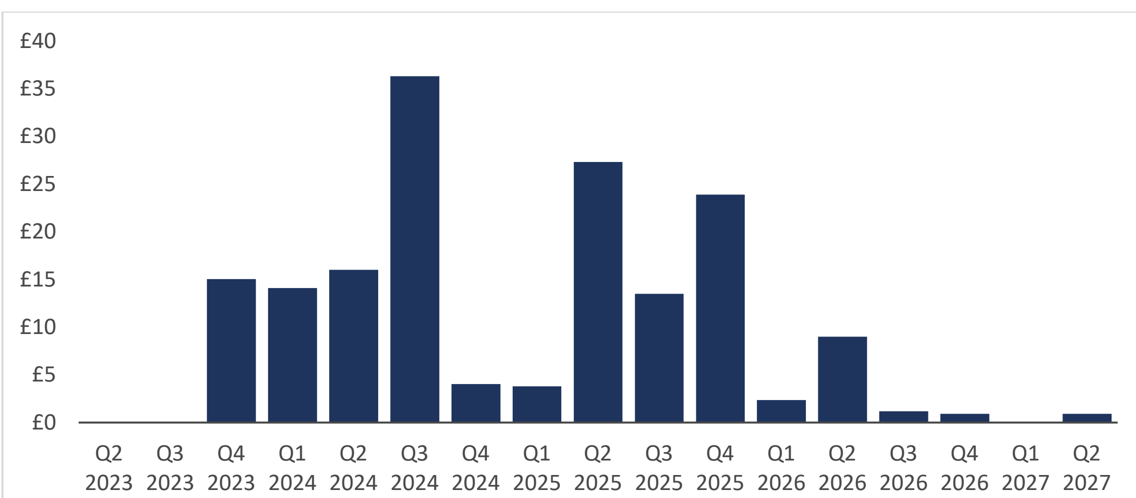
There was little investment activity in the period, with the Company's portfolio composition remaining broadly consistent in terms of exposures as at year-end, with a diversity of geographies, borrower types and credit quality. Below are the breakouts of the Company's portfolio composition as at 30 June 2023:




The table below reflects the stated maturities on the underlying Asset Backed Lending investment facilities and the amounts shown reflect the carrying value of the investments less projected paydowns on the Company's gearing facility as at 30 June 2023 (amounts shown in £ millions). These investments can and may be held for a longer period than the stated maturities with a view to enabling their inherent value to be realised successfully. The strategy for realising individual investments and repaying the Company's gearing facility will be flexible and may need to be altered to reflect changes in the circumstances of a particular investment or in the prevailing market conditions.




[2] (Source: Preqin Pro).

### SUMMARY HIGHLIGHTS FOR THE FIRST HALF OF 2023

- **February 2023:** The Company declared its 20th consecutive dividend of 2.00p for the three-month period to 31 December 2022.
- **April 2023:** On 28 April 2023, the Company released its 2023 Annual Report, which was published on its website.
- **May 2023:** On 16 May 2023, the General Meeting Circular was announced and published to the Company's website, inclusive of two proposals for the Company's managed wind-down, with a vote on the proposals taking place on 12 June 2023. On 31 May 2023, the recurring AGM Circular was announced and published on the Company's website.
- **June 2023:** At the General Meeting held on 12 June 2023, the resolutions put to the meeting inclusive of two proposals for the Company's managed wind-down were approved by Shareholders. The Company announced that at its AGM held on 23 June 2023, all resolutions set out in the Notice of AGM were passed by the requisite majority. On 26 June 2023, the Company declared its 21st consecutive dividend of 2.00 pence per share for the three-month period to 31 March 2023.

### SUBSEQUENT EVENTS

- **July 2023:** The Company sold 932,968 shares of Bakkt (NYSE: BKKT) for US$1.6 million, including a gain of US$0.1 million.
- **August 2023:** In August 2023, the Company sold a portion of its remaining equity in Kueski, Inc. for US$0.8 million, including a gain of US$0.7 million. On 25 August 2023, the Company received a paydown of US$5.3 million on CFG Partners Holdings, L.P. that the Company used to reduce the outstanding gearing facility.
- **September 2023:** In September 2023, the Company received cash inflows totalling US$14.0 million from the Company's Asset Backed Lending and equity investments. The proceeds were used to partially reduce the outstanding gearing facility.

### RISKS AND UNCERTAINTIES

Although there are several risks and uncertainties, the Investment Manager believes the most significant of these include:

- **Rising interest rates:** While the Company's investment portfolio primarily consists of floating rate credit facilities with interest rate floors, changes in interest rates could affect its investments, the profitability of the Portfolio Companies, and that of the underlying borrowers, potentially leading to lower returns or changes in repayments or default rates of the underlying borrowers.
- **Potential changes in credit risk:** There is inherent risk in the Company's underlying investments of a borrower default and a majority of the underlying exposure is in the U.S. Given the short duration of the collateral in the portfolio, the underly Portfolio Companies continue to generate sufficient cash flow.

The Investment Manager's proactive approach to mitigating risk includes tightening credit criteria on originations, bolstering operations, rationalising operating expenses, tightening structural protections, and leveraging third-party consultants as needed. It is also committed to ongoing monitoring on a daily, weekly, and monthly basis of cash reserve levels, collateral, and repayment activity.

### INVESTMENT MANAGER UPDATE

VPC had a robust first half of 2023. As at 1 August 2023, VPC's team included 55 employees across its locations in Chicago, New York, Los Angeles, San Francisco, and London. The Investment Manager continues to operate in a hybrid workplace, with employees working from the office three days a week and remotely two days per week, respectively.

As it relates to portfolio management, the Investment Manager remains focused on proactive risk management and controls across its portfolio. Senior management holds multiple calls each week, and the investment team is in regular contact with Portfolio Companies. With the help of the Investment Manager's proprietary Data Analytics and Risk Technology System (DARTS), VPC is able to monitor risk and performance proactively.

### OUTLOOK

The last 18 months have seen interest rates raised by central bankers at an unprecedented pace. As recently as the first quarter of 2022, the Fed held the federal funds rate at near zero. Since then, the Fed has raised rates 11 times, taking the federal funds rate to a range of 5.25% to 5.50% at the time of writing. It is, therefore, not surprising that companies are struggling to acclimatise to borrowing rates. While there are growing hopes that U.S. monetary tightening has peaked, the Fed is not ruling out the possibility of more rate hikes this year.

The Company's average portfolio interest rate has increased as the Fed has raised rates, which has positively affected revenue returns over the period. However, the Investment Manager recognises that central bank policy is not an exact science, and just as policymakers take time to respond to changes in the economic outlook, the effects of their policy changes take time to filter through to the broader economy, companies, and consumers. The Investment Manager, therefore, is mindful that further increases in short-term rates could potentially lead to credit risk as Portfolio Companies will face greater than anticipated interest expenses. As well as monitoring credit performance, the Investment Manager continually assesses the overall corporate performance of the Portfolio Companies, including observing board meetings and holding weekly update calls with management.

From a macroeconomic standpoint, private debt as an asset class remains the stable choice in volatile times and continues to benefit from investors seeking income generation and resilient returns across market cycles. From a structural perspective, as the world adapts to the higher-for-longer interest rate environment, the Company continues to benefit from its floating rate credit facilities with interest rate floors, its short-duration collateral in the underlying Portfolio Companies, and its additional layers of corporate guarantees and structural protection. Overall, the Investment Manager anticipates valuations will be flat or slightly down next year as this environment encourages companies to be measured on valuation expectations. The theme of mergers and consolidation is expected to be a focus across the eCommerce space throughout the remainder of 2023 and well into 2024.

As the Investment Manager, VPC is managing the wind-down effectively with the near-term goal to maintain the Company's dividend target. VPC will manage the portfolio in accordance with the Firm's institutionalised policies and procedures with the goal of maximising returns for Shareholders.

Victory Park Capital Advisors, LLC
Investment Manager
28 September 2023

# VPC SPECIALTY LENDING INVESTMENTS PLC
## DIRECTORS' RESPONSIBILITY STATEMENT
### FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

(b) the Interim Management Report (including the Chairman's Statement and the Investment Manager's Report) includes a fair review of the information required by DTR 4.2.7 R (indication of important events that have occurred during the six-month period to 30 June 2023 and their impact on the set of consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year); and

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

Signed on behalf of the Board by:

Graeme Proudfoot
Chairman
28 September 2023

### CAUTIONARY STATEMENT

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

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

### ACTIVITIES

The activities of the Group are described in the Chairman's Statement and in the Investment Manager's Report. Refer to the Chairman's Statement on pages 5 through 6 and the Investment Manager's Report on pages 7 through 10 of the Half-Year Financial Report. Further refer to Note 1 to the consolidated financial statements.

### STRATEGY AND INVESTMENT OBJECTIVES

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

Refer to the Chairman's Statement on pages 5 through 6 and the Investment Manager's Report on pages 7 through 10 of the Half-Year Financial Report.

### GOING CONCERN

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

### PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial period and could cause actual results to differ materially from expected and historical results. Refer to the Investment Manager's Report on pages 7 through 10 of the Half-Year Financial Report as well as Note 5 to the consolidated financial statements for the potential risks and uncertainties. The principal risks and uncertainties are consistent with those disclosed in the Annual Report for the year ended 31 December 2022 which can be found on the Company's website.

### FINANCIAL PERFORMANCE

The financial and operational highlights of the Group can be found on page 1 of the Half-Year Financial Report.

### RELATED PARTY TRANSACTIONS

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

# FINANCIAL STATEMENTS

# VPC SPECIALTY LENDING INVESTMENTS PLC

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

| | NOTES | 30 JUNE 2023 £ | 30 JUNE 2022 £ | 31 DECEMBER 2022 £ |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | | 5,164,371 | 3,603,872 | 15,538,602 |
| Cash posted as collateral | | 1,383,979 | 6,657,120 | 2,222,734 |
| Derivative financial assets | | 4,205,146 | – | 1,081,849 |
| Interest receivable | | 9,678,703 | 4,715,312 | 5,848,979 |
| Dividend and distribution receivable | | 4,606 | 4,362 | 4,735 |
| Other assets and prepaid expenses | | 2,107,136 | 4,869,842 | 2,190,718 |
| Loans at amortised cost | 3,7 | 203,674,693 | 259,567,849 | 220,225,329 |
| Investment assets designated as held at fair value through profit or loss | 3 | 110,065,131 | 134,486,636 | 130,870,709 |
| **Total assets** | | **336,283,765** | **413,904,993** | **377,983,655** |
| **Liabilities** | | | | |
| Management fee payable | 8 | 18,372 | 434,554 | 97,785 |
| Derivative financial liabilities | | – | 6,326,320 | 3,283,142 |
| Deferred income | | 13,975 | 99,607 | 41,201 |
| Other liabilities and accrued expenses | | 1,172,763 | 1,655,146 | 1,815,268 |
| Dividend and distribution payable | | – | 5,565,528 | – |
| Due to broker | | 664,628 | – | 4,848,569 |
| Notes payable | 6 | 72,328,029 | 106,175,885 | 94,669,284 |
| **Total liabilities** | | 74,197,767 | **120,257,040** | **104,755,249** |
| **Total assets less total liabilities** | | **262,085,998** | **293,647,953** | **273,228,406** |
| **Capital and reserves** | | | | |
| Called-up share capital | | 20,300,000 | 20,300,000 | 20,300,000 |
| Share premium account | | 161,040,000 | 161,040,000 | 161,040,000 |
| Other distributable reserve | | 112,779,146 | 112,779,146 | 112,779,146 |
| Capital reserve | | (69,517,733) | (24,468,269) | (48,473,649) |
| Revenue reserve | | 36,271,340 | 22,689,448 | 26,369,664 |
| Currency translation reserve | | 1,213,245 | 1,256,135 | 1,213,245 |
| **Total equity attributable to Shareholders of the Parent Company** | | **262,085,998** | **293,596,460** | **273,228,406** |
| Non-controlling interests | 15 | – | 51,493 | – |
| **Total equity** | | **262,085,998** | **293,647,953** | **273,228,406** |
| **Net Asset Value per Ordinary Share** | 9 | 94.18p | 105.51p | 98.19p |

See Notes to the consolidated financial statements

# VPC SPECIALTY LENDING INVESTMENTS PLC

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2023

| | NOTES | REVENUE £ | CAPITAL £ | TOTAL £ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gain (loss) on investments | 4 | – | (17,636,151) | (17,636,151) |
| Foreign exchange gain (loss) | | – | (1,833,124) | (1,833,124) |
| Interest income | 4 | 16,411,439 | – | 16,411,439 |
| Other income | 4 | 5,973,144 | – | 5,973,144 |
| **Total return** | | **22,384,583** | **(19,469,275)** | **2,915,308** |
| **Expenses** | | | | |
| Management fee | 8 | 1,700,149 | – | 1,700,149 |
| Performance fee | 8 | – | – | – |
| Credit impairment losses | 7 | – | 1,574,809 | 1,574,809 |
| Other expenses | | 1,285,392 | – | 1,285,392 |
| **Total operating expenses** | | **2,985,541** | **1,574,809** | **4,560,350** |
| **Finance costs** | | **3,931,838** | **–** | **3,931,838** |
| Net return on ordinary activities before taxation | | 15,467,204 | (21,044,084) | (5,576,880) |
| Taxation on ordinary activities | | – | – | – |
| **Net return on ordinary activities after taxation** | | **15,467,204** | **(21,044,084)** | **(5,576,880)** |
| **Attributable to:** | | | | |
| Equity shareholders | | 15,467,201 | (21,044,084) | (5,576,880) |
| Non-controlling interests | | – | – | – |
| **Return per Ordinary Share (basic and diluted)** | | **5.56** | **(7.56)** | **(2.00)** |
| **Other comprehensive income** | | | | |
| Currency translation differences | | – | – | – |
| **Total comprehensive income** | | **15,467,204** | **(21,044,084)** | **(5,576,880)** |
| **Attributable to:** | | | | |
| Equity shareholders | | 15,467,204 | (21,044,084) | (5,576,880) |
| Non-controlling interests | | – | – | – |

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 AIC. All items in the above Statement derive from continuing operations. Amounts in Other comprehensive income may be reclassified to profit or loss in future periods.

See Notes to the consolidated financial statements

# VPC SPECIALTY LENDING INVESTMENTS PLC

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2022

| | NOTES | REVENUE £ | CAPITAL £ | TOTAL £ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gain (loss) on investments | 4 | – | (23,605,365) | (23,605,365) |
| Foreign exchange gain (loss) | | – | (215,548) | (215,548) |
| Interest income | 4 | 13,625,589 | – | 13,625,589 |
| Other income | 4 | 5,645,129 | – | 5,645,129 |
| **Total return** | | **19,270,718** | **(23,820,913)** | **(4,550,195)** |
| **Expenses** | | | | |
| Management fee | 8 | 1,990,424 | – | 1,990,424 |
| Performance fee | 8 | – | – | – |
| Credit impairment losses (recoveries) | 7 | – | 2,313,947 | 2,313,947 |
| Other expenses | | 1,023,217 | – | 1,023,217 |
| **Total operating expenses** | | **3,013,641** | **2,313,947** | **5,327,588** |
| **Finance costs** | | **3,051,940** | **–** | **3,051,940** |
| Net return on ordinary activities before taxation | | **13,205,137** | **(26,134,860)** | **(12,929,723)** |
| Taxation on ordinary activities | | – | – | – |
| **Net return on ordinary activities after taxation** | | **13,205,137** | **(26,134,860)** | **(12,929,723)** |
| **Attributable to:** | | | | |
| Equity shareholders | | 13,205,137 | (26,135,295) | (12,930,158) |
| Non-controlling interests | | – | 435 | 435 |
| **Return per Ordinary Share (basic and diluted)** | | **4.75** | **(9.39)** | **(4.65)** |
| **Other comprehensive income** | | | | |
| Currency translation differences | | – | 47,990 | 47,990 |
| **Total comprehensive income** | | **13,205,137** | **(26,086,870)** | **(12,881,733)** |
| **Attributable to:** | | | | |
| Equity shareholders | | 13,205,137 | (26,092,405) | (12,887,268) |
| Non-controlling interests | | – | 5,535 | 5,535 |

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 AIC. All items in the above Statement derive from continuing operations. Amounts in Other comprehensive income may be reclassified to profit or loss in future periods.

See Notes to the consolidated financial statements

# VPC SPECIALTY LENDING INVESTMENTS PLC
# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
### FOR THE YEAR ENDED 31 DECEMBER 2022

| | NOTES | REVENUE £ | CAPITAL £ | TOTAL £ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gain (loss) on investments | 4 | – | (42,614,991) | (42,614,991) |
| Foreign exchange gain (loss) | | – | (1,552,676) | (1,552,676) |
| Interest income | 4 | 33,917,279 | – | 33,917,279 |
| Other income | 4 | 7,418,009 | – | 7,418,009 |
| **Total return** | | **41,335,288** | **(44,167,667)** | **(2,832,379)** |
| **Expenses** | | | | |
| Management fee | 8 | 3,840,270 | – | 3,840,270 |
| Performance fee | 8 | – | – | – |
| Credit impairment losses | 7 | – | 5,956,807 | 5,956,807 |
| Other expenses | | 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 | | – | – | – |
| **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 | | – | 16,201 | 16,201 |
| **Return per Ordinary Share (basic and diluted)** | | **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 | | – | 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 AIC. All items in the above Statement derive from continuing operations. Amounts in Other comprehensive income may be reclassified to profit or loss in future periods.

See Notes to the consolidated financial statements

# VPC SPECIALTY LENDING INVESTMENTS PLC

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE PERIOD ENDED 30 JUNE 2023

| | CALLED UP SHARE CAPITAL £ | SHARE PREMIUM ACCOUNT £ | OTHER DISTRIBUTABLE RESERVE £ | CAPITAL RESERVE £ | REVENUE RESERVE £ | CURRENCY TRANSLATION RESERVE £ | TOTAL SHAREHOLDERS' EQUITY £ | NON-CONTROLLING INTERESTS £ | TOTAL EQUITY £ |
|---|---|---|---|---|---|---|---|---|---|
| **Opening balance at 1 January 2023** | **20,300,000** | **161,040,000** | **112,779,146** | **(48,473,649)** | **26,369,664** | **1,213,245** | **273,228,406** | **–** | **273,228,406** |
| Amounts paid on buyback of Ordinary Shares | – | – | – | – | – | – | – | – | – |
| Contributions by non-controlling interests | – | – | – | – | – | – | – | – | – |
| Distributions to non-controlling interests | – | – | – | – | – | – | – | – | – |
| Return on ordinary activities after taxation | – | – | – | (21,044,084) | 15,467,204 | – | (5,576,880) | – | (5,576,880) |
| Dividends declared and paid | – | – | – | – | (5,565,528) | – | (5,565,528) | – | (5,565,528) |
| **Other comprehensive income (loss)** | | | | | | | | | |
| Currency translation differences | – | – | – | – | – | – | – | – | – |
| **Closing balance at 30 June 2023** | **20,300,000** | **161,040,000** | **112,779,146** | **(69,517,733)** | **36,271,340** | **1,213,245** | **262,085,998** | **–** | **262,085,998** |

The supplementary revenue and capital columns are both prepared under guidance published by the AIC.

See Notes to the consolidated financial statements

# VPC SPECIALTY LENDING INVESTMENTS PLC

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE PERIOD ENDED 30 JUNE 2022

| | CALLED UP SHARE CAPITAL £ | SHARE PREMIUM ACCOUNT £ | OTHER DISTRIBUTABLE RESERVE £ | CAPITAL RESERVE £ | REVENUE RESERVE £ | CURRENCY TRANSLATION RESERVE £ | TOTAL SHAREHOLDERS' 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 | – | – | – | – | – | – | – | – | – |
| Return on ordinary activities after taxation | – | – | – | (26,135,295) | 13,205,137 | – | (12,930,158) | 435 | (12,929,723) |
| Dividends declared and paid | – | – | – | – | (11,131,056) | – | (11,131,056) | – | (11,131,056) |
| **Other comprehensive income (loss)** | | | | | | | | | |
| Currency translation differences | – | – | – | – | – | 42,890 | 42,890 | 5,100 | 47,990 |
| **Closing balance at 30 June 2022** | **20,300,000** | **161,040,000** | **112,779,146** | **(24,468,269)** | **22,689,448** | **1,256,135** | **293,596,460** | **51,493** | **293,647,953** |

The supplementary revenue and capital columns are both prepared under guidance published by the AIC.

See Notes to the consolidated financial statements

# VPC SPECIALTY LENDING INVESTMENTS PLC

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 31 DECEMBER 2022**

| | CALLED UP SHARE CAPITAL £ | SHARE PREMIUM ACCOUNT £ | OTHER DISTRIBUTABLE RESERVE £ | CAPITAL RESERVE £ | REVENUE RESERVE £ | CURRENCY TRANSLATION RESERVE £ | TOTAL SHAREHOLDERS' 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 AIC.

See Notes to the consolidated financial statements

# VPC SPECIALTY LENDING INVESTMENTS PLC
## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

**FOR THE PERIOD ENDED 30 JUNE 2023**

| | NOTES | 30 JUNE 2023 £ | 30 JUNE 2022 £ | 31 DECEMBER 2022 £ |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Total comprehensive income | | (5,576,880) | (12,881,733) | (22,108,066) |
| Adjustments for: | | | | |
| -- Interest income | | (16,411,439) | (13,625,589) | (33,917,279) |
| -- Dividend and distribution income | 4 | (5,973,144) | (5,645,129) | (7,418,009) |
| -- Finance costs | | 3,931,838 | 3,051,940 | 7,046,478 |
| -- Exchange losses | | 1,833,124 | 215,548 | 1,552,676 |
| **Total** | | **(22,196,501)** | **(28,884,963)** | **(54,844,200)** |
| Loss on investment assets designated as held at fair value through profit or loss | | 15,776,179 | 25,665,146 | 20,298,529 |
| Loss (gain) on derivative financial instruments | | 3,837,681 | (38,465,735) | (35,736,991) |
| Decrease (increase) in other assets and prepaid expenses | | 83,582 | (1,992,027) | 687,098 |
| Decrease in performance fee payable | | – | (12,913,280) | (12,913,280) |
| (Decrease) increase in management fee payable | | (79,413) | 279,155 | (57,614) |
| Decrease in deferred income | | (27,226) | (74,996) | (133,402) |
| (Decrease) increase in due to broker | | (4,183,941) | – | 4,848,569 |
| (Decrease) increase in accrued expenses and other liabilities | | (515,043) | 63,958 | 58,599 |
| Interest received | | 12,581,715 | 13,618,758 | 32,776,781 |
| Purchase of loans | | (25,119,541) | (21,754,375) | (33,762,745) |
| Redemption or sale of loans | | 28,386,483 | 67,164,260 | 123,524,905 |
| Impairment of loans | | 1,574,809 | 2,313,947 | 5,956,807 |
| **Net cash inflow from operating activities** | | **10,118,784** | **5,019,848** | **50,703,056** |
| **Cash flows from investing activities:** | | | | |
| Investment income received | | 5,973,273 | 5,644,763 | 7,417,270 |
| Purchase of investment assets designated as held at fair value through profit or loss | | (14,908,490) | (18,841,577) | (30,034,376) |
| Sale of investment assets designated as held at fair value through profit or loss | | 20,704,056 | 14,851,369 | 20,662,359 |
| Increase (decrease) of cash posted as collateral | | 838,755 | (2,523,532) | 1,910,854 |
| **Net cash inflow (outflow) from investing activities** | | **12,607,594** | **(868,977)** | **(43,893)** |
| **Cash flows from financing activities:** | | | | |
| Dividends distributed | | (5,565,528) | (5,565,528) | (22,262,111) |
| Distributions to non-controlling interests | | – | – | (62,159) |
| Proceeds from note payable | | – | 8,599,600 | 11,874,530 |
| Repayment of note payable | | (18,289,724) | (9,690,975) | (37,295,732) |
| Finance costs paid | | (4,059,300) | (3,011,167) | (6,840,222) |
| **Net cash outflow from financing activities** | | **(27,914,552)** | **(9,668,070)** | **(54,585,694)** |
| Net change in cash and cash equivalents | | (5,188,174) | (5,517,199) | (3,926,531) |
| Exchange gains on cash and cash equivalents | | (5,186,057) | 2,820,499 | 13,164,561 |
| Cash and cash equivalents at the beginning of the period | | 15,538,602 | 6,300,572 | 6,300,572 |
| **Cash and cash equivalents at the end of the period** | | **5,164,371** | **3,603,872** | **15,538,602** |

See Notes to the consolidated financial statements

## 1. GENERAL INFORMATION

VPC Specialty Lending Investments PLC (the "Company" or "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 U.S. Securities and Exchange Commission registered investment adviser. The Investment Manager also acts as the Alternative Investment Fund Manager of the Group under the Alternative Investment Fund Managers Directive ("AIFMD"). The Parent Company is defined as an Alternative Investment Fund and is subject to the relevant articles of the AIFMD.

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

As at 30 June 2023, 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 2022: 382,615,665 Ordinary Shares, 278,276,392 Ordinary Shares in issue and 104,339,273 Ordinary Shares in Treasury; 30 June 2022: 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 NAV and maintenance of the Group's accounting records.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are set out in Note 2 of the Annual Report for the year ended 31 December 2022.

### Basis of preparation

The consolidated financial statements present the financial performance of the Group and Company for the period ended 30 June 2023. These statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and UK-adopted IAS34 'Interim Financial Reporting'.

The consolidated financial statements for the period ended 30 June 2023 have not been audited or reviewed by the Group's auditors and do not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. They do not include all financial information required for full annual financial statements. The consolidated financial statements and the comparative financial statements have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 December 2022.

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

Additionally, the Directors have considered the risks arising of reduced asset values and economic disruption caused by unforeseen geopolitical events, including war, terrorist attacks, natural disasters, and ongoing pandemics, which could create economic, financial, and business disruptions. The Directors believe that the Group has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future being a period of at least twelve months from the date of this report.

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.

## Critical accounting estimates

The preparation of financial statements in conformity with UK-adopted 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.

The estimates and judgements of most significance to these financial statements are in relation to estimates of expected credit loss allowance and valuation of unquoted investments and judgements over control of subsidiaries. These have been applied consistently with the methodology detailed in the Annual Report and Accounts on pages 62 to 65.

## 3. FAIR VALUE MEASUREMENT

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 30 June 2023:

| INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE | TOTAL £ | LEVEL 1 £ | LEVEL 2 £ | LEVEL 3 £ |
|---|---|---|---|---|
| Investments in funds | 20,329,835 | – | – | 20,329,835 |
| Common stock | 18,542,143 | 3,995,516 | 150,665 | 14,395,962 |
| Preferred stock | 46,718,029 | – | – | 46,718,029 |
| Warrant | 8,943,380 | – | – | 8,943,380 |
| Convertible debt | 15,531,743 | – | – | 15,531,743 |
| **Total** | **110,065,131** | **3,995,516** | **150,665** | **105,918,950** |

| DERIVATIVE FINANCIAL ASSETS | TOTAL £ | LEVEL 1 £ | LEVEL 2 £ | LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | 4,205,146 | – | 4,205,146 | – |
| **Total** | 4,205,146 | – | 4,205,146 | **–** |

| DERIVATIVE FINANCIAL LIABILITIES | TOTAL £ | LEVEL 1 £ | LEVEL 2 £ | LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | – | – | – | – |
| **Total** | **–** | **–** | **–** | **–** |

There were no movements between Level 1 and Level 2 fair value measurements during the period ended 30 June 2023 and no investment fair value transferred from Level 3 to Level 2 during the period.

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 30 June 2022:

| INVESTMENT ASSETS DESIGNATED AS HELD AT FAIR VALUE | TOTAL £ | LEVEL 1 £ | LEVEL 2 £ | LEVEL 3 £ |
|---|---|---|---|---|
| Investments in funds | 19,095,209 | – | – | 19,095,209 |
| Common stock | 19,769,130 | 3,473,696 | 6,706,650 | 9,588,784 |
| Preferred stock | 52,591,726 | – | – | 52,591,726 |
| Warrant | 19,362,631 | – | – | 19,362,631 |
| Convertible debt | 23,667,939 | – | – | 23,667,939 |
| **Total** | **134,486,635** | **3,473,696** | **6,706,650** | **124,306,289** |

| DERIVATIVE FINANCIAL ASSETS | TOTAL £ | LEVEL 1 £ | LEVEL 2 £ | LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | – | – | – | – |
| **Total** | **–** | **–** | **–** | **–** |

| DERIVATIVE FINANCIAL LIABILITIES | TOTAL £ | LEVEL 1 £ | LEVEL 2 £ | LEVEL 3 £ |
|---|---|---|---|---|
| Forward foreign exchange contracts | 6,326,320 | – | 6,326,320 | – |
| **Total** | **6,326,320** | **–** | **6,326,320** | **–** |

There were no movements between Level 1 and Level 2 fair value measurements during the period ended 30 June 2022 and no investment fair value transferred from Level 3 to Level 2 during the period.

The following table analyses the fair value hierarchy of the Group's assets and liabilities measured at fair value at 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** | **–** |

The following table presents the movement in Level 3 positions for the period ended 30 June 2023 for the Group:

| | TOTAL £ | INVESTMENTS IN FUNDS £ | COMMON STOCK £ | PREFERRED STOCK £ | WARRANT £ | CONVERTIBLE DEBT £ |
|---|---|---|---|---|---|---|
| Beginning balance, 1 January 2023 | 126,298,432 | 22,474,910 | 13,089,233 | 52,310,062 | 13,902,427 | 24,521,800 |
| Purchases | 12,805,569 | 955,922 | 5,790,356 | 28,473 | 1,536,940 | 4,493,878 |
| Sales | (16,773,723) | (31,300) | (5,674,938) | (21,825) | (3,258,698) | (7,786,962) |
| Net change in unrealised gains (losses) | (16,420,573) | (3,069,697) | 1,191,311 | (5,598,680) | (3,237,289) | (5,696,973) |
| **Ending balance, 30 June 2023** | **105,918,950** | **20,329,835** | **14,395,962** | **46,718,030** | **8,943,380** | **15,531,743** |

The following table presents the movement in Level 3 positions for the period ended 30 June 2022 for the Group:

| | TOTAL £ | INVESTMENTS IN FUNDS £ | COMMON STOCK £ | PREFERRED 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 | 17,880,810 | 3,556,974 | 3,298,146 | 6,482,835 | 535,960 | 4,006,895 |
| Sales | (14,851,369) | (428,164) | (9,718,009) | (687,454) | (85,744) | (3,931,998) |
| Net change in unrealised gains (losses) | 13,793,447 | 3,435,309 | (299,838) | 8,706,280 | (952,195) | 2,903,891 |
| **Ending balance, 30 June 2022** | **124,306,289** | **19,095,209** | **9,588,784** | **52,591,726** | **19,362,631** | **23,667,939** |

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 £ | PREFERRED 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.

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

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 30 June 2023 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 | 203,674,693 | 207,008,663 |
| **Total** | **203,674,693** | **207,008,663** |

The following table presents the fair value of the Group's assets and liabilities not measured at fair value through profit and loss at 30 June 2022 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 | 259,567,849 | 259,567,849 |
| **Total** | **259,567,849** | **259,567,849** |

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.

## 4. INCOME AND GAINS ON INVESTMENTS AND LOANS

| | 30 JUNE 2023 £ | 30 JUNE 2022 £ | 31 DECEMBER 2022 £ |
|---|---|---|---|
| **Other Income** | | | |
| Distributable income from investments in funds | 4,796.074 | 1,937,039 | 6,294,501 |
| Interest income from investment assets designated as held at fair value through profit or loss | 117,897 | 3,490,818 | 288,503 |
| Other income | 1,059,173 | 217,272 | 835,005 |
| **Total** | **5.973.144** | **5,645,129** | **7,418,009** |

| | 30 JUNE 2023 £ | 30 JUNE 2022 £ | 31 DECEMBER 2022 £ |
|---|---|---|---|
| **Net gains (losses) on investments** | | | |
| Realised (loss) gain on sale of investments | (1,859,972) | 2,059,781 | (1,924,340) |
| Unrealised (loss) gains on investment in funds | (3,069,697) | 3,435,309 | (377,775) |
| Unrealised loss on equity securities | (12,706,482) | (29,100,455) | (40,312,876) |
| **Total** | **(17,636,151)** | **(23,605,365)** | **(42,614,991)** |

## 5. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

### Introduction

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

### Risk management structure

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

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

The Group has no employees, and the Directors have all been appointed on a Non-Executive basis. Whilst the Group has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Group is reliant upon the performance of third-party service providers for its executive function. In particular, the Investment Manager, the Custodian, the Administrator, 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 30 June 2023, 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 30 June 2023 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.

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*

The use of the London Inter-bank Offered Rate ("LIBOR") was phased out on June 30, 2023. Effective July 1, 2023, all Portfolio Companies exposed to LIBOR rates effectively transitioned to Secured Overnight Financing Rate ("SOFR") for all rate calculations.

#### *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 30 June 2023 were invested in assets which were denominated in U.S. 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 U.S. 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.

## Liquidity risk

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

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

The Investment Manager manages the Group's liquidity risk by investing primarily in a diverse portfolio of assets. At 30 June 2023, 38% (31 December 2022: 65%; 30 June 2022: 16%) of the loans had a stated maturity date of less than a year.

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

## 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.

## 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 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 that are capitalised and actively managed by the Portfolio Companies in their capacity as both the owner and managing partner of the SPVs and the SPVs are not considered structured entities under IFRS 12.

There are no loans past due which are not impaired.

## 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.

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.

## 6. 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) gains of £(4.1 million) as of 30 June 2023 (31 December 2022: 12.8 million; 30 June 2022: 11.7 million). 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 30 June 2023:

| 30 JUNE 2023 | INTEREST RATE | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|---|
| Credit Facility 03-2021 | 3.95%+1M LIBOR | 58,236,341 | 1 March 2027 |
| **Total** | | **58,236,341** | |

The table below provides details of the outstanding debt of the Group at 30 June 2022:

| 30 JUNE 2022 | INTEREST RATE | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|---|
| Credit Facility 03-2021 | 3.95%+1M LIBOR | 87,230,610 | 1 March 2027 |
| **Total** | | **87,230,610** | |

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

The table below provides details of the outstanding first-out participation liabilities of the Group at 30 June 2023:

| 30 JUNE 2023 | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|
| First-Out Participation 04-2019 | 14,091,688 | 1 January 2024 |
| **Total** | **14,091,688** | |

The table below provides details of the outstanding first-out participation liabilities of the Group at 30 June 2022:

| 30 JUNE 2022 | OUTSTANDING PRINCIPAL £ | MATURITY |
|---|---|---|
| First-Out Participation 03-2017 | 18,945,275 | 1 January 2024 |
| **Total** | **18,945,275** | |

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 the movement of the notes payable and securities sold under agreements to repurchase for the period ended 30 June 2023 for the Group.

| | NOTES PAYABLE £ |
|---|---|
| Beginning balance, 1 January 2023 | 94,669,284 |
| Purchases | – |
| Sales | (18,289,724) |
| Net change in unrealised foreign exchange losses | (4,051,531) |
| **Ending balance, 30 June 2023** | **72,328,029** |

The table below provides the movement of the notes payable and securities sold under agreements to repurchase for the period ended 30 June 2022 for the Group.

| | NOTES PAYABLE £ |
|---|---|
| Beginning balance, 1 January 2022 | 107,267,260 |
| Purchases | 8,599,600 |
| Sales | (21,346,505) |
| Net change in unrealised foreign exchange gains | 11,655,530 |
| **Ending balance, 30 June 2022** | **106,175,885** |

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** |

## 7. IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

The table below provides details of the investments at amortised cost held by the Group for the period ended 30 June 2023 under IFRS 9:

| | COST BEFORE ECL £ | ECL £ | CARRYING VALUE £ |
|---|---|---|---|
| Loans at amortised cost | 221,634,523 | 17,959,830 | 203,674,693 |
| **Total** | **223,471,180** | **17,959,830** | **205,511,350** |

The table below provides details of the investments at amortised cost held by the Group for the period ended 30 June 2022 under IFRS 9:

| | COST BEFORE ECL £ | ECL £ | CARRYING VALUE £ |
|---|---|---|---|
| Loans at amortised cost | 274,347,352 | 14,779,503 | 259,567,849 |
| **Total** | **274,347,352** | **14,779,503** | **259,567,849** |

The table below provides details of the investments at amortised cost held by the Group for the year ended 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** |

### Credit impairment losses

The credit impairment losses of the Group for the period ended 30 June 2023 comprised the following under IFRS 9:

| | CREDIT IMPAIRMENT LOSSES 30 JUNE 2023 £ |
|---|---|
| Change in expected credit losses | 1,574,809 |
| Currency translation on expected credit losses | – |
| **Credit impairment losses** | **1,574,809** |

The credit impairment losses of the Group for the period ended 30 June 2022 comprised the following under IFRS 9:

| | CREDIT IMPAIRMENT LOSSES 30 JUNE 2022 £ |
|---|---|
| Loans recovered | (1,583) |
| Change in loan loss reserve | 2,315,530 |
| **Credit impairment losses** | **2,313,947** |

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

| | CREDIT IMPAIRMENT LOSSES 31 DECEMBER 2022 £ |
|---|---|
| Change in expected credit losses | 5,956,807 |
| **Credit impairment losses** | **5,956,807** |

## Impairment of loans written off

Impairment charges of loans written off (recovered) £Nil (31 December 2022: £2,035,759; 30 June 2022: £(1,583)) have been recorded in the Group's Consolidated Statement of Financial Position and are included in credit impairment losses on the Consolidated Statement of Comprehensive Income.

## Provision for expected credit losses

As at 30 June 2023, the Group has created a reserve provision on the outstanding principal of the Group's loans of £17,959,830 (31 December 2022: £16,385,021; 30 June 2022: £14,779,503), 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 as at 30 June 2023:

| | 30 JUNE 2023 £ |
|---|---|
| Beginning balance 1 January 2023 | 16,385,021 |
| Change in expected credit losses or equivalent | 1,574,809 |
| Loan written off | – |
| **Ending balance 30 June 2023** | **17,959,830** |

The allowance for expected credit losses comprised the following as at 30 June 2022:

| | 30 JUNE 2022 £ |
|---|---|
| Beginning balance 1 January 2022 | 12,463,973 |
| Change in expected credit losses or equivalent | 2,315,530 |
| **Ending balance 30 June 2022** | **14,779,503** |

The allowance for expected credit losses comprised the following as at 31 December 2022:

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

Below is a breakout of the provision for expected credit losses by stage of the ECL model as at 30 June 2023:

| INTERNAL GRADE | FINTECH £ | E-COMMERCE £ | LEGAL FINANCE £ | 30 JUNE 2023 £ |
|---|---|---|---|---|
| Stage 1 | 125,925 | 756,834 | 139,399 | 1,022,158 |
| Stage 2 | 1,879,358 | 3,105,560 | – | 4,984,918 |
| Stage 3 | 11,952,754 | – | – | 11,952,754 |
| **Expected credit losses** | **13,958,037** | **3,862,394** | **139,399** | **17,959,830** |

| INTERNAL GRADE | UNITED STATES £ | LATIN AMERICA £ | EUROPE £ | ASIA £ | 30 JUNE 2023 £ |
|---|---|---|---|---|---|
| Stage 1 | 265,324 | – | 756,834 | – | 1,022,158 |
| Stage 2 | 4,739,526 | 245,392 | – | – | 4,984,918 |
| Stage 3 | – | – | 11,952,754 | – | 11,952,754 |
| **Expected credit losses** | **5,004,850** | **245,392** | **12,709,588** | **–** | **17,959,830** |

Below is a breakout of the provision for expected credit losses by stage of the ECL model as at 30 June 2022:

| INTERNAL GRADE | FINTECH £ | E-COMMERCE £ | LEGAL FINANCE £ | 30 JUNE 2022 £ |
|---|---|---|---|---|
| Stage 1 | 1,092,325 | 1,103,209 | 149,501 | 2,345,035 |
| Stage 2 | – | – | – | – |
| Stage 3 | 12,434,468 | – | – | 12,434,468 |
| **Expected credit losses** | **13,526,793** | **1,103,209** | **149,501** | **14,779,503** |

| INTERNAL GRADE | UNITED STATES £ | LATIN AMERICA £ | EUROPE £ | ASIA £ | 30 JUNE 2022 £ |
|---|---|---|---|---|---|
| Stage 1 | 1,907,422 | – | 437,613 | – | 2,345,035 |
| Stage 2 | – | – | – | – | – |
| Stage 3 | – | – | 12,434,468 | – | 12,434,468 |
| **Loans at amortised cost** | **1,907,422** | **–** | **12,872,081** | **–** | **14,779,503** |

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 £ | E-COMMERCE £ | 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 |
| **Loans at amortised cost** | **4,432,267** | **–** | **11,952,754** | **–** | **16,385,021** |

### 8. 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"), except that, once the NAV is reduced to less than £50 million, the monthly management fee shall be subject to a minimum amount, therefore, the monthly management fee shall be the higher of 1/12 of 1.0 per cent. per month of the NAV and:

(i) for the first year (the first to 12th month) following the NAV first being reduced to less than £50 million: 1/12 of £500,000 per month;

(ii) (ii) for the second year (the 13th to 24th month) following the NAV first being reduced to less than £50 million: 1/12 of £350,000 per month; and

(iii) (iii) for the third year (the 25th to 36th month) following the NAV first being reduced to less than £50 million: 1/12 of £200,000 per month.

For the fourth year and beyond (37th month and beyond) following the NAV first being reduced to less than £50 million, the monthly management fee shall again be as it is currently (without any minimum amount requirement), which is 1/12 of 1.0 per cent. per month of the NAV.

The management fee expense of the Group for the period is £1,700,149 (31 December 2022: £3,840,270; 30 June 2022: £1,990,424), of which £18,372 (31 December 2022: £97,785; 30 June 2022: £434,554) was payable as at 30 June 2023.

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

Provided that the cumulative aggregate cash returned to Shareholders pursuant to one or more Distribution Event(s) totals an amount which is at least the High Water Mark NAV Amount (the "High Water Mark Condition"), upon each Distribution Event, the Manager shall, subject to the Investment Hurdle Condition as set out below, be entitled to receive 20 per cent. of the Excess being returned to Shareholders at that Distribution Event (the "Performance Fee")), provided that the Adjusted Net Asset Value as at the date of such Distribution Event exceeds the Adjusted Hurdle Value (the "Investment Hurdle Condition").

The "High Water Mark Condition" starting value is £317,614,783, which reflects the high watermark of the Company when the last performance fee was calculated on 31 December 2021. The calculation of the performance fee as at 30 June 2023 is as follows:

| | |
|---|---|
| (A) High Water Mark Condition | £317,614,783 |
| (B) Cumulative Distributions from 1 January 2022 | £33,393,167 |
| (C) NAV before Performance Fee at 30 June 2023 | £262,085,999 |
| | |
| Accrued Performance Fee = (B+C) – A *20% | £0 |

"Adjusted Net Asset Value" means the Net Asset Value plus (a) the aggregate amount of any dividends paid or distributions made in respect of any Ordinary Shares and (b) the aggregate amount of any dividends or distributions accrued but unpaid in respect of any Ordinary Shares, plus the amount of any Performance Fees both paid and accrued but unpaid, in each case after the Effective Date and without duplication. "Adjusted Hurdle Value" means the Net Asset Value as at 30 April 2017 adjusted for any increases or decreases in the Net Asset Value attributable to the issue or repurchase of any Ordinary Shares increasing at an uncompounded rate equal to the Hurdle. The "Hurdle" means a 5% per annum total return for shareholders.

The Performance Fee shall be payable to the Manager at the relevant Distribution Event or as soon as possible thereafter, within 30 calendar days thereof.

The performance fee expense for the period is £Nil (31 December 2022: £Nil; 30 June 2022: £Nil), of which none was payable as at 30 June 2023 (31 December 2022: £Nil; 30 June 2022: £Nil).

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).

## 9. NET ASSET VALUE PER ORDINARY SHARE

| | AS AT 30 JUNE 2023 £ | AS AT 30 JUNE 2022 £ | AS AT 31 DECEMBER 2022 £ |
|---|---|---|---|
| Net assets attributable to Shareholders of the Parent Company | 262,085,998 | 293,596,460 | 273,228,406 |
| Ordinary Shares in issue (excluding Treasury Shares) | 278,276,392 | 278,276,392 | 278,276,392 |
| Net asset value per Ordinary Share | 94.18p | 105.51p | 98.19p |

## 10. RETURN PER ORDINARY SHARE

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

| | AS AT 30 JUNE 2023 £ | AS AT 30 JUNE 2022 £ | AS AT 31 DECEMBER 2022 £ |
|---|---|---|---|
| Profit (Loss) for the year | (5,576,880) | (12,930,158) | (22,124,267) |
| Average number of Ordinary Shares in issue during the year (excluding Treasury Shares) | 278,276,392 | 278,276,392 | 278,276,392 |
| Earnings per Share (basic and diluted) | (2.00)p | (4.65)p | (7.95)p |

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

## 11. SHAREHOLDERS' CAPITAL

Set out below is the issued share capital of the Company as at 30 June 2023. All shares issued are fully paid with none not fully paid:

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

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

### Rights attaching to the Ordinary Shares

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

### Voting rights

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

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

### Variation of Rights & Distribution on Winding Up

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

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

The Parent Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Parent Company will be proposed at the annual general meeting of the Parent Company to be held in 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 30 June 2023:

| FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023 | 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 30 June 2022:

| FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 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 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 |

### Share buyback programme

During the period, there are no Ordinary Shares bought back through the share buyback programme that are held in treasury (31 December 2022: £Nil, 30 June 2022: £Nil).

### Other distributable reserve

During the period, the Company declared and paid dividends of £Nil (31 December 2022: £Nil, 30 June 2022: £Nil) from the other distributable reserve.

## 12. DIVIDENDS PER SHARE

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

| | 30 JUNE 2023 £ | 30 JUNE 2022 £ | 31 DECEMBER 2022 £ |
|---|---|---|---|
| 2021 interim dividend of 2.00 pence per Ordinary Share paid on 31 March 2022 | – | 5,565,528 | 5,565,528 |
| 2022 interim dividend of 2.00 pence per Ordinary Share paid on 21 July 2022 | – | 5,565,528 | 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 |
| 2023 interim dividend of 2.00 pence per Ordinary Share paid on 23 March 2023 | 5,565,528 | – | – |
| **Total** | **5,565,528** | **11,131,056** | **22,262,112** |

An interim dividend of 2.00 pence per Ordinary Share was declared by the Board on 23 August 2023 in respect of the period to 30 June 2023 and will be paid to Shareholders on 28 September 2023. The interim dividend has not been included as a liability in these accounts in accordance with International Accounting Standard 10: Events After the Balance Sheet Date.

## 13. RELATED PARTY TRANSACTIONS

Each of the Directors is entitled to receive a fee from the Parent Company at such rate as may be determined in accordance with the Articles. Save for the 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.

As at 30 June 2023 and 31 December 2022, the Directors' interests in the Parent Company's Shares were as follows:

| | | 30 JUNE 2023 £ | 31 DECEMBER 2022 £ |
|---|---|---|---|
| Oliver Grundy | Ordinary Shares | 30,000 | 30,000 |
| Mark Katzenellenbogen | Ordinary Shares | 215,000 | 215,000 |
| Elizabeth Passey | Ordinary Shares | N/A* | 10,000 |
| Clive Peggram | Ordinary Shares | N/A* | 333,240 |
| Graeme Proudfoot | Ordinary Shares | 130,000 | 130,000 |

*Resigned from the Board of Directors on 23 June 2023.

Investment management fees for the period ended 30 June 2023 are payable by the Parent Company to the Investment Manager and these are presented on the Consolidated Statement of Comprehensive Income. Details of investment management fees and performance fees payable during the year are disclosed in Note 8.

During 2023, 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 through January 2023. The Ordinary Shares were purchased at the prevailing market price. The Investment Manager has purchased 59,836 Ordinary Shares as at 30 June 2023 (31 December 2022: 706,659; 30 June 2022: 4,729,267).

As at 30 June 2023, Partners and Principals of the Investment Manager held 510,000 (31 December 2022: 510,000; 30 June 2022: 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 30 June 2023 the Group owned 36% (31 December 2022: 26%; 30 June 2022: 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 £992,426 (31 December 2022: £1,231,984; 30 June 2022: £1,327,188).

The Group has invested in VPC Synthesis, L.P. The Investment Manager of the Parent Company also acts as manager to VPC Synthesis, L.P. The principal activity of VPC Synthesis, L.P. is to invest in alternative finance investments and related instruments with a view to achieving the Parent Company's investment objective. As at 30 June 2023 the Group owned 4% (31 December 2022: 4%; 30 June 2022: 4%) of VPC Synthesis, L.P. and the value of the Group's investment in VPC Synthesis, L.P. was £19,337,409 (31 December 2022: £21,242,926; 30 June 2022: £17,768,021).

The Investment Manager may pay directly various expenses that are attributable to the Group. These expenses are allocated to and reimbursed by the Group to the Investment Manager as outlined in the Management Agreement. Any excess expense previously allocated to and paid by the Group to the Investment Manager will be reimbursed to the Group by the Investment Manager. At 30 June 2023, £Nil (31 December 2022: £Nil; 30 June 2022: £32,606) was due to the Investment Manager and is included in the Accrued expenses and other liabilities balance on the Consolidated Statement of Financial Position.

## 14. SUBSIDIARIES

| NAME | PRINCIPAL ACTIVITY | COUNTRY OF INCORPORATION | NATURE OF INVESTMENT | PERCENTAGE OWNERSHIP 31 JUNE 2023 | PERCENTAGE OWNERSHIP 31 DECEMBER 2022 |
|---|---|---|---|---|---|
| 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 | N/A | Sole limited partner |
| Fore London GP, LLC | General partner | USA | Membership interest | N/A | Sole member |
| Duxbury Court I, L.P. | Investment vehicle | USA | Limited partner interest | N/A | 95% |
| Duxbury Court I GP, LLC | General partner | USA | Membership interest | N/A | 95% |
| Drexel I, L.P. | Investment vehicle | USA | Limited partner interest | N/A | 52% |
| Drexel I GP, LLC | General partner | USA | Membership interest | N/A | 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 |

## 15. NON-CONTROLLING INTERESTS

The non-controlling interests arises from investments in limited partnerships considered to be controlled subsidiaries into which there are other investors. The value of the non-controlling interests at 30 June 2023 represents the portion of the NAV of the controlled subsidiaries attributable to the other investors. As at June 2023, the portion of the NAV attributable to non-controlling interests investments totalled £Nil (31 December 2022: £Nil; 30 June 2022: £51,493). In the Consolidated Statement of Comprehensive Income, the amount attributable to non-controlling interests represents the increase in the fair value of the investment in the period.

## 16. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Company declared a dividend of 2.00 pence per Ordinary Share, equalling £5.7 million, which will be paid on 28 September 2023.

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

# SHAREHOLDER INFORMATION

### DEFINITIONS OF TERMS AND PERFORMANCE MEASURES

The Group uses the terms and alternative performance measures below to present a measure of profitability which is aligned with the requirements of the 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 the year (period) divided by the average Net Asset Value (Cum Income) of the Company for the year (period).

**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.

**NAV per Share (Cum Income)** – The NAV (Cum Income) divided by the number of shares in issue.

**Net Returns** – Represents the return on shareholder's funds per share on investments of the Company after operating and other expenses of the Company.

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

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

**Total Shareholder Return** – Calculated as the change in the traded share price from 30 June 2023 to 31 December 2022 plus the dividends declared in 2023 divided by the traded share price as at 31 December 2022.

**Trailing Twelve Month Dividend Yield** – Calculated as the total dividends declared over the last twelve months as at 30 June 2023 divided by the 30 June 2022 closing share price.

## CONTACT DETAILS OF THE ADVISORS

| | |
|---|---|
| **Directors** | Oliver Grundy<br>Mark Katzenellenbogen<br>Graeme Proudfoot<br>*all of the registered office below* |
| **Registered Office** | 6th Floor<br>65 Gresham Street<br>London<br>EC2V 7NQ<br>United Kingdom |
| **Company Number** | 9385218 |
| **Website Address** | https://vpcspecialtylending.com |
| **Corporate Brokers** | Jefferies International Limited<br>100 Bishopsgate<br>London<br>EC2N 4JL<br>United Kingdom<br><br>Winterflood Securities Limited<br>Cannon Bridge House<br>25 Dowgate Hill<br>London<br>EC4R 2GA |
| **Investment Manager and AIFM** | Victory Park Capital Advisors, LLC<br>150 North Riverside Plaza, Suite 5200<br>Chicago<br>IL 60606<br>United States |
| **Company Secretary** | Link Company Matters Limited<br>6th Floor<br>65 Gresham Street<br>London, EC2V 7NQ<br>United Kingdom |
| **Administrator** | Citco Fund Administration (Cayman Islands) Limited<br>3 Second Street, Harborside Plaza 10, 6th Floor<br>Jersey City<br>NJ 07302<br>United States |

| | |
|---|---|
| **Registrar** | Link Group<br>Central Square<br>29 Wellington Street<br>Leeds<br>LS1 4DL<br>United Kingdom |
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