Annual Report and Accounts

for the Year Ended 31 December 2020

for

Vector Capital Plc

VECTOR

Vector Capital Plc

Contents of the Consolidated Financial Statements
for the Year Ended 31 December 2020

Vector Capital Plc

Company Information
for the Year Ended 31 December 2020

DIRECTORS:	A Jain J Pugsley R Andrews R Stevens (appointed 29 February 2020)	Chief Executive Officer Finance Director Non-Executive Director Non-Executive Chairman
COMPANY SECRETARY:	Allazo Ltd	
REGISTERED OFFICE:	13 Sovereign Park Coronation Road London NW10 7QP	
REGISTERED NUMBER:	12140968 (England and Wales)	
AUDITORS:	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE	
NOMINATED ADVISER AND BROKER:	Allenby Capital Limited 5 St Helens Place London EC3A 6AB	
REGISTRARS:	Neville Registrars Neville House Steelpark Road Halesowen B62 8HD	
BANKERS:	National Westminster Bank 250 Bishopsgate London EC2M 4AA	
PUBLIC RELATIONS:	TB Cardew 5 Chancery Lane London EC4A 1BL	

Vector Capital Plc

Group Strategic Report
for the Year Ended 31 December 2020

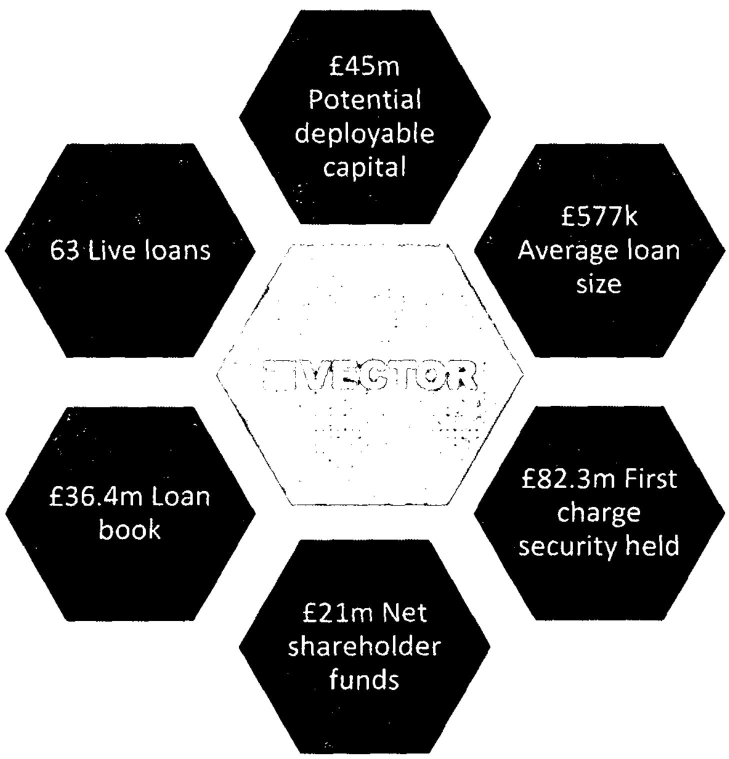
KEY HIGHLIGHTS

STRONG RESULTS WITH ROBUST FOUNDATION TO SCALE

SUSTAINABLE GROWTH

- 8.3% Loan book growth from £33.6m to £36.4m
- 19.4% Revenue growth from £3.6m to £4.3m
- 19.3% PBT growth from £2.0m to £2.3m
- 18.8% PAT up from £1.6m to £1.9m
- 19% increase on EPS from 4.69p to 5.58p
- Proposed final dividend for the year of 1.43p per share, reflecting a progressive dividend policy

A SCALABLE BUSINESS



"We have delivered an excellent performance in the year under review and achieved strong growth across our key performance indicators, despite the challenges presented by the COVID-19 pandemic. Revenue and profit before tax were up by 19.4% and 19.3% respectively, and our loan book grew by 8.3% to £36.4m reflecting SME demand for small, flexible loans. The AIM IPO at the end of last year provided access to further capital to increase our lending potential and to meet this demand.

"We are trading positively and have seen strong growth within our loan pipeline in the first quarter of the new financial year. The business is resilient, and our proposed dividend and progressive dividend policy reflects our confidence for the future as we establish ourselves as the go to lender of choice in our market segment."

Agam Jain CEO

TRUSTED AND SECURE

- Low LTV at 44.2% (2019: 57.5%)
- 20 years' experience in the lending market

Accredited Member of The Association of Short Term Lenders

CHAIRMAN'S STATEMENT

As Chairman I'm pleased to present Vector Capital's maiden results as a public company, for the year ended 31 December 2020. These results show a significant step forward in the development of the business, consistent with the Board's strategy to build the Group's loan book and create a strong and sustainable presence as a provider of secured loans to the SME sector. Our customers are mainly small UK property developers who buy properties to develop or refurbish and re-sell.

The Company achieved admission to the AIM market right at the end of the 2020, on 29th December, but the IPO planning process goes back to the summer of 2018 when I first met and was impressed by the executive team. The Company undertook careful preparation in the lead up to the IPO to ensure the right talent, processes and infrastructure were in place. This attention to detail and strategic approach proved extremely valuable as Vector Capital transitioned from a private business to becoming a publicly listed company during a COVID -19 impacted 2020. We raised £3.1m at Admission and this new equity has provided the Group with the opportunity to increase our lending capacity and raise our profile in the marketplace.

The Group delivered excellent results in this transitional year. Revenue grew by 19.4% and profit before tax increased by 19.3%, combined with an 8.3% rise in the value of the loan book. This performance is a testament to the quality and experience of the executive team, the resilience and excellence of the underlying operational systems and the strength of the core business model which are key attributes that first attracted me to join the board.

Our strategic objective is to build on the Group's strong business foundations and its positive performance by growing the loan book using a combination of our own resources and the flexible facilities provided by our wholesale lenders. Whilst we are trading positively, we are mindful of the attendant risk and uncertainty arising from the economic and financial implications of the COVID-19 pandemic and the outlook for the UK property market. We will factor in these risks and uncertainties as we progress our strategy in the coming months, building on our team's considerable experience. Stakeholder engagement is important to us and we will report on progress in a timely and open manner.

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CHAIRMAN'S STATEMENT (cont)

The development of the Group's underlying business model, the emergence of the Company on to the AIM market and the results for the year, were only possible because we have a strong and focussed team led by our CEO and founder, Agam Jain. I would like to express my thanks to this excellent team, together with the remaining members of our experienced board and our business partners.

Thanks are also due to our supportive external advisers and of course our new shareholders, with whom we look forward to a long and rewarding relationship. Vector Capital is resilient and reflecting our confidence for the future, the Board is proposing a final dividend for the year of 1.43 pence per share, which is consistent with our stated progressive dividend policy.

I am confident that as a team we have the skills, experience and opportunities to make considerable progress through 2021 and beyond.

Robin Stevens
Chairman
9 April 2021

CEO REVIEW

The Company delivered an excellent performance in the period under review. Revenues grew by 19.4% to £4.3m (2019: £3.6m), profit before tax increased by 19.3% to £2.3m (2019: £2.0m) and we delivered an 8.3% growth in the Loan book at £36.4m at the period end (2019: £33.6m). We are pleased to propose a final dividend for the year of 1.43p per share post year end, following a maiden interim dividend of £400,000 paid in October 2020, before the admission to AIM. This impressive growth was achieved during a very challenging economic climate as result of the pandemic and prolonged lock-downs. The year concluded with our successful £3.1m placing and admission to trading on AIM in December 2020.

The onset of the pandemic in March 2020 has created the most challenging environment for businesses and communities around the world. As with many other lenders, we took prudent action and temporarily ceased new lending for three months from April and supported our customers who needed it most by providing them with interest payment holidays. All of these borrowers have since recommenced interest payments. In June, we decided to re-commence new lending and immediately experienced strong demand with increased levels of new business origination and a growing pipeline.

Our effective credit and risk management controls ensured that, despite the economic challenges and uncertainties of 2020, it was only necessary to provide for £43k of bad debt for the year (2019: £nil).

It is a testament to our software infrastructure and our operational team that we were able to operate at 100% efficiency whilst working remotely. The investment made in previous years on our software platform demonstrated its value. Our day-to-day operations are virtually paperless and all our processes are managed online. Personal interaction is an essential part of the Vector Capital business model and we were able to maintain this via use of the various online meeting platforms. Our brokers were able to continue to submit their proposals via our portal and our team could respond online and process applications seamlessly.

Trading Overview

We were only able to achieve our excellent financial performance because of the commitment, training and motivation of our operational team. The team have excelled in their interactions with our brokers, borrowers and other business partners. The feedback from our brokers is that we are responsive, fast, flexible and reliable despite the difficult circumstances under which we had to operate in for most of the year. Our wholesale bankers were also very supportive of our operations and increased our facilities by £5m to £25m.

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Vector Capital Plc

Group Strategic Report
for the Year Ended 31 December 2020

CEO REVIEW (cont)

Our success is notable when you consider that Vector operates in a highly competitive and crowded market with many players that have much larger capital resources.

The AIM admission at the end of last year, which raised £3.1m, provided access to further capital to increase our lending potential as well as enhancing our profile in the market.

Outlook

We have seen strong growth in our pipeline in the first quarter and we view the current year with confidence as we quickly establish ourselves as the go to lender of choice in our market segment.

With the expected relaxing of the restrictions imposed by the UK government due to the COVID-19 pandemic we are confident that the property market will continue to provide investment opportunities for our customers and thus maintain demand for our service.

The prospects for the Group are very positive, we are continually working towards growing the business and we believe that the AIM admission provides the ideal platform for growth of our lending capabilities to meet the demand we are seeing.

Agam Jain
Chief Executive Officer
9 April 2021

Group Strategic Report
for the Year Ended 31 December 2020

BACKGROUND
The Board are excited by the Company's admission to AIM on 29 December 2020 and believe this will facilitate the expansion of the business principally through access to additional funds and increased profile in the market, both of which should enable an acceleration in the growth of the Group's loan book.

BUSINESS OVERVIEW
The business of the Group is to provide loans to the SME sector secured by way of 1st charge against land and property. The bulk of its lending is located in England. Its customers are mainly small developers who will buy properties to develop or refurbish and re-sell. Many customers also seek loans to refinance existing mortgages. Funds are often used to commence new projects.

Borrowers are introduced to Vector by an established network of Brokers who will pre-vet before submitting applications via the Group's online portal. Brokers are attracted by the fast "Decisions in Principle" and flexibility of the Group that the larger lenders cannot offer.

Currently the source of funds is shareholder's capital augmented by facilities from two wholesale banks. Vector can drawdown a certain percentage of the loan amount from the banks on loans meeting pre-agreed criteria. Vector however retains full ownership and risk on all the loans.

The Company has an experienced board of directors and talented operational staff with decades of sector expertise. Its business processes are cloud based and virtually paperless.

SECTION 172(1) STATEMENT
This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the Directors' statement required under section 414C(11), of The Companies Act 2006.

The Directors consider that they have, in good faith, promoted the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

Long-term decisions
The Board is focussed on the long term success of the Group and makes decisions to deliver long-term security and commercial performance. The Board considers and balances the needs of its employees, customers and other business contacts.

All key decisions are scrutinised by the Board and assessed on the balance of risk, reward and overall strategy in line with the code of corporate governance.

Employees
We recognise the importance of the employees providing the service to our customers and are engaged and invested in their continual health and well-being. The Group values diversity and opportunity for our employees and aims to provide a platform for them to flourish within the company.

In order to safeguard our employees, the Company was an early adopter of working from home during the covid pandemic.

Being a small company, all employees are directly engaged with the CEO who ensures employee engagement and fulfilment.

Business relationships
The Group has been built on solid relationships with its customers, financers and professional advisers.

By offering a tailored, quick and responsive service, customers can rely on us with their financial requirements. We provide decisions in principle through to completion in short time frames enabling customers to utilise the service in their best interests. The Group provides a fair service with no hidden costs or restrictive terms for customers.

SECTION 172(1) STATEMENT (cont)
It is the Group's flexibility, fairness and speed which generates recurring customers.

The Group has built strong relationships with its finance providers, Aldemore Bank Plc and Shawbrook Bank Limited, who continue to support the Group. These relationships enable two-way collaborative dialogue between the businesses and adaptability to the needs of the Group.

We are reliant on external suppliers for a number of key specialist services such as legal, public relations and advisory. The Group believes in fair treatment of suppliers who are all paid within standard terms.

Community and environment
As a small business, the Group has limited physical presence, operates digitally and has limited travel incurred. The Group seeks to be as efficient and environmentally friendly as it can be, with regular reviews of how this can be improved.

The Group contributes to charities and other worthy bodies who provide support in the local community. Separately, members of the Board dedicate their time and resources to good causes and employees are encouraged and supported to do the same.

Business conduct
The Group has been built on its impeccable conduct and high business standards. The Board recognise the value in maintaining these vales and the reputation which has been built on them.

All employees and Board members are expected to adhere to these standards which are regularly communicated throughout the Group.

Communication, monitoring and review are key to the Group maintaining the high ethical standards and conduct expected.

Risks to the business are continually monitored and communicated within the Group to promote high business standards.

SECTION 172(1) STATEMENT (cont)
Interaction between members
The Company has a significant shareholder, Vector Holdings Limited, that is a related party. The Board acts in the best interests of all of its members, ensuring a consistent and impartial approach is taken, aiming for a fair outcome for all.

The Board are committed to clear and frequent communications with its members.

PRINCIPAL RISKS AND UNCERTAINTIES
The Company is subject to the following risks and uncertainties:

(a) Vector is reliant on a sufficient supply of prospective borrowers

In circumstances where there is insufficient demand for loans, or where the type of demand for loans is unsuitable and/or too low in volume (for example, from borrowers whose property is already subject to a first charge, or from borrowers who are seeking a lower interest rate), the results of operations of the Company would be materially and adversely affected.

In such circumstances the Company would adjust its growth target downwards and redeem borrowings. Currently however the Company is experiencing demand exceeding its capacity.

(b) The value of property in England may decrease, impairing the security of the loan book.

Vector lends to businesses against real property. Adverse economic conditions or a downturn in the business cycle, could decrease the value of real property assets. This would make it more difficult for borrowers relying on rental income to repay their loans. It could also decrease the recovery in repossession scenarios.

The Company is careful to keep the loan to value (LTV) ratio in the region of 60%-70% and take recovery action as fast as possible to prevent build-up of accrued interest.

(c) Brexit and related economic uncertainty may negatively impact results of operations and prospects. Uncertainty arising from the full economic impact of Brexit, which is as yet still unknown, could have a significant impact on Vector's business and financial condition.

2020 saw an improvement in the mood of the property market and the Company now believes Brexit to be a diminishing risk.

PRINCIPAL RISKS AND UNCERTAINTIES (cont)

(d) Changes in the regulatory environment may increase Vector's compliance costs.

Although Vector is not currently required to be regulated by the Financial Conduct Authority (FCA) in respect of its lending business, it may be regulated in the future.

The Company's software systems and business processes are operated on a basis consistent with the Company being regulated. The switch over would be manageable.

(e) Fraud

There is a constant risk of Borrowers trying to defraud the Company. They may act alone or in collusion with Brokers, Valuers and Solicitors.

The Company's processes involve extensive layers of checks and validations. These processes are under constant review and monitoring.

(f) Coronavirus Pandemic

There is a risk to recession in the property market with reduced activity that may impact the Company's ability to realise security. The Government have introduced a number of measures to protect the economy, the most significant of which for the Company is the Stamp Duty holiday for residential purchases which appears to have inflated the housing market values. This has provided added comfort to the Company.

The Company's reserves and its Loan to Value ratios are sufficient to be able to cover a short term recession.

FINANCIAL KEY PERFORMANCE INDICATORS ("KPIs")

	2020	2019
Loan Book growth	£2,746,685	£12,503,093
Live Loans	63	55
Average loan size	£577,363	£611,403
Largest loan	£2,653,205	£2,078,307
Average Loan to Value	44.17%	57.46%
Average Rate Charged	11.50%	11.77%
Bad debts incurred in period	£42,643	Nil

The KPIs represent important measures for the directors to monitor the performance of the business. The directors review and consider these KPIs along with other relevant information on a monthly basis in order to assess the performance of the Group.

PROSPECTS

Despite the ongoing difficulties caused by Covid-19 the Company expects to compete successfully in a competitive market and continue to grow its loan book during 2021 in line with the capital available.

ON BEHALF OF THE BOARD:

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A Jain - Director

9 April 2021

Vector Capital Plc

Corporate Governance Report
for the Year Ended 31 December 2020

OVERVIEW
As Chairman of the Company, I have overall responsibility for corporate governance and promoting high standards throughout the Group. The Board of Directors consider that effective corporate governance is a crucial factor in order to safeguard the Company and its stakeholders. We are continually investing resources into the monitoring and improvement to strengthen and enhance governance structures.

Vector Capital Plc recognises the financial industry is one where corporate governance is of particular importance and so this is re-enforced to everyone who represents the company.

As well as leading and chairing the Board I am responsible with ensuring that:

- Committees are properly structured and operate with appropriate terms of reference;
- The performance of individual directors, the Board and its committees are reviewed on a regular basis;
- The Company has a coherent strategy and set of objectives; and
- There is effective communication between the Company and its shareholders.

The Board adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code) in December 2020 and considers that it adheres to the principles of the QCA Code. The QCA Code has ten broad principles and sets of disclosures.

The Directors have considered how it applies each principle to the extent it judges to be appropriate in the circumstances and in the statements that follow, we explain our approach to governance and how the Board and its committees operate.

I am committed to working with the Board to build upon the existing values that are in place and ensure that good corporate governance continues to be embraced within the organisation.

Robin Stevens
Chairman

1	**Principle**	**Establish a strategy and business model which promotes long-term value for shareholders**
	Application	The Company heads an established and profitable commercial lending Group that offers secured loans primarily to businesses located in the United Kingdom. The Company works with selected commercial finance brokers who concentrate on the bridging segment and the Directors believe that the Group has become the lender of choice for borrowers who need fast decisions and turnarounds. To achieve its objective of smooth growth the Company is seeking to gradually increase its facilities from wholesale banks and other institutional lenders. The promotion of long term shareholder value is underpinned by the Board's commitment to act with integrity; be consistently open and ethical in its dealings with all stakeholders; provide fair and objective reporting and seek to ensure that the Group's strategy, business model and performance are clearly communicated and understood. The Directors believe the best way to achieve this is through inclusion of relevant information in the half year and full year reports to shareholders. Moreover, the Directors believe that its values of integrity and transparency protect the Company from any unnecessary risk and secure its' long term future. The strategy and business model is discussed further in the Strategic Report.
2	**Principle**	**Seek to understand and meet shareholder needs and expectations**
	Application	The Board aims to provide clear and transparent information as to the Company's activities, strategy, performance, and financial position to its shareholders. The Directors are committed to communicating with shareholders through the Annual Report and Accounts, full-year and half year announcements and the annual general meeting ("AGM"). Shareholders will be encouraged to participate in the AGM as impacted by COVID-19 restrictions at the time and the number of proxy votes received for each resolution will be announced at the AGM and the results of the AGM will be announced. Details of all shareholder communications are available on the Company's website.

3 Principle	**Take into account wider stakeholder responsibilities and their implications for long term success**
Application	The Board works closely with the executive team with clear and open communication both within and outside the boardroom. Shareholders The Directors value the feedback they receive from the Company's shareholders and take every opportunity to ensure that the comments of shareholders are considered. Employees The Company has a small number of employees and operates an open-door policy where employees' opinions and suggestions are listened to and valued. Suppliers The Company has a limited number of suppliers and maintains a close working relationship with them. Customers The Company provides business loans to its customers with whom it develops an understanding of the financing requirement and maintains a close relationship during the course of the loan period.
4 Principle	**Embed executive risk management, considering both opportunities and threats, throughout the organisation**
Application	The Board is responsible for establishing and maintaining internal controls within the Company which are designed to meet the particular risks to the Company and mitigate risks to which it is exposed. The Key elements of the internal controls are: The Board meets regularly. An agenda and board pack are circulated in advance of each meeting and minutes are prepared and agreed. The Company has information systems for monitoring its financial performance against budget. The Board monitors the performance of the Company at each Board meeting against a set of agreed Key Performance Indicators. The Board has established an Audit and Risk Committee which typically meets with the external auditors on at least an annual basis without the Executive Directors present. The Company, due to its size, does not at this stage consider it appropriate to have an internal audit function

5 Principle	**Maintain the Board as a well-functioning, balanced team led by the chair**
Application	The Board comprises four directors: two executive directors, a non-executive chairman and a non-executive director. The Chairman has a casting vote at meetings of the Board (unless he is not entitled to vote on the matter in question). Agam Jain, Chief Executive Officer, devotes substantially the whole of his time to his duties with the Company. Agam Jain is the controlling shareholder of Vector Holdings, which is itself the controlling shareholder of the Company. A Relationship Agreement is in place between Vector Holdings and the Company under which Vector Holdings has agreed, amongst over matters, to exercise its voting rights to procure that the Group and Business shall be managed for the benefit of the Shareholders as a whole; that it will not seek to influence the running of the Company or any member of the Group at an operational level and will not in the period of five years following Admission carry on or be employed, engaged or interested in any business which would compete with the Company. This agreement also contains provisions requiring that the Board at all times has a majority of directors who are not appointed to the Board by or with the votes of Vector Holdings. For these purposes the current Directors other than Agam Jain are not treated as having been appointed to the Board by or with the votes of Vector Holdings. Jonathan Pugsley, Finance Director, contributes as much of his time to the Company as is required for the proper performance of his duties to the Company. Robin Stevens is the non-Executive Chairman and Ross Andrews is a non-executive director. Each of Mr Stevens and Mr Andrews devote such time as is necessary for the proper performance of their respective duties to the Company. The Chairman and the other non-executive director are considered by the Directors to be independent under the QCA Code's guidance for determining such independence. For the Board to discharge its duties it has access to all relevant information in a timely manner and meets on a monthly basis. The Board is supported by audit and risk, remuneration and nominations committees and the Directors consider that the members of those committees have the necessary skills, knowledge Cont..

	and experience to discharge their responsibilities executively. Details of the number of Board meetings held during the year and the attendance at those meetings is set out on page 21.
6 Principle	**Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**
Application	The Board comprises experienced executive and non-executive directors. Executive directors are experienced in their management disciplines, i.e. commercial lending to businesses and finance. Non-executive directors have extensive experience in advising and supporting a variety of public and private companies. Company Secretarial support is provided by Allazo Ltd, a company registered with the Association of Chartered Certified Accountants. Jonathan Pugsley, Finance Director, is the sole director of Allazo Ltd. All directors are encouraged to maintain individual continuing professional development programmes. The Board is supported where necessary by its external advisers and continually reviews the performance of third-party advisers to ensure that they are the most appropriate business partners for the Company.
7 Principle	**Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**
Application	The Chairman will review the contribution of each Board member on an on-going basis, both individually and in relation to the performance of the Company as a whole. These reviews will consider the individual contribution; whether they are carrying out their responsibilities executively and to the highest standard; and where, relevant, whether they have maintained their independence. Annual performance reviews will be carried out by the Remuneration Committee. The balance of the Board, both in terms of number, experience and split between executive and non-executive is formally assessed on an annual basis as a minimum by the Nominations Committee.
8 Principle	**Promote a corporate culture that is based on ethical values and behaviours**
Application	The Company promotes honesty and integrity in all its dealings. The Directors are mindful of the industry in which the Company operates and take all issues of ethical behaviour seriously. Cont..

		The Board has a series of matters reserved for discussion and has approved terms of reference for the Audit, Remuneration and Nominations Committees. Recognising that Agam Jain is the controlling shareholder of Vector Holdings, which is itself the controlling shareholder of the Company, a Relationship Agreement is in place between Vector Holdings and the Company. Under this agreement Vector Holdings has agreed, amongst other matters, to exercise its voting rights to procure that the Group and Business shall be managed for the benefit of the Shareholders as a whole; that it will not seek to influence the running of the Company or any member of the Group at an operational level and will not in the period of five years following Admission carry on or be employed, engaged or interested in any business which would compete with the Company. This agreement also contains provisions requiring that the Board at all times has a majority of directors who are not appointed to the Board by or with the votes of Vector Holdings. The Directors, other than Agam Jain, are not treated as having been appointed by or with the votes of Vector Holdings for these purposes. Other policies and procedures in place include an Anti-Corruption and Bribery prevention policy and a Social Media Policy.
9	**Principle**	**Maintaining governance structures and processes that are fit for purpose and support good decision-making by the board**
	Application	The Board is responsible to shareholders for the proper management of the Group. The Board comprises Agam Jain, Chief Executive Officer, Jonathan Pugsley, Finance Director, Robin Stevens, Non-executive Chairman and Ross Andrews, Non-executive Director. Given the current size of the Company the Directors consider the current composition and experience of the Board is appropriate. As the Company increases in size it may be appropriate to appoint additional directors with complementary skills and experience. The Board is responsible for: · setting the commercial strategy · approving annual budgets · approving the half year and full year results · approving the dividend policy · approving board structure · approving major capital expenditure Cont..

	· approving resolutions to be put to shareholders at general meetings The following governance committees have been established to assist the Board in fulfilling its oversight responsibilities. Audit and Risk Committee: responsibilities comprise the reviewing and monitoring the integrity of the financial statements; the system of internal controls and risk management, the attitude towards risk and how risk is reported as well as the reviewing the audit process and liaison with the auditors. While Robin Stevens chairing the committee at the same time as being chairman of the Company is not compliant with the QCA Code, the directors consider this appropriate for the Company in view of his extensive accounting experience. Remuneration Committee: responsibilities comprise determining and agreeing with the Board the framework and policy for the remuneration of the Chairperson and the executive directors. Nominations Committee: responsible for regular review of the structure, size and composition of the Board, succession planning and identifying candidates for any vacancies. Each of the committees will comprise only Non-executive directors, except where the Company's nominated advisor has provided its consent.
10 Principle	**Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**
Application	The Board is open to an open dialogue with its shareholders and welcomes interaction. The Directors are committed to ensuring that: · The Company's contact details are contained on the website; · The contact details of the Chief Executive Officer are contained on all announcements · The outcome of all shareholder votes will be contained on the website in a clear and transparent manner · Where 20 percent of independent votes have been cast against a resolution at any general meeting the Company will include on the website an explanation of what actions it intends to take to understand the reasons behind that vote result and any action it will take as a result of that vote. · The website contains relevant information on the Company (including historical financial statements and other governance related material) and is updated on a regular basis. Cont..

The Company has engaged a public relations advisor to assist with the communications with shareholders and relevant stakeholders.
All Shareholders are encouraged to attend the Annual General Meeting.

	PLC Board meetings		Committee meetings					
			Audit		Remuneration		Nomination	
Director	Invited	Attended	Invited	Attended	Invited	Attended	Invited	Attended
A Jain	16	16	-	-	-	-	-	-
N Dhanani	13	13	-	-	-	-	-	-
J Pugsley	16	16	-	-	-	-	-	-
R Andrews	16	16	-	-	-	-	-	-
R Stevens	15	15	-	-	-	-	-	-

Note: The Company joined the AIM Market on 29 December 2020 and therefore no committee meetings were held between then and the year end.

Note: N Dhanani resigned as director on 14 December 2020

Vector Capital Plc

Report of the Directors
for the Year Ended 31 December 2020

The directors present their report with the financial statements of the company and the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activities of the Group remained that the provision of finance for land and property development, bridging loans and secured business finance.

DIVIDENDS

An interim dividend for the year of 2.35p per share was paid on 27th October 2020 (on the shares in issue prior to a 2:1 share split in December 2020). The directors propose that a final dividend for the year of 1.43p per share, equating to approximately £600,000, is paid post year end.

If approved the total distribution of dividends for the year ended 31 December 2020 will be around £1,000,000 (2019: £699,000) depending on the actual pence per share figure for the final dividend.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

A Jain
J Pugsley
R Andrews

Other changes in directors holding office are as follows:

R Stevens - appointed 29 February 2020
N Dhanani – resigned 14 December 2020

The Directors of the Company held the following beneficial interests in the shares of Vector Capital Plc at the date of this report, there were no options in circulation;

	Issued share capital Ordinary shares of £0.005 each	**Percentage held**
Agam Jain (via Vector Holdings Limited)	34,000,000	80.85%
Ross Andrews (via Hargreaves Lansdown (Nominees) Limited)	263,158	0.63%

DIRECTORS REMUNERATION

The Directors received the following remuneration during the year:

	Salaries	Fees	Pension contributions	Total remuneration
Executive				
Agam Jain	£100,000	-	-	£100,000
Neil Dhanani	£50,000	-	-	£50,000
Jonathan Pugsley	-	-	-	-
Non-executive				
Ross Andrews	£25,000	-	-	£25,000
Robin Stevens	£18,750	-	-	£18,750

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2020 the following parties held greater than 3% of the issued share capital of the Company:

	Percentage of issued share capital
Vector Holdings Limited	80.85%
Killik & Co LLP	4.07%

FINANCIAL RISK MANAGEMENT

The Group's risk management is controlled by the board of directors. The board identify, evaluate and mitigates financial risks across the Group. Financial risks identified and how these risks could affect the Group's future financial performance are listed below;

Market risk - interest rate

The Group holds borrowings from banks at variable rates which are linked to lending provided to customers. The risk is measured through sensitivity analysis. The risk is managed via monitoring of base rates when new loans and renewals are issued to maintain a suitable margin above cost. Since loans are short term the exposure to higher rates is low.

Credit risk

The Group lends to third parties as included in trade debtors, there is a risk of default from a borrower. Risk is measured by review of security held compared to credit provided. the risk is management by undertaking thorough valuations of security, obtaining legal charge and stringent onboarding processes. At the year end Group trade debtors of £36,373,856 (2019: £33,627,171) represented 44% (2019: 58%) of the security held.

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FINANCIAL RISK MANAGEMENT (cont)

Liquidity risk

The risk the company cannot meet its financial responsibilities such as finance and operating expenses. The risk is measured by way of rolling cash flow forecasts prepared by management, including undrawn borrowing facilities and cash and cash equivalents. The risk is controlled by the timing and availability of new finance for customers.

Capital risk

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to be profitable for its shareholders. The board monitors capital by assessing liquidity, forecasts and demand for lending on an ongoing basis.

EVENTS AFTER THE REPORTING DATE

The Company has reviewed and evaluated all events and material transactions that have occurred after 31 December 2020 to the date of signing of the financial statements and conclude that there are no material subsequent events which justify adjustment or disclosure.

GOING CONCERN

The financial statements have been prepared on the assumption that the Company is a going concern. When assessing the foreseeable future, the Directors have considered the budget for the next 12 months from the date of this report and the cash at bank available as at the date of approval of this report and are satisfied that the Company should be able to meet its financial obligations.

The Group's wholesale borrowing facilities totalling £25m are due for renewal in July and October 2021, on a rolling annual contract, the Group maintain a good working relationship with both providers and are confident the facilities will be renewed.

The directors have obtained comfort from its majority shareholder, Vector Holdings Limited, that Group loans totalling £3m, will not be recalled within 12 months of the year end.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Cont..

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS
Jeffreys Henry LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

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A Jain - Director

9 April 2021

Independent Auditors Report
To the Members of Vector Capital Plc

Opinion
We have audited the financial statements of Vector Capital Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006;

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the entity's ability to continue to adopt the going concern basis of accounting included, as part of our risk assessment, review of the nature of the business of the group, its business model and related risks including where relevant the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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

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

Summary of our audit approach

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

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

- Revenue recognition and cut-off
- Recoverability of loans issued and loan loss provisioning (expected credit losses)
- Valuation of investment in and loan due from subsidiaries (parent only)
- Going concern assessment and related disclosures

These are explained in more detail below.

Materiality
The materiality that we used for the Group financial statements was £95k which was determined on the basis of 5% of results after tax.

Audit scope
The Group is made up of Vector Capital Plc and its two subsidiaries being Vector Asset Finance Limited and Vector Business Finance Limited. The subsidiaries are the main trading entities of the Group.

Our full audit scope covered 100% of revenue, 100% of profit before tax and 100% of net assets across the Group.

Significant changes in our approach
No significant changes have been made to our audit approach.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition and cut-off The group recognises revenue from its loan books on an accrual basis using the actual rate of interest stipulated in the loan agreements with individual borrowers. Setup fees are recognised once the loans have been authorised for initial release and renewal fees are recognised following renewal of existing loans in issue. Where the customer defaults on repayments, the interest rate can be temporarily increased, on the discretion of management, to address the increase in risk of failure to recover the loan capital and interest. The risk is that the group may recognise interest receivable based on incorrect interest rates, incorrect revenue due to movements in loans issued during the period, interest in the incorrect period and, fail to charge and recognise the additional rate of interest to borrowers who have defaulted during the period. Similarly, the revenue from loan arrangements and renewals may be recognised in the incorrect periods. There is also a possibility that revenue recognised can be manipulated after it has been transferred from the loan management system to the accounting system, which could allow funds received by the group to be fraudulently extracted from the group. Management has a hands-on approach with processing loans and transferring journals from loan management system to accounting system. Management accounts are reviewed by the board on a monthly basis, where loans are individually reviewed for balances receivable. Nevertheless, there is a risk that the material amount of revenue may be either recognised incorrectly or omitted.	We performed the following audit procedures to address the risk: • understood management's process and key controls around revenue recognition by reviewing the processes in place and enquired about any changes to this process implemented during the year. • compared the management information on interest receivable to the aggregate interest recognised in the accounting platform, and corroborated reason for material variances. • agreed a sample of the interest rate per management information to the loan management software, facility letters and statements issued to borrowers on a monthly basis. • tested a sample of loans in issue during the year to confirm terms are in accordance with loan agreements, agreed the total interest receivable per accounting platform to the interest shown on the monthly statements issued to borrowers. • recalculated interest receivable for a sample of loans, based on the changes to the loan issued during the year, and agreed the total balance to the loan statements and management information. • ensured appropriate management authorisation have been undertaken before the loan statements were issued to the borrowers. • traced the total interest revenue from loan management systems to the accounting platform to ensure information is being accurately transferred. For set up and renewal fees we carried out the following audit procedures for a sample of population: • agreed the renewal fee rate to the facility letter; • agreed fees to monthly statements; • traced fees to accounting records; • ensured fees have been authorised by management and countersigned by borrowers. We consider the group has adequate procedures in place to review and authorise transactions. Based on the audit work performed we are satisfied that the management have accurately recognised revenue in the correct period.

Recoverability of loans issued and loan loss provisioning (expected credit losses) The group has a significant loan portfolio to customers of £36.4m (2019: £33.6m). There is a risk arising from the possibility that the group will incur losses from the failure of customers to meet their obligations. Individual loan impairment and provisioning is one of the most significant estimates made by the company's directors and management in preparing financial statements. Refer to the summary of significant accounting policies in relation to the loan impairment provisioning on page 52, 53 and 54, judgements in applying accounting policies and critical accounting estimates on page 54 and provision for impairment losses on loans in note 13 on page 61. The significant judgements include whether an impairment is required or not, and the level of provision required for loans that are considered to be impaired. These are considered on a case-by-case basis and, therefore, there is an inherent degree of subjectivity and a corresponding increased risk of material misstatement. In addition, the coronavirus pandemic has increased the complexity of determining impairment due to uncertainty of outcomes including the valuation of collateral property. The provision balance as at 31 December 2020 was £Nil (2019: £Nil). This balance was derived after bad debt write off of £43k.	We performed the following audit procedures to address the risk: • obtained an understanding of the relevant controls over the individual loan impairment process. • reviewed the group's loan impairment and provisioning policy to assess whether it was in compliance with the requirements of IFRS 9. • selected a sample of loans and examined the valuation documents of the properties which are secured as collateral and to determine whether the valuation was within the acceptable risk levels as per the group's policies. • selected a sample of loans across the loan portfolio where no impairment indicators had been identified by management to assess whether they were appropriately accounted for. • critically assessed and challenged management's assumptions and consideration of the impact of the coronavirus pandemic on the estimation uncertainty in individual loan impairments. We consider management's judgements in relation to the individual impairment provision for the year ended 31 December 2020 to be appropriate.
Valuation of investments in and recoverability of amounts due from subsidiaries The parent company carried investments in subsidiaries of £17m (2019: £17m) at the year end. The parent company also had amounts owed by subsidiary undertakings of £5.16m (2019: £800k) at the year end.	We performed the following audit procedures to address the risk: • reviewed management's assessment of future operating cashflows and indicators of impairment; • assessed the methodology used by management to estimate the future profitability of companies in the group and recoverable value of the investment, in conjunction with any intra-group balances, to ensure that the method used is appropriate; • assessed the reasonableness of the key assumptions used in management's estimates of recoverable value, in line with the economic and industry statistics relevant to the business;

Management's assessment of the recoverable amounts from investments in and loans to subsidiaries requires estimation and judgement around assumptions used, including the cash flows to be generated from continuing operations. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting the value of investment in the subsidiary, amounts recoverable from the subsidiaries and resulting impairment charges. The directors have assessed the recoverability of intercompany balances and have concluded that they are recoverable. However, there is a risk that the subsidiaries may not be able to trade as expected in the future due to circumstances outside the control of the entities, and therefore the investment and the amounts recoverable may be impaired.	• confirmed that any adverse changes in key assumptions will not materially increase the impairment loss; • challenged cash inflows from revenue generating activities and the key assumptions applied in arriving at the expected revenues for the foreseeable future; • assessed the appropriateness and applicability of discount rate applied to the current business performance. • assessed the reasonability of cash outflows, including contracted costs, research expenditure and expected capital expenditure; • reviewed the latest management accounts for all entities in the group to confirm reasonability of assumption used in the cashflow forecast; Based on the audit work performed we are satisfied that the management have made reasonable assumptions in arriving at the value of the companies in the group based on net present value of future cashflow. The net present value of the subsidiaries is higher than the investment in them and the loans issued to them. Therefore, no impairment loss is required in the parent company financial statements in respect of these balances.
Going concern assessment The rapid spread and ongoing uncertainty surrounding the impact of Covid-19 has increased complexity associated with the directors' assessment of the group's and company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. In addition, there is an increased risk associated with the adequacy of disclosures over the going concern assessment and events after the reporting date. In making their assessment, the Directors consider that the going concern basis of accounting is appropriate and that there is no material uncertainty related to going concern. Management's assessment includes the following:	We performed the following audit procedures to address the risk: • reviewed the disclosures made by management in Note 2 and the strategic report ensuring a comprehensive explanation of the impact on the business due to COVID-19; • obtained and critically reviewed management's forecasts, cash flow analysis and their going concern assessment for the group covering a period of 12 months from the date of approval of these financial statements; • assessed the reliability of forecasts to date by agreeing historical actuals to budgets and challenging the current forecasts; • tested the clerical accuracy of management's forecast; • challenged management's forecast assumptions, including reviewing the anticipated revenues and corroborated the assumptions over the levels of estimated future costs; • challenged the forecast changes to the Group's and company's profitability and liquidity plan, with reference to the Group's and company's internal risk appetite, given current market conditions;

(i) the group's and company's profitability, liquidity and funding position; (ii) support available from parent company; and (iii) the capability of the operational resilience framework in place due to its good relationship with its block discounting facility providers. Due to the increased audit effort and level of judgements involved in the going concern assessment we have considered the going concern assessment and related disclosures as a key audit matter. Management's associated consideration of the impact of Covid-19 on the company's and group's ability to continue as a going concern are detailed on pages 12 and 13 within the strategic report, page 24 in the directors' report and note 2 to the financial statements. Details of the impact of events after the reporting date are presented in the directors' report on page 24.	• inspected the terms and conditions of the renewed borrowing facility and assessed compliance with the covenant conditions attached to the borrowing facility to assess likelihood of renewal of facilities; • read the most recent Board minutes and regulatory correspondence to identify items of interest; and • considered the appropriateness of the Company's and group's disclosures in relation to going concern in the financial statements; Based on the work performed, having taken account of the assumptions and other matters disclosed in the Going Concern Statement made by the directors and elsewhere in the annual report and accounts, we concurred with the directors' conclusion that the significant economic disruption associated with the Covid-19 pandemic does not give rise to a material uncertainty over the company's and Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. We are also satisfied that all necessary disclosures have been made in the consolidated financial statements.

Our application of materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£95k (2019: £83k).	£60k (2019: £41k).
How we determined it	Based on 5% net profit after tax (2019: 5% net profit after tax).	Based on 5% net profit after tax (2019: 5% net profit after tax).
Rationale for benchmark applied	We believe that distributable profit is a primary measure used by shareholders in assessing the financial strength of the group and is a generally accepted auditing benchmark.	We believe that distributable profit is a primary measure used by shareholders in assessing the financial strength of the group and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £37k and £82k.

Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2020 audit (2019: 75%).

We determined performance materiality with reference to factors such as our understanding of the Group and its complexity, the quality of the control environment and ability to rely on controls and the low level of uncorrected misstatements in the prior year audit.

Error reporting threshold
We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £4.7k (Group audit) (2019: £4.1k) and £3k (Company audit) (2019: £2k) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

The Group financial statements are a consolidation of 3 reporting units comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information for Vector Capital Plc, Vector Asset Finance Limited and Vector Business Finance Limited which were individually financially significant and, in aggregate, accounted for 100% of the Group's revenue and 100% of the Group's profit before tax.

The Group engagement team performed all audit procedures.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 24 and 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

The extent to which the audit was considered capable of detecting irregularities including fraud
Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:
- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;

- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the bridging finance industry.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.
- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC and the company's legal advisor.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Independent Auditors Report
To the Members of Vector Capital Plc

Use of this report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sanjay Parmar (Senior Statutory Auditor)
For and on behalf of Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
9 April 2021

Vector Capital Plc

Consolidated Statement of Profit or Loss
for the Year Ended 31 December 2020

	Notes	2020 £'000	2019 £'000
CONTINUING OPERATIONS			
Revenue		4,325	3,593
Cost of sales		(321)	(484)
GROSS PROFIT		4,004	3,109
Other income	4	29	-
Administrative expenses		(668)	(350)
OPERATING PROFIT		3,365	2,759
Finance costs		(1,018)	(792)
PROFIT BEFORE INCOME TAX	6	2,347	1,967
Income tax	7	(445)	(374)
PROFIT FOR THE YEAR		1,902	1,593
Profit attributable to:			
Shareholders		1,902	1,593
Earnings per share expressed in pence per share:	10		
Basic		5.58	4.69
Diluted		5.58	4.69

The notes form part of these financial statements

Vector Capital Plc

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2020

	2020 £'000	2019 £'000
PROFIT FOR THE YEAR	1,902	1,593
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,902	1,593
Total comprehensive income attributable to:		
Owners of the parent	1,902	1,593

The notes form part of these financial statements

Vector Capital Plc (Registered number: 12140968)

Consolidated Statement of Financial Position
31 December 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	4	-
Trade and other receivables	13	-	1,400
		4	1,400
CURRENT ASSETS			
Trade and other receivables	13	36,963	32,850
Cash and cash equivalents	14	2,569	337
		39,532	33,187
TOTAL ASSETS		39,536	34,587
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	18,030	17,126
Tax payable		205	374
TOTAL LIABILITIES		18,235	17,500
NET ASSETS		21,301	17,087
SHAREHOLDERS' EQUITY			
Called up share capital	16	210	170
Share premium	17	19,502	16,830
Group reorganisation reserve	17	188	188
Retained earnings	17	1,401	(101)
TOTAL EQUITY		21,301	17,087

The financial statements were approved by the Board of Directors on 9 April 2021 and were signed on its behalf by:

....

J Pugsley - Director

The notes form part of these financial statements

Vector Capital Plc (Registered number: 12140968)

Company Statement of Financial Position
31 December 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	4	-
Investments	12	17,000	17,000
		17,004	17,000
CURRENT ASSETS			
Trade and other receivables	13	5,174	800
Cash and cash equivalents	14	1,899	66
		7,073	866
TOTAL ASSETS		24,077	17,866
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	3,155	866
TOTAL EQUITY AND LIABILITIES		20,922	17,000
SHAREHOLDERS' EQUITY			
Called up share capital	16	210	170
Share premium	17	19,502	16,830
Retained earnings	17	1,210	-
TOTAL EQUITY		20,922	17,000

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £1,609,732 (2019 - £699,054).

The financial statements were approved by the Board of Directors on 9 April 2021 and were signed on its behalf by:

....

J Pugsley – Director

The notes form part of these financial statements

Vector Capital Plc

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Group reorganisation reserve £'000	Total equity £'000
Balance at 1 January 2019	170	(995)	16,830	188	16,193
Changes in equity					
Dividends	-	(699)	-	-	(699)
Total comprehensive income	-	1,593	-	-	1,593
Balance at 31 December 2019	170	(101)	16,830	188	17,087
Changes in equity					
Issue of share capital	40	-	2,672	-	2,712
Dividends	-	(400)	-	-	(400)
Total comprehensive income	-	1,902	-	-	1,902
Balance at 31 December 2020	210	1,401	19,502	188	21,301

Vector Capital Plc

Company Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Changes in equity				
Issue of share capital	170	-	16,830	17,000
Dividends	-	(699)	-	(699)
Total comprehensive income	-	699	-	699
Balance at 31 December 2019	170	-	16,830	17,000
Changes in equity				
Issue of share capital	40	-	2,672	2,712
Dividends	-	(400)	-	(400)
Total comprehensive income	-	1,610	-	1,610
Balance at 31 December 2020	210	1,210	19,502	20,922

Vector Capital Plc

Consolidated Statement of Cash Flows
for the Year Ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	1	(913)	(236)
Interest paid		(1,018)	(792)
Tax paid		(614)	(236)
Net cash from operating activities		(2,545)	(1,264)
Cash flows from investing activities			
Purchase of tangible fixed assets		(5)	-
Net cash from investing activities		(5)	-
Cash flows from financing activities			
Intercompany loans		2,473	2,200
Amount introduced by directors		-	3
Amount withdrawn by directors		(3)	-
Issue of new shares		2,712	-
Equity dividends paid		(400)	(699)
Net cash from financing activities		4,782	1,504
Increase in cash and cash equivalents		2,232	240
Cash and cash equivalents at beginning of year	2	337	97
Cash and cash equivalents at end of year	2	2,569	337

Vector Capital Plc

Company Statement of Cash Flows
for the Year Ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	1	(383)	(225)
Interest paid		(5)	-
Net cash from operating activities		(388)	(225)
Cash flows from investing activities			
Purchase of tangible fixed assets		(5)	-
Dividends received		2,100	950
Net cash from investing activities		2,095	950
Cash flows from financing activities			
Intercompany loans		(2,184)	38
Amount introduced by directors		-	2
Amount withdrawn by directors		(2)	-
Issue of new shares		2,712	-
Equity dividends paid		(400)	(699)
Net cash from financing activities		126	(659)
Increase/(decrease) in cash and cash equivalents		1,833	66
Cash and cash equivalents at beginning of year	2	66	-
Cash and cash equivalents at end of year	2	1,899	66

Notes to the Statements of Cash Flows
for the Year Ended 31 December 2020

1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

Group

	2020	2019
	£'000	£'000
Profit before income tax	2,347	1,966
Depreciation charges	1	-
Finance costs	1,018	793
	3,366	2,759
Increase in trade and other receivables	(2,713)	(12,975)
(Decrease)/increase in trade and other payables	(1,566)	9,980
Cash absorbed in operations	(913)	(236)

Company

	2020	2019
	£	£
Profit before income tax	1,610	699
Depreciation charges	1	-
Finance costs	5	-
Dividend income	(2,100)	(950)
	(484)	(251)
Increase in trade and other receivables	(28)	-
Increase in trade and other payables	129	26
Cash absorbed in operations	(383)	(225)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	Group		Company	
Year ended 31 December 2020				
	31.12.20	1.1.20	31.12.20	1.1.20
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,569	337	1,899	66
Year ended 31 December 2019				
	31.12.19	1.1.19	31.12.19	1.1.19
	£'000	£'000	£'000	£'000
Cash and cash equivalents	337	97	66	-

1. **STATUTORY INFORMATION**

Vector Capital Plc is a public company, registered in England and Wales. The Company's registered number and registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

Basis of preparation

The consolidated financial statements of the Group have been prepared using the historical cost convention, on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") Interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS, using accounting policies which are set out below and which have been consistently applied to all years presented, unless otherwise stated.

The financial statements of the parent company have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ('FRS 101') and the requirements of the Companies Act 2006. The Company will continue to prepare its financial statements in accordance with FRS 101 on an ongoing basis until such time as it notifies shareholders of any change to its chosen accounting framework.

In accordance with FRS 101, the Company has taken advantage of the following exemptions:

• Requirements of IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group;
• the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets;
• the requirements of IFRS 7 Financial Instruments: Disclosures;
• the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
• the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
• the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

2. **ACCOUNTING POLICIES (cont)**

New and amended standards adopted by the Group
There are a number of new and revised IFRSs that have been issued but are not yet effective that the Company has decided not to adopt early.

The most significant new standards and interpretations adopted are as follows:

Ref	Title	Summary	Application date of standards (periods commencing)
IAS1	Presentation of Financial Statements	Amendments regarding the definition of material	1 January 2020
IAS8	Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of material	1 January 2020
IFRS9, IAS39 and IFRS7	Interest Rate Benchmark Reform	Amendments regarding measurement and classification	1 January 2020

New standards and interpretations not yet adopted
Unless material the Group do not adopt new accounting standards and interpretations which have been published and that are not mandatory for 31 December 2020 reporting periods.

No new standards or interpretations issued by the International Accounting Standards Board ('IASB') or the IFRS Interpretations Committee ('IFRIC') have led to any material changes in the Company's accounting policies or disclosures during each reporting period.

The most significant new standards and interpretations to be adopted in the future are as follows:

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2. **ACCOUNTING POLICIES (cont)**

Ref	Title	Summary	Application date of standards (periods commencing)
IAS1	Presentation of Financial Statements	Amendments regarding the classification of liabilities	1 January 2023
		Amendments to defer effective date of the January 2020 amendments	1 January 2023
IFRS9, IAS39 and IFRS7	Interest Rate Benchmark Reform Phase 2	Amendments regarding measurement and classification	1 January 2021

Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that the company's forecasts and projections, taking into account potential changes in trading patterns, indicate that the company will be able to continue current operations for the foreseeable future.

The Group's wholesale borrowing facilities totalling £25m are due for renewal in July and October 2021, on a rolling annual contract, the Group maintain a good working relationship with both providers and are confident the facilities will be renewed.

The directors have obtained comfort from its majority shareholder, Vector Holdings Limited, that Group loans totalling £3m, will not be recalled within 12 months of the year end.

In addition, the directors have obtained comfort from other companies within the wider related party Group that they will provide financial support should the need arise and will not seek repayment of Group loans within 12 months of the date of approval of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

2. **ACCOUNTING POLICIES (cont)**

Basis of consolidation

Subsidiaries are all entities which the Group has control. The subsidiaries consolidated in these Group accounts were acquired via group re-organisation and as such merger accounting principles have been applied. The subsidiaries financial figures are included for their entire financial year rather than from the date the company took control of them.

The Company acquired its 100% interest in Vector Asset Finance Limited ("VAF") and Vector Business Finance Ltd ("VBF") in 2019 by way of a share for share exchange. This is a business combination involving entities under common control and the consolidated financial statements are issued in the name of the Group but they are a continuance of those of VAF and VBF. Therefore, the assets and liabilities of VAF and VBF have been recognised and measured in these consolidated financial statements at their pre combination carrying values. The retained earnings and other equity balances recognised in these consolidated financial statements are the retained earnings and other equity balances of the Company, VAF and VBF. The equity structure appearing in these consolidated financial statements (the number and the type of equity instruments issued) reflect the equity structure of the Company including equity instruments issued by the Company to affect the consolidation. The difference between consideration given and net assets of VAF and VBF at the date of acquisition is included in a Group reorganisation reserve.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated during the consolidation process.

The subsidiaries prepare their accounts to 31 December under FRS101, there are no deviations from the accounting standards implemented by the company. Where necessary accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	-	20% on cost
Computer equipment	-	25% on cost

2. **ACCOUNTING POLICIES (cont)**

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Employee benefit costs

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the income statement in the period to which they relate.

Government grants

The Company recognises government support grants as other income, accrued for the period of eligibility. Government grants relate to the Job Retention Scheme which is designed to safeguard employment due to pressures imposed by the Covid-19 pandemic.

Significant accounting policies

a) Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable net of trade discounts. Turnover includes revenue earned from the rendering of service, namely commercial lending in the unregulated secured loan market, the policies adopted are as follows -

- Interest income is recognised on an accrual basis using the actual interest rate as stipulated within the terms of the contractual agreement.
- Setup and renewal fees are recognised in accordance with the stage of completion.

Dividend and interest income

Interest income, other than from commercial loans, is recognised using the effective interest method and dividend income is recognised as the company's right to receive payment is established. Each is then shown separately in the statement of profit or loss and other comprehensive income.

b) Investments

Investment in subsidiaries is initially measured at cost and subsequently each year re-measured at fair value. Gains or losses arising from changes in fair values of investments are included in profit or loss in the period in which they arise.

Cont..

2. **ACCOUNTING POLICIES (cont)**

c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

d) Financial instruments

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value as appropriate, on initial recognition.

e) Financial assets

Financial assets are subsequently classified into the following specified categories:

-financial assets at fair value through profit or loss, including held for trading;

- fair value through other comprehensive income; or

- amortised cost.

The classification depends on the nature and purpose of the financial asset (ie. the Company's business model for managing the financial assets and the contractual terms of the cash flows) and is determined at the time of initial recognition.

Financial assets are classified as at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are measured at amortised cost if they are held within a business mode whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not held at amortised cost or fair value through other comprehensive income are held at fair value through profit or loss.

Cont..

2. **ACCOUNTING POLICIES (cont)**

f) Trade receivables

Trade receivables are amounts due from customers in relation to commercial lending provided as part of the ordinary course of business. If collection is expected in one year or less (as is the normal operating cycle of the business), the receivables are classified as current assets, if not, they are presented as non-current assets.

Loans made by the Group are initially recognised at cost, being the fair value of the consideration received or paid associated with the loan or borrowing. Loans are subsequently measured at amortised cost using the effective interest method where appropriate, less any impairment for loans. The loan will be de-recognised when the Group is no longer eligible for the cash flows from it.

The credit risk of trade receivables is considered low due to the legal charges held by the Group. The directors regularly review the trade receivables to ensure security held is sufficient to maintain a low level of risk. Where defaults occur, the company uses its legal powers to seize assets held as security and liquidate them in order to recover the debt. Should the security diminish in value and credit risk is re-assessed as higher the directors will make a provision for bad debts which will represent a charge to the Income statement.

There is no Grouping for credit risk, each trade receivable is reviewed on its own merit.

g) Financial liabilities

Financial liabilities are contractual obligations to deliver cash or another financial asset.

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives, other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss (see 'fair value option' below).

All interest-bearing loans and borrowings are classified as financial liabilities at amortised cost.

h) Fair value option

An entity may, at initial recognition, irrevocably designate a financial asset or liability that would otherwise have to be measured at amortised cost or fair value through

Cont..

2. **ACCOUNTING POLICIES (cont)**

other comprehensive income to be measured at fair value through profit or loss if doing so would eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') or otherwise results in more relevant information.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an open transaction between free market participants.

i) De-recognition

De-recognition of financial assets and liabilities is the point at which an asset or liability is removed from the financial statement.

Financial assets are de-recognised when the rights to receive cashflows from the assets have ceased and the Company has transferred substantially all the risk and rewards of ownership of the asset.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expired.

j) Impairment

Impairment of financial assets is recognised in stages:

Stage 1 - as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (ie without deduction for expected credit losses).

Stage 2 - if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest revenue is the same as for Stage 1.

Stage 3 - if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (ie the gross carrying amount less the loss allowance). Financial assets in this stage will be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

Cont..

2. **ACCOUNTING POLICIES (cont)**

On an ongoing basis the Company reviews and assesses whether a financial asset is impaired.

Expected credit losses are calculated based on the Company review using objective tests of security held, defaults, market conditions and other reasonable information available to the Company at the time of review. There is no Grouping for credit risk, each trade receivable is reviewed on its own merit.

Losses as a result of the review are recognised in the Income Statement.

k) Borrowing costs

All borrowing costs are recognised in the profit and loss in the period in which they are incurred.

Critical accounting estimates and judgements

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed by the directors on an ongoing basis. Revisions or amendments to the accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The directors consider that loan impairment provision is the most important to the true reflection of the company's position.

Loan impairment provisions

The directors monitor debts carefully, the company operates tight controls to ensure bad debts are minimised, including the holding of adequate legal security. Where debts become overdue management assess the collectability of the debt on a case by case basis, where doubts exist over the recoverability provisions will be made and charged to the Income statement.

Financial risk management

The Group's risk management is controlled by the board of directors. The board identify, evaluate and mitigates financial risks across the Group. Financial risks identified and how these risks could affect the Group's future financial performance are listed below;

Cont..

2. **ACCOUNTING POLICIES (cont)**

Market risk - interest rate

The Group holds borrowings from banks at variable rates which are linked to lending provided to customers. The risk is measured through sensitivity analysis. The risk is managed via monitoring of base rates when new loans and renewals are issued to maintain a suitable margin above cost. Since loans are short term the exposure to higher rates is low.

Credit risk

The Group lends to third parties as included in trade debtors, there is a risk of default from a borrower. Risk is measured by review of security held compared to credit provided. the risk is management by undertaking thorough valuations of security, obtaining legal charge and stringent onboarding processes. At the year end Group trade debtors of £36,373,856 (2019: £33,627,171) represented 44% (2019: 58%) of the security held.

Liquidity risk

The risk the company cannot meet its financial responsibilities such as finance and operating expenses. The risk is measured by way of rolling cash flow forecasts prepared by management, including undrawn borrowing facilities and cash and cash equivalents. The risk is controlled by the timing and availability of new finance for customers.

Capital risk

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to be profitable for its shareholders. The board monitors capital by assessing liquidity, forecasts and demand for lending on an ongoing basis.

3. **OPERATING SEGMENTS**

The entire revenue and results of the Group are from a single operating segment. The Group therefore does not consider requirement to disclose segmental information necessary.

4. **OTHER INCOME**

	2020	2019
	£'000	£'000
Grant income: Coronavirus job retention scheme	29	-
	29	-

5. **EMPLOYEES AND DIRECTORS**

	2020	2019
	£'000	£'000
Wages and salaries	294	80
Social security costs	28	6
Other pension costs	2	1
	324	87

The average number of employees during the year was as follows:

	2020	2019
	No.	No.
Administrative	7	5

	2020	2019
	£'000	£'000
Directors' remuneration	194	50

6. **PROFIT BEFORE INCOME TAX**

The profit before income tax is stated after charging:

	2020	2019
	£'000	£'000
Brokers' commission	321	484
Depreciation - owned assets	1	-
Auditors' remuneration		
Audit of Group	31	30
Non-audit services	19	-
	50	30
Bad debts	43	-

7. **INCOME TAX**

Analysis of tax expense

	2020	2019
	£'000	£'000
Current tax:		
Corporation tax	445	374
Total tax expense in consolidated statement of profit or loss	445	374

7. **INCOME TAX - continued**

Factors affecting the tax expense

The tax assessed for the year is lower than (2019 – same as) the standard rate of corporation tax in the UK. The difference is explained below:

	2020	2019
	£'000	£'000
Profit before income tax	2,347	1,966
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	446	374
Effects of:		
Accelerated capital allowances	(1)	
Tax expense	445	374

8. **PROFIT OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £1,609,732 (2019 - £699,054).

9. **DIVIDENDS**

	2020	2019
	£'000	£'000
Ordinary shares of £0.01 each		
Final	-	699
Interim	400	-
	400	699

The interim dividend was paid on 27 October 2020.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

	2020		
	Earnings £'000	Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,902	34,066,007	5.58
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	1,902	34,066,007	5.58

	2019		
	Earnings £'000	Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,593	34,000,000	4.69
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	1,593	34,000,000	4.69

The weighted average assumes the sub-division of shares per Note 16 were in place from 1 January 2019.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST			
Additions	1	4	5
At 31 December 2020	1	4	5
DEPRECIATION			
Charge for year	-	1	1
At 31 December 2020	-	1	1
NET BOOK VALUE			
At 31 December 2020	1	3	4

Company

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
Additions	1	4	5
At 31 December 2020	1	4	5
DEPRECIATION			
Charge for year	-	1	1
At 31 December 2020	-	1	1
NET BOOK VALUE			
At 31 December 2020	1	3	4

12. **INVESTMENTS**

Company

	Shares in Group undertakings £'000
COST	
At 1 January 2020 and 31 December 2020	17,000
NET BOOK VALUE	
At 31 December 2020	17,000
At 31 December 2019	17,000

Shares in Group Undertakings comprises;

Name of entity	Country of incorporation	Ownership held 2020	Ownership held 2019	Principal activities
Vector Business Finance Ltd	England and Wales	100%	100%	Commercial lending
Vector Asset Finance Ltd	England and Wales	100%	100%	Commercial lending

13. **TRADE AND OTHER RECEIVABLES**

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Current:				
Trade debtors	36,374	32,227	-	-
Amounts owed by Group undertakings	-	-	5,146	800
Prepayments and accrued income	589	623	28	-
	36,963	32,850	5,174	800

Cont..

13. TRADE AND OTHER RECEIVABLES (cont)

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Non-current:				
Trade debtors	-	1,400	-	-
Aggregate amounts	36,963	34,250	5,174	800

Trade receivables are stated after provisions for impairment of £Nil (2019; £Nil).

73% of trade receivables were held by third party secure funding (2019, 82%).

Trade and other receivables are stated at amortised cost.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank deposit account	2,569	337	1,899	66

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Current:				
Trade creditors	18	-	18	-
Amounts owed to Group undertakings	3,000	526	3,000	838
Social security and other taxes	9	9	9	9
Other creditors	14,814	16,507	-	-
Accruals and deferred income	189	81	128	17
Directors' current accounts	-	3	-	2
	18,030	17,126	3,155	866

Trade and other payables are stated at amortised cost.

Cont..

15. **TRADE AND OTHER PAYABLES (cont)**

The following secured debts are included within creditors:

	Group	Company
	£'000	£'000
Other creditors under 1 year	14,812	-
	14,812	-

Other creditors includes bank finance which is secured against the associated loans assigned to it by way of block discounting. These balances have not been classified as banking facilities as the discounting facility is available to drawdown against customer loans issued and have to be secured over the property of the customer. Neither Vector Asset Finance Limited nor Vector Business Finance Limited can use these facilities for working capital requirements.

Vector Holdings Limited has provided a guarantee to Aldermore Bank and Shawbrook Bank covering all monies and liabilities due from Vector Asset Finance Limited and Vector Business Finance Limited.

Agam Jain has also provided a personal guarantee to Shawbrook Bank, with a maximum aggregate liability of £100k (2019: £100k) due from Vector Business Finance Limited to Shawbrook Bank.

16. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £'000	2019 £'000
42,052,895	Ordinary	£0.005	210	170
(2019: 17,000,000)		(2019: £0.01)		

On 13 December 2020 17,000,000 Ordinary shares of £0.01 were sub-divided into 34,000,000 Ordinary Shares of £0.005

On 29 December 2020 8,052,895 Ordinary £0.005 shares were allotted for cash.

17. RESERVES

Group

	Retained earnings £'000	Share premium £'000	Group reorganisation reserve £'000	Totals £'000
At 1 January 2020	(101)	16,830	188	16,917
Profit for the year	1,902			1,902
Dividends	(400)			(400)
Cash share issue	-	2,672	-	2,672
At 31 December 2020	1,401	19,502	188	21,091

Company

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2020	-	16,830	16,830
Profit for the year	1,610		1,610
Dividends	(400)		(400)
Cash share issue	-	2,672	2,672
At 31 December 2020	1,210	19,502	20,712

18. ULTIMATE PARENT COMPANY

Vector Holdings Limited is regarded by the directors as being the company's ultimate parent company.

19. RELATED PARTY DISCLOSURES

All figures quoted in £'000s

Vector Business Finance Ltd - wholly owned subsidiary
- Monies paid from subsidiary £220 (2019; £100)
- Funds paid to subsidiary £530 (2019; £nil)
- Transfer of assets to subsidiary £1,634 (2019; £nil)

Cont..

19. **RELATED PARTY DISCLOSURES (cont)**

- Transfer of assets to subsidiary £1,634 (2019; £nil)
- Dividends voted from subsidiary £1,450 (2019; £650)
- Balance owed to the company at year end £3,944 (2019; £550)

Vector Asset Finance Ltd - wholly owned subsidiary
- Monies paid from subsidiary £1,575 (2019; £50)
- Funds paid to subsidiary £2,000 (2019; £nil)
- Transfer of assets from subsidiary £123 (2019; £nil)
- Dividends voted from subsidiary £650 (2019; £300)
- Balance owed to the company at year end £1,202 (2019; £250)

Vector Holdings Ltd - ultimate parent company
- The Group owed £3,000 to the parent company (2019; £527)
- Interest is payable at a rate of 5% per annum, there is no requirement to make capital repayments.
- Dividends totalling £400 were paid to the parent company (2019; £699)
- Vector Holdings Ltd has provided a guarantee to Aldemore Bank and Shawbrook Bank covering all monies and liabilities due from the Group.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise). Key Management Personnel are defined as the Directors, executive and non-executive. The aggregate remuneration for Key Management Personnel is £194 (2019: £50).

Agam Jain - director

The director has provided a personal guarantee to Shawbrook Bank, with a maximum aggregate liability of £100 (2019: £100) due from Vector Business Finance Limited to Shawbrook Bank.

Ross Andrews – director

During the year the Group paid commission of £31 to Guild Financial Services Ltd, a company controlled by Ross Andrews (2019: £17 was paid in fees for professional services rendered).

Jonathan Pugsley – director

During the year, Allazo Ltd, a company controlled by Jonathan Pugsley, charged accountancy fees of £28 (2019: £5) to the Group.

20. ULTIMATE CONTROLLING PARTY

Mr A Jain, director, is considered the ultimate controlling party by virtue of his shareholding in Vector Holdings Limited, the ultimate parent company.