

Vector Capital Plc
Interim Financial Report
For the six months ended 30 June 2021

VECTOR CAPITAL PLC
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For the six months ended 30 June 2021

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VECTOR CAPITAL PLC
Company Information
For the six months ended 30 June 2021

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

VECTOR CAPITAL PLC
Chairman's Statement
For the six months ended 30 June 2021

I'm delighted to present our 2021 Interim Results for the six-month period to 30 June 2021, which report consolidated pre-tax profits of £1,298,000 (H1 2020: £1,258,000, FY 2020: £2,347,000), and to declare an interim dividend of 0.95 pence per share to be paid on 24th September 2021 to shareholders on the register on 17th September 2021. The results for the first half of the year reflect the continued positive development of the business linked to building the Group's loan book to £40.6m (30 June 2020: £32.7m, 31 December 2020: £36.4m) and creating a leading presence in our chosen market in the provision of secured loans to the SME sector.

It's also very pleasing to report that, following the successful admission to the AIM market on 29th December 2020, the Company returned to the market with a Placing of 3,191,490 new ordinary shares at 47 pence each on 23 June 2021 to raise £1.5m gross, to build further the capital base. During the period, we were also able to increase our wholesale banking facilities from £25m to £30m. In addition, we are in the early stages of trialling a co-funding model, allowing third party lenders to participate directly alongside the Group in the provision of certain loans.

While COVID-19 restrictions continued to impact the business during the period our proven systems were able to manage all operations successfully and the UK property lending market has remained resilient.

The Group's half year results, recorded revenue growth of 15.8% and an increase in profits before tax of 3.2%, year-on-year, combined with an 11.6% rise in the value of the loan book from 31 December 2020 to 30 June 2021 referred to above, reflect the hard work of the executive team, the quality of the underlying operational systems and the strength of the business model.

We remain committed to building on the Group's strong business foundations and its positive performance now as a public company and to strategically grow the loan book using a combination of our own resources, the facilities provided by our wholesale lenders and, on a selective basis, via co-funding arrangements.

As a Board we are very mindful of our wider environmental, social and governance responsibilities to shareholders and other stakeholders and we have developed, from what we believe to be market best practice, underlying principles and developing procedures to address these important issues. Details of 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 period, were only possible by the efforts of Vector's employees and my fellow Board members and considerable thanks are due to them and our business partners.

I am confident that as a team we have the skills, experience and opportunities to make further progress throughout the rest of 2021 and beyond and to capitalise on the opportunities which will arise.



Robin Stevens
Chairman

VECTOR CAPITAL PLC
Chief Executive's Statement
For the six months ended 30 June 2021

A positive performance and continued growth

I am pleased to report a very healthy set of interim results which evidences the Group's continued growth and development.

The loan book at the end of the period was £40.6m (30 June 2020: £32.7m, 31 December 2020: £36.4m). The average monthly loan book value for the 6 months period was £38.4m (H1 2020 average monthly loan book: £34.7m, 2020 average monthly loan book: £34.8m).

The average interest rate for the period increased to 11.70% p.a. (H1 2020: 11.69%, 12 months to Dec 20 was 11.53%).

Pre-tax profit for the 6 months was £1.30m (H1 2020: £1.26m).

Diverse portfolio

Our loan book security portfolio comprises:

- residential investment properties
- residential refurbishments
- mixed use (commercial ground floor with flats above)
- commercial (warehouse, retail, hospitality)
- development projects (construction of houses and flats)
- land with planning permission

The conventional residential bridging segment of the market has become crowded with many new entrants however because of our expertise in the different segments mentioned above we can still target overall loan book growth. We are also issuing a limited number of loans against 2nd charge where the equity is substantial.

Funding

We raised further capital on AIM with a Placing of 3,191,490 new shares at 47 pence each on 23 June 2021 to raise £1.5m gross.

Our capital and liquidity remain healthy and we are in a strong position to fund new loan opportunities. We have two banking lines that are available primarily for residential transactions. Both of the wholesale banks from whom we have facilities have indicated that they would be willing to offer increased facilities. We continue to explore debt funding sources for the other market segments that we operate in. At the end of the period, the Group had £10.1m of available finance from the wholesale banks (30 June 2020: £5.68m, 31 December 2020: £10.2m).

Currently we have conservative gearing – we believe that there is tremendous scope to use suitable debt facilities and start gearing in the future. The Group has designed a co-funding instrument and in the early stages of test marketing.

Information Technology

We continue to invest and initiate further improvements in our software platform by reviewing and re-mapping our processes. These software upgrades are expected to be ready for Q4 this year and will further improve our operational resilience and efficiency.

Headcount

During the period we have invested significant effort in staff training which has increased the expertise and productivity of each team member. As a result, we have the capacity to handle increased activity and handle more complex transactions with the same team. We do not need to increase headcount.

VECTOR CAPITAL PLC
Chief Executive's Statement (continued)
For the six months ended 30 June 2021

Marketing

We have made considerable headway in establishing new Broker relationships which have led to an increased number of new enquiries and proposals. We will continue with this effort for the rest of the year.

Dividend

On the basis of the financial performance in the first half of the year, a dividend of 0.95p per share is being declared. This will be paid on 24th September 2021 to shareholders on the register on 17th September 2021.

Outlook

The success to date of the vaccination programme and UK Government's economic interventions provides cause for optimism and allows us to move ahead with our growth agenda, supported by the good level of interim profits.

There is heavy competition in the residential bridging segment, but this is compensated by increased opportunities in the other market segments such as land and development. We are confident of continuing our positive performance in the remainder of 2021 and generating healthy returns for the benefit of all stakeholders.



Agam Jain
Chief Executive Officer

VECTOR CAPITAL PLC
Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2021

		Six months ended 30 June 2021 £'000 (Unaudited)	Six months ended 30 June 2020 £'000 (Unaudited)	Year ended 31 December 2020 £'000 (Audited)
	<i>Notes</i>			
Revenue	3	2,467	2,130	4,325
Cost of sales		(228)	(132)	(321)
Gross profit		2,239	1,998	4,004
Other income				29
Administrative expenses	4	(378)	(214)	(668)
Operating profit		1,861	1,784	3,365
Finance costs		(563)	(526)	(1,018)
Profit on ordinary activities before taxation		1,298	1,258	2,347
Income tax expense	5	(247)	(239)	(445)
Profit after taxation		1,051	1,019	1,902
Other comprehensive income		-	-	-
Total comprehensive income attributable to the shareholders of the Company		1,051	1,019	1,902
Pro-forma basic and diluted earnings per share attributable to the owners of the Company (pence)	10	2.50	3.00	5.58

VECTOR CAPITAL PLC
Condensed Consolidated Statements of Financial Position
For the six months ended 30 June 2021

	Notes	30 June 2021 £'000 (Unaudited)	30 June 2020 £'000 (Unaudited)	31 December 2020 £'000 (Audited)
Non-Current assets				
Property, plant and equipment	6	3	-	4
		3	-	4
Current assets				
Trade and other receivables	7	41,067	33,327	36,963
Cash and bank balances		971	1,612	2,569
		42,038	34,939	39,532
Total Assets				
		42,041	34,939	39,536
Current liabilities				
Trade and other payables	8	18,653	16,220	18,030
Income tax payable		247	613	205
		18,900	16,833	18,235
Total Liabilities				
		18,900	16,833	18,235
Equity				
Share capital	9	226	170	210
Share premium		20,876	16,830	19,502
Group reorganisation reserve		188	188	188
Retained earnings		1,851	918	1,401
		23,141	18,106	21,301
Total Equity and Liabilities				
		42,041	34,939	39,536

VECTOR CAPITAL PLC
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2021

	Share capital £'000	Share premium £'000	Group reorganisation reserve £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2020	170	16,830	188	(101)	17,087
Profit for the six months ended 30 June 2020	-	-	-	1,019	1,019
Dividends paid	-	-	-	-	-
Balance at 30 June 2020	170	16,830	188	918	18,106
Issue of share capital	40	2,672	-	-	2,712
Profit for the six months ended 31 December 2020	-	-	-	883	883
Dividends paid	-	-	-	(400)	(400)
Balance at 31 December 2020	210	19,502	188	1,401	21,301
Issue of share capital	16	1,374	-	-	1,390
Profit for the six months ended 30 June 2021	-	-	-	1,051	1,051
Dividends paid	-	-	-	(601)	(601)
Balance at 30 June 2021	226	20,876	188	1,851	23,141

VECTOR CAPITAL PLC
Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2021

	Six Months ended 30 June 2021 £'000 (Unaudited)	Six Months ended 30 June 2020 £'000 (Unaudited)	Year ended 31 December 2020 £'000 (Audited)
Cash flow from operating activities			
Profit for the period before taxation	1,298	1,258	2,347
Adjustment for:			
Interest expense	563	526	1,018
Depreciation	1	-	1
Tax paid	(205)	-	(614)
Operating cash flows before movements in working capital	1,657	1,784	2,752
(Increase)/decrease in trade and other receivables	(4,104)	924	(2,713)
Increase/(decrease) in trade and other payables	623	(2,169)	(1,566)
Cash generated from/(absorbed in) operating activities	(1,824)	539	(1,527)
Interest paid	(563)	(526)	(1,018)
Net cash generated from/(absorbed in) operating activities	(2,387)	13	(2,545)
Cash flows (for)/from investing activities			
Acquisition of property, plant and equipment	-	-	(5)
Net cash (used in)/generated from investing activities	-	-	(5)
Cash flows (for)/from financing activities			
Increase in inter-company debts	-	1,665	2,473
Amount withdrawn by directors	-	(3)	(3)
Issue of new shares	1,390	-	2,712
Equity dividends paid	(601)	(400)	(400)
Net cash generated from financing activities	789	1,262	4,782
Net increase(decrease) in cash & cash equivalents	(1,598)	1,275	2,232
Cash and equivalent at beginning of period	2,569	337	337
Cash and equivalent at end of period	971	1,612	2,569

VECTOR CAPITAL PLC
Notes to the Interim Financial Statements
For the six months ended 30 June 2021

1. Basis of Preparation

The interim financial statements of Vector Capital Plc are unaudited condensed financial statements for the six months ended 30 June 2021. These include unaudited comparatives for the six months ended 30 June 2021 together with audited comparatives for the year ended 31 December 2020. The financial information for the six months ended 30 June 2021 does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. A copy of the audited financial statements for the year ended 31 December 2020 is available on the Company's website. The auditor's opinion on those financial statements was unqualified and did not draw attention to any matters by way of an emphasis of matter paragraph. These interim condensed financial statements have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 December 2021 which are based on the recognition and measurement principles of United Kingdom adopted International Financial Reporting Standards (IFRS), in accordance with the provisions of the Companies Act 2006, applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention. The Group's presentation and functional currency is Sterling. The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting', and should be read in conjunction with the Group's annual financial statements to 31 December 2020. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRS. The preparation of financial statements in conformity with United Kingdom adopted International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

2. General information

The condensed consolidated financial information comprises the financial information of Vector Capital Plc, Vector Asset Finance Ltd and Vector Business Finance Ltd (the Group).

The principal activities of the entities in the Group are as follows: -

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Principal activities</u>
Vector Capital Plc	England and Wales	Holding company
Vector Business Finance Ltd	England and Wales	Commercial lending
Vector Asset Finance Ltd	England and Wales	Commercial lending

There have been no significant changes in these activities during the relevant financial periods.

3. Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Operating Group that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

Based on management information there is one operating segment. Revenues are reviewed based on the services provided.

No customer has accounted for more than 10% of total revenue during the periods presented.

VECTOR CAPITAL PLC
Notes to the Interim Financial Statements
For the six months ended 30 June 2021

4. Administrative costs

	30 Jun 21 (Unaudited) £'000	30 Jun 20 (Unaudited) £'000	31 Dec 20 (Audited) £'000
Current			
Recurring	378	214	539
Non-recurring costs			129
Total	378	214	668

During the year ended 31 Dec 20 exceptional non-recurring costs in relation to the admission of the Company's ordinary shares to trading on AIM were incurred totalling £129k.

5. Income Tax expense

The tax charge on profits assessable has been calculated at the rates of tax prevailing, based on existing legislation, interpretation and practices in respect thereof.

6. Property, plant and equipment

	Fixture, fittings and equipment		
	30 Jun 21 (Unaudited) £'000	30 Jun 20 (Unaudited) £'000	31 Dec 20 (Audited) £'000
Cost			
Brought forward	5	-	-
Additions	-	-	5
Disposals	-	-	-
Carried forward	5	-	5
Accumulated depreciation			
Brought forward	1	-	-
Depreciation	1	-	1
Carried forward	2	-	1
NBV c/fwd	3	-	4
NBV b/fwd	4	-	-

7. Trade and other receivables

	30 Jun 21 (Unaudited) £'000	30 Jun 20 (Unaudited) £'000	31 Dec 20 (Audited) £'000
Current			
Trade receivables	40,604	32,740	36,374
Prepayments and accrued income	463	587	589
Total	41,067	33,327	36,963

61% of trade receivables were held by third party secure funding (30 Jun 20: 78%, 31 Dec 20: 73%).

VECTOR CAPITAL PLC
Notes to the Interim Financial Statements
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8. Trade and other payables

	30 Jun 21 (Unaudited)	30 Jun 20 (Unaudited)	31 Dec 20 (Audited)
	£'000	£'000	£'000
Current			
Trade payable	26	9	18
Amounts owed to group undertakings	3,000	1,791	3,000
Other payables	15,481	14,366	14,823
Accruals and deferred income	146	54	189
Total	18,653	16,220	18,030

Other payables includes loan finance of £15,417k (30 Jun 20: £14,320k, 31 Dec 20: £14,812k) which is secured against associated loans assigned by way of block discounting.

9. Called up share capital

Authorised	Nominal value	30 Jun 21 (Unaudited)	30 Jun 20 (Unaudited)	31 Dec 20 (Audited)
		£'000	£'000	£'000
45,244,385 Ordinary (30 Jun 20: 17,000,000 Ordinary 31 Dec 20: 42,052,895 Ordinary)	£0.005 (30 Jun 20 £0.01, 31 Dec 20 £0.005)	226	170	210

On 28 June 2021 the Company issued 3,191,490 new Ordinary shares of 0.5 pence each at a 47 pence per share

10. Basic and diluted earnings per share

The calculation of earnings per share is based on the following earnings and number of shares.

	30 Jun 21 (Unaudited)	30 Jun 20 (Unaudited)	31 Dec 20 (Audited)
	£'000	£'000	£'000
Total comprehensive (income for the period, used in the calculation of total basic and diluted profit per share	1,051	1,019	1,902
Weighted average number of ordinary shares for the purpose of basic and diluted profit per share	42,079,055	34,000,000	34,066,007
<u>Earnings per share</u>			
Basic and diluted earnings per share (0.5 pence (30 Jun 20; 1 pence, 31 Dec 20; 0.5 pence))	2.50	3.00	5.58

The weighted average number of shares for 30 Jun 20 include a retrospective adjustment for the share split undertaken in Dec 20.

VECTOR CAPITAL PLC
Notes to the Interim Financial Statements
For the six months ended 30 June 2021

11. Significant related party transactions

The Group owed £3 million to its parent company, Vector Holdings Ltd (30 Jun 20 £1.8 million, 31 Dec 20: £3 million). During the period the Company paid interest totalling £75k to Vector Holdings Ltd in relation to the balance owed as per the loan agreement (30 Jun 20: £Nil, 31 Dec 20: £Nil).

During the period the Company paid £486k in dividends to Vector Holdings Ltd (30 Jun 20: £Nil, 31 Dec 20: £400k).

12. Subsequent events

There were no significant subsequent events which warranted disclosure.

13. Half Year Report

A copy of this half year interim report, as well as the annual statutory accounts to 31 December 2020 are available on the Company's website at www.vectorcapital.co.uk/investors/corporate-documents