Vector Capital Plc

Annual Report and Accounts

For the Year Ended 31 December 2023

Company number 12140968

Company Information

Directors	R Stevens A Jain J Pugsley R Andrews G Robinson	Non-Executive Chairman Chief Executive Officer Chief Financial Officer Non-Executive Director Non-Executive Director
Company Secretary	Allazo Ltd	2 Claridge Court Lower Kings Road Berkhamsted HP4 2AF
Registered Address	2 Claridge Court Lower Kings Road Berkhamsted HP4 2AF	
Registered number	12140968 (England and Wales)	
Auditors	Gravita Audit Limited	5-7 Cranwood Street London EC1V 9EE
Nominated adviser and broker	W H Ireland Limited	24 Martin Lane London EC4R 0DR
Registrars	Neville Registrars Limited	Neville House Steelpark Road Halesowen B62 8HD
Bankers	National Westminster Bank Plc	250 Bishopsgate London EC2M 4AA
Public relations	IFC Advisory Ltd	Birchin Court 20 Birchin Lane London EC3V 9DU

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Highlights

Loan book £47.9m FY22: £53.2m	Security held £87.5m FY22: £93.5m	The Group continues to lend in a responsible manner, without over stretching its resources
Revenue £5.7m FY22: £5.9m	Profit before tax £2.1m FY22: £2.8m	Consistent trading despite challenging market conditions
Earnings per share 3.5p FY22: 5.0p	Dividends paid £1.15m FY22: £1.14m	The Group continues to pay dividends to reward shareholders
Net asset value per share 56p FY22: 55p	Group equity £25.5m FY22: £25.1m	Continued growth to equity for the financial year

Who we are

We are a leading provider of property finance utilising proprietary technology to provide faster customer service and better management of loans. Core values:

- Simple is best
- Reward stakeholders
- Innovation is key

With over 20 years' experience the Group offers unrivalled service with minimal staffing requirements. This is thanks to the innovation of bespoke software and high levels of corporate governance.

Market overview

Vector specialises in offering finance for land and property development, bridging loans and secured business finance. It offers:

- Market leading turnaround timescales
- Flexible terms
- Loans for new build, conversion or refurbishment
- Interest rates based on risk profile

The Group continues to lend to a wide range of projects and relies upon land and property as security.

Chairman’s report

I have pleasure in presenting our 2023 Annual Report and Accounts, which reflect our approach to responsible and cautious lending, supported by our strong asset base, in the UK small and medium-sized enterprises (SMEs) sector. Vector’s customers are generally smaller property developers who buy properties to develop or refurbish and then re-sell or refinance.

At the operating level the Group performed in line with market expectations during the year against a backdrop of continuingly high borrowing costs passed on by wholesale funders. Despite our own resilience, certain of our borrowers have been adversely affected by delays in completions, higher building costs and a general softening of values in the residential property market. As a result of these conditions, we have prudently made a further provision for doubtful debts of £728k within the annual results (2022: £200k). The recovery of all debts will continue to be actively pursued.
Despite these provisions, Group revenue for the year was £5.7m (2022: £5.9m) and profit before tax of £2.1m (2022: £2.8m) was achieved.

At the year-end our loan book was £47.9m (2022: £53.2m), reflecting our cautious approach to new lending in current market conditions, and our intention to maintain liquidity. However, our strategy remains to selectively increase our loan book by utilising our own resources and the external facilities provided by our wholesale lenders referred to below. As part of this process, we continue to increase the loan gearing we are able to achieve on borrowed funds by strategically rebalancing our loan book. This runs hand in hand with lower average value advances at the year-end of £453k (2022: £499k)

Our wholesale bank facilities stood at £45m at 31 December 2023. However, with a net asset value at the year-end of £25.5m (2022: £25.1m), we are in the enviable position of not being dependent entirely on third-party debt providers. This structure protects our operating margins and provides cautious flexibility in our lending decisions where required and, as a result at the year-end we had un-utilised debt facilities of £27.8m.

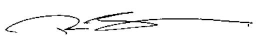
As a Board we recognise our obligations to act responsibly and ethically in all we do, and to follow the core principles of corporate governance set out in the Quoted Company Alliance code. These principles are maintained in our actions and practices as a public company and we recognise our wider environmental, social and governance responsibilities to shareholders and other stakeholders.

Our ESG policies and procedures, aimed principally at responsible lending and encouraging sustainability and avoidance of waste in all we do, are set out on the Company's website, www.vectorcapital.co.uk.

The results for the year are reflective of the efforts of Vector's employees and my fellow Board members, and as always considerable thanks are due to them, as well as our business partners and professional advisers.

We are also indebted to our shareholders, with whom we look forward to maintaining a rewarding relationship as market conditions improve. This relationship is recognised in our proposed final dividend for the year of 1.53 pence per share, which maintains the dividends for the year at the level paid in 2022, despite the lower post tax profits for the year, as we acknowledge the importance to shareholders of the dividend as part of their overall return.

With lower inflation and the expectation of reductions in interest rates we can look forward to a more settled environment for borrowers and, within the Vector team, I believe that we have the skills, strategy, experience and resources to capitalise on growth opportunities as they arise.



Robin Stevens
Chairman
18 April 2024

Chief Executive's statement

Background

The year was full of uncertainty with base rates rising to 5.25% p.a. in August 2023, a level unparalleled in recent memory. Whilst this may have helped stabilise inflation it has raised the cost of our debt finance from our wholesale banking lines and has been particularly hard for Borrowers.

For those that we serve in the property development sector the high rates have been combined with increased costs of building materials making many projects un-profitable. The exit routes from bridging and development finance are buy to let mortgages and term finance from traditional banks. These banks have applied higher stress tests making it very difficult to re-finance. Furthermore, the high cost of borrowing has had an impact on developers being able to sell their properties. The sales cycle has elongated as buyers struggle to get mortgages.

Stressed Loans

Although the outlook has improved many bridging and property development lenders, including Vector, are working through their stressed loans.

We have done particularly well in managing our portfolio of over 100 live loans at any one time. However, we do occasionally have to manage projects where a Borrower is unable to meet its obligations to us. Where the Borrower is unable to provide comfort through a loan restructuring or refinancing, we are forced to appoint Receivers or take effective control of a construction project. While this has been a rare occurrence during the Group's history we have taken an early proactive approach to potentially stressed loans during the year. As a result, we have made provisions during the year 2023 for shortfalls that may materialise in 2024-25. The rest of our portfolio has performed extremely well and we did not have any significant write offs during 2023, reflecting our prudent approach to lending overall.

Corporation Tax

In common with all emerging profitable companies, we are now impacted by the increase in Corporation Tax from 19% to 25%. This will reduce the amount of post-tax profit we can re-deploy in the business for growth and distribute to shareholders as dividends.

Resilient Results

Having highlighted the challenges, I am still able to report that Vector has delivered a set of results we can be proud of and I am pleased that we are in a position to maintain our dividend pay-out at 2022 levels.

The profit before tax for the period was £2.1m (2022: £2.8m) from revenue of £5.7m (2022: £5.9m). At 31 December 2023 the loan book was £47.9m (2022: £53.2m), and the consolidated net assets were £25.5m (2022: £25.1m).

We are fortunate to have a very strong capital base that allows us the flexibility and security to capitalise on the market opportunities that still exist in these challenging times.

We will recommend a final dividend of 1.53 pence per share payable on 3 June 2024 (2022: 1.53 pence).

Chief Executive's statement (continued)

Loan Book KPIs

Market segmentation at 31 December 2023

	2023 (£'000)	%	2022 (£'000)	%
Residential	26,623	55.54%	30,351	57.02%
Commercial	10,389	21.67%	11,644	21.88%
Land & Development	5,442	11.35%	4,681	8.79%
Mixed	3,547	7.40%	4,708	8.84%
2nd charge	1,523	3.18%	1,545	2.90%
Other	415	0.86%	300	0.57%
	47,939	100.00%	53,229	100.00%

Our strategy for new business is smaller loans whilst seeking redemption of the larger older loans. The average rate achieved during the period was 10.46% p.a. (2022: 11.18% p.a.).

The average loan size was £453k spread over 108 live loans. (2022: £499k over 107 loans).

Security held at December 2023 was £87.5m giving an average LTV of 58.86% (2022: £93.5m and 57.12% respectively).

The loan balances are stated net of provisions of £928k at 31 December 2023 (2022: £200k)

Operational review

Our Board and operational team are experienced, efficient and focussed on maintaining financial prudence and profitability. We did not need to increase the headcount in 2023.

We decided as part of our strategy to marginally reduce loan book size so as to maintain higher reserves and liquidity. The increased costs of borrowing from our bank providers has meant that our margins on debt finance have been squeezed as the borrowing costs overall have risen by 3% p.a. during the year. and it was not always pragmatic to pass the entire increase on to our borrowers. However, the higher rates have enabled a better return on the Group's own capital which has mitigated the squeezed margin on money from the banks.

The demand for our loans remains high; however, we have chosen not to grow the loan book this year but maintain higher liquidity. We have also not sought an increase in our debt facilities which remain at £45m in 2023.

Outlook

We expect base rates to start the move downwards during mid-2024. At that point we will review the scenario to get back to loan book growth. We have a strong capital base and a talented team to perform well in our market and we look forward to the rest of 2024 with more confidence.

Agam Jain
Chief Executive Officer
18 April 2024

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 security and commercial performance consistent with this strategy. The Board considers and balances the needs of its employees, customers and other business stakeholders.

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 the Group's culture and the continual health and well-being of our staff. The Group values diversity and opportunity for our committed employees and aims to provide a platform for them to flourish within the Group.

In order to safeguard our employees, the Company was an early adopter of working from home during the Covid-19 pandemic.

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

Breakdown of employees at the year-end by gender:

Directors		Senior Managers		Employees		Total	
Male	Female	Male	Female	Male	Female	Male	Female
5	-	1	-	1	1	7	1

Business relationships

The Group has been built on solid relationships with its customers, financiers 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.

It is the Group's flexibility, fairness and speed which generates recurring customers.

The Group has built strong relationships with its wholesale debt finance providers, 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.

Section 172(1) Statement (continued)

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 recognises 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.

Interaction between members
The Group has a significant related party shareholder, Vector Holdings Limited. 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 Group 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 Group would adjust its growth target downwards and redeem borrowings. Currently however the Group 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 Group seeks to keep the loan to value (LTV) ratio in the region of 60%-70% and take appropriate and timely recovery action to prevent a build-up of accrued interest.

(c) The long-term impact of Brexit and related economic uncertainty
Although still not accurately quantified, is now believed to be a diminishing risk to the business.

(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 Group's software systems and business processes are operated on a basis consistent with a regulated business and the Board believe that a future switch over would be manageable.

(e) Fraud
There is a continuing 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) Inflation and Interest Rates
The inflation rate in the UK has fallen significantly and is now expected to be in the range of 2-3% by the end of 2024. However, the outlook for UK interest rates remains less certain while inflation fees remain. Property market valuations in the UK remain soft and may continue to experience downward pressure until economic stability and sustainable economic growth is achieved in the sectors where the Group is active.

(g) Russian invasion of Ukraine and subsequent financial restrictions placed on Russia
The Group does not have any direct business with Russia, nor does it hold any volatile investments which could be at risk following the sanctions.

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.

The Board recognises the financial industry is one where corporate governance is of particular importance and so this is re-enforced to everyone who represents the Group.

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 flexible set of principles of the QCA Code which is designed to help growing companies run better for their staff, investors, partners and the wider stakeholder community. The QCA Code, which was updated in 2023, 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 on page 11, we explain our approach to governance and how the Board and its committees operate.

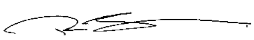
Board of directors

Agam Jain	Chief Executive Officer	Agam is responsible for the strategic management of the business and leads the management team. Agam has been building the secured finance business for over 20 years. He was a founder and ex-director of a company listed on the ASX.
Jon Pugsley	Chief Financial Officer	Jon is a Chartered Accountant and has been with Vector for over 10 years. His key role is the responsibility for the financial oversight of the business.
Robin Stevens	Non-Exec Chairman	Robin is a Chartered Accountant, Head of Capital Markets at MHA. He has had an extensive career in corporate finance and specialises in working with emerging companies.
Ross Andrews	Non-Exec Director	Ross has 40 years corporate finance experience. He is an experienced non-executive director and is CEO of Guild Financial Advisory.
Gordon Robinson	Non-Exec Director	Gordon has a career of more than 35 years in banking, including extensive experience in real estate finance and commercial lending. His experience and expertise ranges from lending to SMEs through to FTSE listed companies, both in the UK and abroad.

During the year the Board attended the following meetings:

	PLC Board meetings		Committee meetings			
			Audit		Remuneration	
Director	**Invited**	**Attended**	**Invited**	**Attended**	**Invited**	**Attended**
A Jain	23	23	-	-	-	-
J Pugsley	23	22	4	4	-	-
R Andrews	23	22	4	4	1	1
R Stevens	23	23	4	4	1	1
G Robinson	23	23	4	4	-	-

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

QCA Code principles

1	**Principle** **Application**	**Establish a strategy and business model which promotes long-term value for shareholders** The Company heads an established and profitable commercial lending business that offers secured loans primarily to businesses located in England. 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** **Application**	**Seek to understand and meet shareholder needs and expectations** 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 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** **Application**	**Take into account wider stakeholder responsibilities and their implications for long term success** The Board works closely with the executive team with clear and open communication both within and outside the boardroom. <u>Shareholders</u> 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. <u>Employees</u> The Group has a small number of employees and operates an open-door policy where employees' opinions and suggestions are listened to and valued. <u>Suppliers</u> The Group has a limited number of suppliers and maintains a close working relationship with them. <u>Customers</u> The Group 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.

QCA Code principles (continued)

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 five Directors: two executive Directors, a non-executive chairman and two non-executive Directors. 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 Limited, 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 Limited 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 Limited. 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 and Gordon Robinson are non-executive Directors. Each of Mr Stevens, Mr Andrews and Mr Robinson. devote such time as is necessary for the proper performance of their respective duties to the Company. The Chairman and the other non-executive Directors 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. The Directors consider that the members of those committees have the necessary skills, knowledge 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 10.

QCA Code principles (continued)

6	**Principle** **Application**	**Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities** 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** **Application**	**Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement** 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** **Application**	**Promote a corporate culture that is based on ethical values and behaviours** 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. 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 Limited, 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 Limited 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 Limited. The Directors, other than Agam Jain, are not treated as having been appointed by or with the votes of Vector Holdings Limited for these purposes. Other policies and procedures in place include an Anti-Corruption and Bribery prevention policy and a Social Media Policy.

QCA Code principles (continued)

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 and Gordon Robinson as Non-executive Directors. 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 and for approving: · annual budgets · the half year and full year results · the dividend policy · Board structure · major capital expenditure · 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. 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.

Report of the Directors

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2023.

Principal activity

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

Dividends

An interim dividend for the year of 1.00p per share was paid on 29 September 2023 (2022: 1.00p) The Directors propose that a final dividend for the year of 1.53p per share, is paid post year end (2022: 1.53p)

If approved the total distribution of dividends in relation to the year 31 December 2023 will be in the region of £1,145k (2022: £1,145k).

Directors

The Directors shown below have held office during the whole of the period from 1 January 2023 to the date of this report.

- Agam Jain
- Jonathan Pugsley
- Ross Andrews
- Robin Stevens
- Gordon Robinson

The Directors held the following beneficial interests in the shares of the Company 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	75.15%
Ross Andrews (via Hargreaves Lansdown (Nominees) Limited)	263,158	0.58%

Directors' remuneration

The Directors received the following remuneration during the year:

	Salaries	**Pension contributions**	**Total remuneration**
Executive			
Agam Jain	£87,500	£20,000	£107,500
Jonathan Pugsley	£20,000	-	£20,000
Non-executive			
Ross Andrews	£27,500	-	£27,500
Robin Stevens	£27,500	-	£27,500
Gordon Robinson	£24,000	£533	£24,533

Substantial shareholdings

As at 31 December 2023 the following parties held greater than 3% of the issued share capital of the Company:

	Percentage of issued share capital
Vector Holdings Limited	75.15%
Chelverton Asset Mgt	3.87%
Killik Asset Mgt	3.85%
Bernard Cook	3.21%
ISPartners Investment Solutions	3.01%

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 fixed 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 managed by undertaking thorough valuations of security, obtaining legal charge and stringent onboarding processes. At the year end, Group trade debtors, inclusive of accrued interest, of £48,702,104 (2022: £53,959,209) represented 56% (2022: 57%) of the security held. During the year the Group made a provision of £737,339 against the risks of bad or doubtful debts (2022: £211,932).

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.

See note 21 for further details of risk management and analysis

Future developments

The Group is focused on stability over the short term and is buoyed by a continued strong pipeline. However, the Board remain open to opportunities for growth and expansion.

The much-forecasted interest rate cuts appear to be on the horizon which will ease the burden on Group debt and also bring new opportunities and heightened demand in the sector.
There are no material future developments which are currently committed to or foreseen.

Events after the reporting date

The Company has reviewed and evaluated all events and material transactions that have occurred after 31 December 2023 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 are prepared on a going concern basis as the Directors are satisfied that the Group’s forecasts and projections, considering potential changes in trading patterns, indicate that the Group will be able to continue current operations for the foreseeable future.

The Group’s wholesale borrowing facilities totalling £45m are due for renewal in July and October 2024, 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 £4.0m at the date of these statements, £3.5m at the date of approval, is not intended to be recalled within 12 months of the year end and that repayment of the loan requires the approval of the Company’s non-executive board members. On 18 April 2024 the loan was extended to December 2026.

Report of the Directors (continued)

Going concern (continued)
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.

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 UK-adopted international accounting standards. 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:

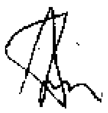
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK-adopted international accounting standards have been followed subject to any material departures disclosed and explained in 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
Gravita Audit Ltd 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:



A Jain – Director

18 April 2024

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 2023 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 consolidated financial statements is applicable law and UK adopted International Accounting Standards (IFRS). 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- 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, 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

Independent Auditors Report
To the Members of Vector Capital Plc

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)

These are explained in more detail below.

Materiality
The Group has two main objectives which are to grow the loan book and to maximise net profit. For this reason, the audit team made the assessment that two separate materiality calculations were required for the basis of materiality. Gross assets were used to determine materiality for testing balance sheet items and net profit was used to determine materiality for profit and loss items.

Based on our professional judgment, materiality that we used for balance sheet items on the Group financial statements was £490k which was determined on the basis of 1% of gross assets. The materiality that we used for income statement items on the Group financial statements was £103k which was determined on the basis of 5% of net profit.

Based on our professional judgment, materiality that we used for balance sheet items on the Company financial statements was £230k which was determined on the basis of 1% of gross assets. The materiality that we used for income statement items on the Company financial statements was £69k which was determined on the basis of 5% of net profit.

Additional narrative regarding the audit team's consideration of materiality is included later in the audit report.

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 and our audit was conducted remotely.

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

<table>
<tr><th>Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>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 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.</td><td>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.</td></tr>
<tr><td>Recoverability of loans issued and loan loss provisioning (expected credit losses)
The group has a significant loan portfolio to customers of £48m (2022: £53.2m). There is a risk arising from the possibility that the group will incur losses from the failure of customers to meet their obligations.</td><td>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.</td></tr>
</table>

<table>
<tr>
<td>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 36, judgements in applying accounting policies and critical accounting estimates on page 37 and provision for impairment losses on loans in note 12 on page 41.

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.

The provision balance as at 31 December 2023 was £928k (2022: £200k).

Bad debts provided in the year are £737k (2022: £212K)</td>
<td>• 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.

We consider management's judgements in relation to the individual impairment provision for the year ended 31 December 2023 to be appropriate.</td>
</tr>
<tr>
<td>Valuation of investments in and recoverability of amounts due from subsidiaries

The parent company carried investments in subsidiaries of £17m (2022: £17m) at the year end.

The parent company also had amounts owed by subsidiary undertakings of £10.0m (2022: £8.8m) at the year end.

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.</td>
<td>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;
• 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;</td>
</tr>
</table>

	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.

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	£490k/£103k (2022: £547k/£140k).	£230k/£69k (2022: £259/£69k).
How we determined it	Based on 1% gross assets/5% net profit (2022: 1% gross assets/5% net profit)	Based on 1% gross assets/5% net profit (2022:1% gross assets/5% net profit)
Rationale for benchmark applied	We believe that gross assets are the key measurement of balance sheet items of the business as its objective is to grow the size of loan book and is a generally accepted auditing benchmark. We believe that profit and loss is the key measurement of profit and loss items as the business puts focus on creating shareholder wealth through profit. Net profit is a generally accepted auditing benchmark.	We believe that gross assets are the key measurement of balance sheet items of the business as its objective is to grow the size of loan book and is a generally accepted auditing benchmark. We believe that profit and loss is the key measurement of profit and loss items as the business puts focus on creating shareholder wealth through profit. Net profit 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 £141k and £360k.

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 for balance sheet was set at £343k (2022: £410k) and £161k (2022: £194k) for parent company. Group performance materiality for profit and loss was set at £72k (2022: £105k) and £48k (2022: £51k) for parent company.

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 £6.0k (Group audit) (2022: £7.0k) and £3.5k (Company audit) (2022: £3.4k) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent Auditors Report
To the Members of Vector Capital Plc

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.

Independent Auditors Report
To the Members of Vector Capital Plc

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 17, 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 mortgage 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;

Independent Auditors Report
To the Members of Vector Capital Plc

- 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.

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.

Sachin Ramaiya (Senior Statutory Auditor)
For and on behalf of Gravita Audit Limited, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
18 April 2024

Consolidated statement of comprehensive income

	Notes	2023 £'000	2022 £'000
Continuing operations			
Revenue		5,713	5,928
Cost of sales		(392)	(429)
Gross profit		5,321	5,499
Administrative expenses		(1,490)	(911)
Operating profit		3,831	4,588
Finance costs		(1,782)	(1,782)
Finance income		18	3
Profit before income tax	5	2,067	2,809
Income tax	6	(487)	(534)
Profit for the year		1,580	2,275
Other Comprehensive Income		-	-
Total comprehensive income for the year		1,580	2,275
Profit attributable to:			
Owners of the parent		1,580	2,275
Earnings per share expressed in pence per share:	8		
Basic		3.49	5.03
Diluted		3.49	5.03

Consolidated statement of financial position

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	-	1
		-	**1**
Current assets			
Trade and other receivables	12	48,746	53,997
Cash and cash equivalents	13	306	688
		49,052	**54,685**
Total assets		**49,052**	**54,686**
Shareholders' equity			
Called up share capital	16	226	226
Share premium	17	20,876	20,876
Group reorganisation reserve	17	188	188
Retained earnings	17	4,233	3,798
Total equity		**25,523**	**25,088**
Liabilities			
Current liabilities			
Trade and other payables	14	22,648	25,800
Tax payable		169	240
		22,817	**26,040**
Non-current liabilities			
Trade and other payables	14	712	3,558
Total liabilities		**23,529**	**29,598**
Total equity and liabilities		**49,052**	**54,686**

The financial statements were approved by the Board of Directors on 18 April 2024 and were signed on its behalf by:

J Pugsley – Director

Consolidated statement of changes in equity

	Notes	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Group reorganisation reserve £'000	Total equity £'000
Balance at 1 January 2022		226	2,659	20,876	188	23,949
Changes in equity						
Dividends	7	-	(1,136)	-	-	(1,136)
Total comprehensive income		-	2,275	-	-	2,275
Balance at 31 December 2022		**226**	**3,798**	**20,876**	**188**	**25,088**
Changes in equity						
Dividends	7	-	(1,145)	-	-	(1,145)
Total comprehensive income		-	1,580	-	-	1,580
Balance at 31 December 2023		**226**	**4,233**	**20,876**	**188**	**25,523**

Notes:

- Share premium relates to the consideration paid for ordinary share capital in excess of the nominal value of the ordinary share capital.
- The group reorganisation reserve relates to adjustments to the retained earnings of the group upon consolidation of the financial statements.

Consolidated statement of cash flows

	Notes	2023 £'000	2022 £'000
Profit before income tax		2,067	2,809
Depreciation charges		1	1
Finance costs		1,741	1,782
Finance income		(17)	(3)
		3,792	**4,589**
Decrease/(increase) in trade and other receivables		5,251	(7,432)
Increase/(decrease) in trade and other payables		(7,000)	5,499
Cash generated from operations		**2,043**	**2,656**
Interest paid		(1,741)	(1,782)
Tax paid		(558)	(581)
Net cash from (absorbed by) operating activities		**(256)**	**293**
Cash flows from investing activities			
Interest received		17	3
Net cash from investing activities		**17**	**3**
Cash flows from financing activities			
Introduced by Holding company		1,000	-
Amounts introduced by directors		2	1
Equity dividends paid	7	(1,145)	(1,136)
Net cash from financing activities		**(143)**	**(1,135)**
Decrease in cash and cash equivalents		(382)	(839)
Cash and cash equivalents at beginning of year		688	1,527
Cash and cash equivalents at end of year	13	**306**	**688**

Company statement of financial position

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	-	1
Investments	11	17,000	17,000
		17,000	**17,001**
Current assets			
Trade and other receivables	12	10,055	8,832
Cash and cash equivalents	13	44	117
		10,099	**8,949**
Total assets		**27,099**	**25,950**
Shareholders' equity			
Called up share capital	16	226	226
Share premium	17	20,876	20,876
Retained earnings	17	1,940	1,700
Total equity		**23,042**	**22,802**
Liabilities			
Current liabilities			
Trade and other payables	14	4,057	148
		4,057	**148**
Non-current liabilities			
Trade and other payables	14	-	3,000
Total liabilities		**4,057**	**3,148**
Total equity and liabilities		**27,099**	**22,950**

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The Company's profit for the financial year was £1,385k (2022 - £1,382k).

The financial statements were approved by the Board of Directors on 18 April 2024 and were signed on its behalf by:

J Pugsley – Director

Company statement of change in equity

	Note	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2022		226	1,454	20,876	22,556
Changes in equity					
Dividends	7	-	(1,136)	-	(1,136)
Total comprehensive income		-	1,382	-	1,382
Balance at 31 December 2022		**226**	**1,700**	**20,876**	**22,802**
Changes in equity					
Dividends	7	-	(1,145)	-	(1,145)
Total comprehensive income		-	1,385	-	1,385
Balance at 31 December 2023		**226**	**1,940**	**20,876**	**23,042**

Notes:

- Share premium relates to the consideration paid for ordinary share capital in excess of the nominal value of the ordinary share capital.

Notes to the financial statements

1. Statutory information

Vector Capital Plc is a public limited company, registered in England and Wales. The Company's registered number and registered office address can be found on the General Information, see page 1.

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 UK-adopted international accounting standards 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 Company have been prepared using the historical cost convention, on a going concern basis and 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 wholly owned members of the group;
- the requirements of paragraphs 134(d) to 134(f) and 135I to 135(e) of IAS 36 Impairments of Assets, removes many of the disclosure requirements around the recoverable amounts of cash units with indefinite useful economic life;
- the requirements of IFRS 7 Financial Instruments: Disclosures in relation to the significance of financial instruments along with the nature and extent of risks arising from those financial instruments;
- 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, removes the requirement to prepare a statement of cash flows, retrospective restatement and comparative information for narrative disclosures beyond IFRS requirements;
- the requirements of IAS 7 to prepare a Statement of Cash Flows;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements, to disclose information around objectives, policies and process for managing capital;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

New and amended standards adopted by the Group

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 classification of liabilities	1 January 2023
		Amendments to defer effective date of the January 2020 amendments	1 January 2023
IFRS 17	Insurance contract	Internationally consistent approach to the accounting for insurance contracts.	1 January 2023
IAS 8	Definition of Accounting Estimates	Defines accounting estimates and clarifies that the effects of a change in an input or measurement technique are changes in accounting estimates.	1 January 2023
IAS 12	Deferred Tax relating to Assets and liabilities arising from a Single Transaction (Amendments to IAS 12)	Additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.	1 January 2023

2. Accounting policies (continued)

New standards and interpretations not yet adopted

Unless material the Group does not adopt new accounting standards and interpretations which have been published and that are not mandatory for 31 December 2023 reporting periods.

No new standards or interpretations issued by the International Accounting Standards Board ('I'SB') or the IFRS Interpretations Committee ('IF'IC') as adopted by the UK Endorsement Board have led to any material changes in the Company's accounting policies or disclosures during each reporting period.

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 to be adopted in the future are as follows:

Ref	Title	Summary	Application date of standards (periods commencing)
IFRS 16	Leases on sale and leaseback	Requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction.	1 January 2024
IAS 1	Non-current liabilities with covenants	Aims to improve information an entity provides relating to liabilities subject to covenants.	1 January 2024
IAS 7 and IFRS7	Supplier finance	Additional disclosure regarding supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.	1 January 2024

Going concern

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

The Group's wholesale borrowing facilities totalling £45m are due for renewal in July and October 2024, 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 £4.0m at the date of these statements, £3.5m at the date of approval, is not intended to be recalled within 12 months of the year end and that repayment of the loan requires the approval of the Company's non-executive board members. On 18 April 2024 the loan was extended to December 2026.

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.

Basis of consolidation

Subsidiaries are all entities over 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.

2. **Accounting policies (continued)**

Basis of consolidation (continued)
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
Property, plant and equipment is initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. 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

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.

Revenue Recognition
Revenue comprises of interest income, setup and renewal fees and dividend income. Interest income is recognised using the effective interest method. Set up fees are generally recognised on the accruals basis when the service has been provided. The policies adopted are as follows -

- Interest income is recognised using the effective interest method. The effective interest method calculates the amortised cost of a financial asset and allocate the interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, all contractual terms of the financial instrument and lifetime expected credit losses are considered.
- Setup and renewal fees are recognised in accordance with the stage of completion.
- Dividend income is recognised as the company's right to receive payment is established. Each is then shown separately in the income statement and other comprehensive income.

2. **Accounting policies (continued)**

Investments (Company only)

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 income statement in the period in which they arise.

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.

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 the transaction amount which is equivalent to fair value. See Note 21.

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

Financial assets

Financial assets are subsequently classified into the following specified categories:
- financial assets at fair value through the income statement, 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 (i.e. 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 the income statement.

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.

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2. **Accounting policies (continued)**

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 the income statement. 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.

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.

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 the income statement 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 (i.e. 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 the income statement. 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 (i.e. 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.

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.

Borrowing costs

All borrowing costs are recognised in the Income Statement in the period in which they are incurred.

2. **Accounting policies (continued)**

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 and the Group’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;

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 £48,702,104 (2022: £53,229,641) represented 56% (2022: 57%) of the aggregate 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.

Notes to the financial statements (continued)

4. Employees and Directors

Labour costs for the period:

	2023 £'000	2022 £'000
Wages and salaries	352	352
Social security costs	34	35
Other pension costs	24	24
	410	**411**

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

	2023	2022
Admin and management	8	9

Directors' remuneration:

	2023 £'000	2022 £'000
Salaries	187	197
Pension contributions	21	20
	208	217

The highest paid director was paid remuneration of £107,500 during the year (2022: £120,000), as disclosed in the report of the directors.

5. Profit before income tax

The profit before income tax is stated after charging:

	2023 £'000	2022 £'000
Brokers' commissions	392	429
Depreciation – owned assets	1	1
Auditors' remuneration		
Audit of Group	54	40
Non-audit services	3	3
	57	43
Bad debt provision	811	212
Reversal of bad debt provision	(83)	-
Bad debt written off	9	-
	737	212

6. Income tax

Analysis of tax expense

	2023 £'000	2022 £'000
Current tax: Corporation tax	487	534

6. **Income tax - continued**

Factors affecting the tax expense
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2023 £'000	2022 £'000
Profit before tax	2,067	2,809
Expected tax charge based on the standard corporation tax rate of 23.52% (2022; 19%)	486	534
Expenses disallowed for tax	1	-
Tax expense	487	534

The UK budget confirmed in March 2022 an increase in the main corporation tax rate from 19% to 25% on profits over £250,000 with effect from 1 April 2023. The tax calculation above uses a blended rate of 23.52% to account for the split tax year treatment.

7. **Dividends**

	2023 £'000	2022 £'000
Ordinary shares of £0.005 each		
Final	692	683
Interim	453	453
	1,145	1,136

The final dividend for the 2022 financial year of 1.53p per share was paid on 1 June 2023.
The interim dividend for the year of 1.00 pence per share was paid on 29 September 2023.

8. **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.

	Earnings attributable to ordinary shareholders £'000	Weighted average number of shares '000	Per share amount Pence
2023 Basic and Diluted EPS	1,580	45,244	3.49
2022 Basic and diluted EPS	2,275	45,244	5.03

Total shares issued 45,244,385 for the 2023 and 2022 periods.
There is no effect of dilutive securities since no options or warrants are in existence at the period end.

9. 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 performance statement was approved in accordance with section 408(3), Companies Act 2006, the profit for the financial year was £1,385k (2022: £1,381k).

10. Property, plant and equipment

Group and Company

	Fixtures, Fittings and Equipment £'000
Cost	
At 1 January 2023	5
Disposals	(4)
At 31 December 2023	**1**
Depreciation	
At 1 January 2023	4
Charge for the year	1
Depreciation on disposals	(4)
At 31 December 2023	**1**
Net book value	
At 31 December 2023	**-**
At 31 December 2022	**1**

11. Investments

Company

	Shares in Group Undertakings £'000
Cost	
At 1 January 2023 and 31 December 2023	**17,000**
Net book value	
At 31 December 2023	**17,000**
At 31 December 2022	**17,000**

The Directors undertake an impairment review of the investments on an ongoing basis, there are no indications of any requirement to impair due to the strength of the subsidiaries and overall Group.

11. Investments (continued)

Shares in Group Undertakings comprises;

Name of entity	Country of incorporation	Ownership 2023	Ownership 2022	Principal activities
Vector Business Finance Ltd (Registered address: 2 Claridge Court, Lower Kings Road, HP4 2AF)	England and Wales	100%	100%	Commercial lending
Vector Asset Finance Ltd (Registered address: 2 Claridge Court, Lower Kings Road, HP4 2AF)	England and Wales	100%	100%	Commercial lending

12. Trade and other receivables

Group

	2023 £'000	2022 £'000
Current		
Trade debtors	45,891	51,709
Prepayments and accrued income	808	768
	46,699	**52,477**
Non-current		
Trade debtors	2,047	1,520
	48,746	**53,997**

Company

	2023 £'000	2022 £'000
Current		
Amounts owed from Group Undertakings	10,031	8,816
Prepayments and accrued income	24	16
	10,055	**8,832**

Trade receivables are stated after provisions for impairment of £928k (2022: £200k). As follows:

Group

	2023 £'000	2022 £'000
Provision for impairment of trade receivables – Current Assets		
Balance brought forward	200	-
Utilisation of provision	-	-
Reversals of provision	(83)	-
Additional provisions	811	200
Balance carried forward	**928**	**200**

12. **Trade and other receivables (continued)**

The above provision relates to credit impairment on potential bad debts, this is based on the knowledge and information held by the Group at the year end and to the point of approving the accounts. Whilst the timing of the outflow of economic benefit is difficult to define it is believed to be within 1 year.

52% of trade receivables were held by third party secure funding (2022: 72%).

Trade receivables due after more than 1 year is not considered material and therefore not reflected on the Balance Sheet.

Trade and other receivables are stated at amortised cost.

13. **Cash and cash equivalents**

Group

	2023 £'000	2022 £'000
Bank account	306	688

Company

	2023 £'000	2022 £'000
Bank account	44	117

14. **Trade and other payables**

Group

	2023 £'000	2022 £'000
Current		
Trade creditors	9	11
Social security and other taxes	13	12
Other creditors	18,470	25,544
Amounts owed to group undertakings	4,000	-
Accruals and deferred income	156	233
	22,648	**25,800**
Non-current		
Amounts owed to group undertakings	-	3,000
Other creditors	712	558
	712	**3,558**

14. Trade and other payables (continued)

Company

	2023	2022
	£'000	£'000
Current		
Trade creditors	2	2
Social security and other taxes	13	12
Other creditors	15	1
Amounts owed to group undertakings	4,000	-
Accruals and deferred income	27	133
	4,057	**148**
Non-current		
Amounts owed to group undertakings	-	3,000
	-	**3,000**

Trade and other payables are stated at amortised cost.

Following the renegotiation of the loan from Vector Holdings Limited on 28 December 2022, at the date of the financial statements the loan is due for repayment in December 2024, it is therefore considered to be a current liability. On 18 April 2024 the loan was extended to December 2026.

The following secured debts are included within creditors:

Group

	2023	2022
	£'000	£'000
Other creditors under 1 year	18,455	25,542
Other creditors over 1 year	712	558
	19,167	**26,100**

There are no secured creditors in the Company.

Other creditors include 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 the banks covering all monies and liabilities due from Vector Asset Finance Limited and Vector Business Finance Limited.

15. Capital commitments

There is no capital expenditure contracted at the year end.

16. Called up share capital

	Class	Nominal value £	2023 £'000	2022 £'000
Allotted, issued and fully paid 45,244,385	Ordinary	0.005	226	226

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

17. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description
Share capital	Amount subscribed for share capital fully paid.
Retained earnings	Retained earnings represents all other net gains and losses and transactions with shareholders (example dividends) not recognised elsewhere.
Share premium	Excess subscribed above nominal value of shares. Included within share premium are share issue costs which relate to commissions and other directly attributable costs.
Group reorganisation reserve	The difference between the consideration given and the net assets of the subsidiaries upon acquisition.

18. Controlling party

Vector Holdings Limited, a company registered in England and Wales, is regarded by the Directors as being the Company's ultimate parent company with a holding of 75.15% (2023: 75.15%). Vector Holdings Limited financial statements are publicly available at its registered address, 2 Claridge Court, Lower Kings Road, HP4 2AF.

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

19. Related party disclosures

The following related party transactions occurred during the year;

Vector Holdings Ltd - ultimate parent company

- The Group owed £4,000k to the parent company (2022: £3,000k).
- Interest is payable at a rate of 6.25% per annum, there is no requirement to make capital repayments.
- The Group paid £3k to the parent company (2022: £27.5k).
- Dividends totalling £860k were paid to the parent company (2022: £853k).
- Vector Holdings Ltd has provided a guarantee to Aldermore Bank and Shawbrook Bank covering all monies and liabilities due from the Group.

Jonathan Pugsley – Director
During the year, Allazo Ltd, a company controlled by Jonathan Pugsley, charged accountancy fees of £10k (2022: £9k) to the Group.

19. Related party disclosures (continued)

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 costs for the Group of Key Management Personnel is;

	2023 £'000	2022 £'000
Directors		
Gross salaries	187	197
Social security	20	21
Pension	21	20
Non-directors		
Gross salaries	53	51
Social security	6	7
Pension	1	1
	288	**297**

20. Events after the reporting date

On 31 January 2024 the Group repaid £500k to its parent company Vector Holdings Limited. The parent company extended the finance offering to the Group by a further 2 years to December 2026. There are no other significant events after the reporting date.

21. Financial instruments

Summary of the financial instruments held is provided below;

Group

	2023 £'000	2022 £'000
Financial assets		
Cash and cash equivalents	306	688
Trade and other receivables	48,702	53,959
	49,008	**54,647**
Financial liabilities		
Trade payables	9	11
Other payables	23,334	29,251
	23,343	**29,262**

Company

	2023 £'000	2022 £'000
Financial assets		
Cash and cash equivalents	44	117
	44	**117**
Financial liabilities		
Trade payables	2	2
Other payables	4,038	3,051
	4,040	**3,053**

21. Financial instruments (continued)

The Group is exposed to market risk through its use of financial instruments and it is the Boards responsibility for the determination of the Group's risk management objectives and policies.

The Group is exposed to the following financial risks:-

- Market risk
- Credit risk
- Liquidity risk

Market risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, equity prices and commodity prices will reduce the Group's income or value of its assets.

The principal market risk to which the Group is exposed is interest rate risk.

Interest rate risk

Risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group engages in block finance, secured against the loan book. The policy to minimise this risk to fix the rate of interest on bank finance for the term of the customer loan, this means any fluctuations in interest rates are only affected at the point of commencement of the loan. The interest rate offered to customers is therefore controlled to fluctuate and mitigate the changes in bank finance rates.

The table below shows the sensitivity of profit and equity to a possible change in interest rates of +/- 1%. These changes are considered reasonable despite market conditions implying the most likely movement is a reduction in base rates. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	+1% (£'000)	**-1% (£'000)**	**+1% (£'000)**	**-1% (£'000)**
31 December 2023	288	(288)	216	(288)
31 December 2022	271	(271)	220	(271)

The above does not take account of the Group's ability to adjust its rates at different amounts compared to base which would correct for any reductions in interest rates to maintain profit margins.

Credit risk

Credit risk is the risk that a customer will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal 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 managed by undertaking thorough valuations of security, obtaining legal charge and stringent onboarding processes. At the year end, Group trade debtors, inclusive of accrued interest, of £48,702k (2022: £53,959k) represented 56% (2022: 58%) of the security held. During the year the Group expensed expected credit losses of £737k against the risks of bad or doubtful debts (2022: £212k).

The Group manages credit risk by:

- Ensuring appropriate practices and internal controls are in place;
- Obtaining good quality security against the credit provided;
- Developing and maintaining the Group's processes for measuring Expected Credit Loss (ECL including monitoring of credit risk, incorporating future information and outlook;
- Maintaining a robust framework regarding authorisation, observation and control utilising key experts in specialist fields.

21. **Financial instruments (continued)**

Credit risk (continued)

Identifying significant increases in credit risk

The short-term nature of the lending mitigates against adverse effects of changes in economic conditions and/or the credit risk profile of the counterpart. Nevertheless, the Group monitors changes in customer risk profiles through review of behaviours, loan service performance and the value of assets held as security. Warnings of a significant increase in credit risk include:

- Overdue interest arrears, once past 30 days the account enters an initial stage of default;
- Repeat late payers of interest;
- Overdue redemption and failure to secure alternative finance;
- Evidence to suggest a customer has reduced working capital facilities or they have a deteriorated credit profile;
- Evidence of diminished asset value, whether it be due to the customer or external factors.

The Group aims to work with customers to find a workable solution and in most cases an amicable resolution is found, where this is not the case the Group may;

- Charge default interest surcharge on the loan;
- Call in the loan and demand repayment;
- Appoint a receiver to action the sale of secured assets to recover the debt;
- Take legal action against the customer to recover debts.

Identifying default loans and credit impaired assets

The Group define a loan in default as being in arrears by more than 90 days, a borrower has not maintained their terms and conditions of their loan or other significant warnings as listed above.

Assessment of risk

The foundation of all lending in the Group is the security held, it is therefore paramount in determining the risk level of a loan. This is standard across the lending industry with Loan to Value (LTV) being the main driver to loan risk and the associated interest offered to the borrower.

Trade and other receivables split into relevant risk assessment by LTV:

Loan to Value	Risk level	2023 £'000	2022 £'000
Up to 50%	Low	10,847	9,044
50% to 70%	Average	13,741	22,470
70% to 80%	Above Average	14,790	22,445
Above 80%	High	9,324	-
		48,702	**53,959**

The Group's loan book is represented by security held totalling £87,485k (2022; £93,532k). This is made up of land and property, due to the macro-economic conditions property values either remained constant or retracted during the year. These movements are not considered significant and any deterioration in value is deemed to be short term.

Credit loss policy

Once a loan is identified as being in serious default the Group will make a decision on credit impairment, this will look at the gross debt compared to the security held which will then be revalued to a distressed valuation. In addition, forward looking information is used to determine the expected credit loss, this may include knowledge of property valuations and other macro-economic information.

Debts are then provided for specifically with the provision for the credit loss, over a 12 month period, being classified as an expense to the Income statement.

At the year end the Group had provisions for expected credit losses of £928k (2022: £200k), the increase was due to specific default loans showing signs of distress and so the recoverability was re-assessed, see Note 12.

21. Financial instruments (continued)

Liquidity risk
The risk the Group cannot meet its financial responsibilities such as finance and operating expenses. This is caused by timing differences between obligated cash outflows and cash inflows, this imbalance if not managed could mean the Group would not have sufficient resources to meet its obligations when they are due.

Management of Liquidity risk
The Group has a framework in place to monitor and manage the liquidity risk. The risk is measured by way of rolling cash flow forecasts prepared by management, including undrawn borrowing facilities and cash and cash equivalents.

The most significant liquidity risk is on the block discounting, the Group have controls in place to monitor and foresee when cash outflows are becoming due. The amounts and due dates are contracted and so the risk to volatility is low, in addition there are several built in buffers with the finance providers which give an extra layer of comfort.

By withholding funding of new loans or refinancing the obligation the Group maintains a healthy cashflow and manages liquidity risk.

Maturity analysis for financial liabilities:

	Carrying amount £'000	Less than 1 month £'000	1 – 3 months £'000	3 – 12 months £'000	1 – 5 years £'000	>5 years £'000
31 December 2023						
Block discounting	**19,167**	4,826	3,945	9,684	712	-
Loans	**4,000**	-	-	4,000	-	-
Other payables	**176**	176	-	-	-	-
	23,343	**5,002**	**3,945**	**13,684**	**712**	**-**
31 December 2022						
Block discounting	**26,100**	2,704	7,004	15,834	558	-
Loans	**3,000**	-	-	-	3,000	-
Other payables	**161**	161	-	-	-	-
	29,261	**2,865**	**7,004**	**15,834**	**3,558**	**-**

The above outlines the positions of finance at the year end, it does not include subsequent extensions or repayments. In practice many of the block finance loans are extended by a further 12 months as part of the agreed operational conditions.

The loan balance relates to the loan from the Parent company which was extended on 18 April 2024, making it due within 1-5 years.