Annual Report and Accounts

for the Year Ended 31 December 2021

for

Vector Capital Plc

VECTOR

Vector Capital Plc

Contents of the Consolidated Financial Statements
for the Year Ended 31 December 2021

Vector Capital Plc

Company Information
for the Year Ended 31 December 2021

DIRECTORS:	R Stevens	Non-Executive Chairman
	A Jain	Chief Executive Officer
	J Pugsley	Finance Director
	R Andrews	Non-Executive Director
	G Robinson (appointed 4 February 2022)	Non-Executive Director
COMPANY SECRETARY:	Allazo Ltd 2 Claridge Court Lower Kings Road HP4 2AF	
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:	WH Ireland Limited 24 Martin Lane London EC4R 0DR	
REGISTRARS:	Neville Registrars Neville House Steelpark Road Halesowen B62 8HD	
BANKERS:	National Westminster Bank 250 Bishopsgate London EC2M 4AA	
PUBLIC RELATIONS:	IFC Advisory Limited Birchin Court 20 Birchin Lane London EC3V 9DU	

Vector Capital Plc

Group Strategic Report
for the Year Ended 31 December 2021

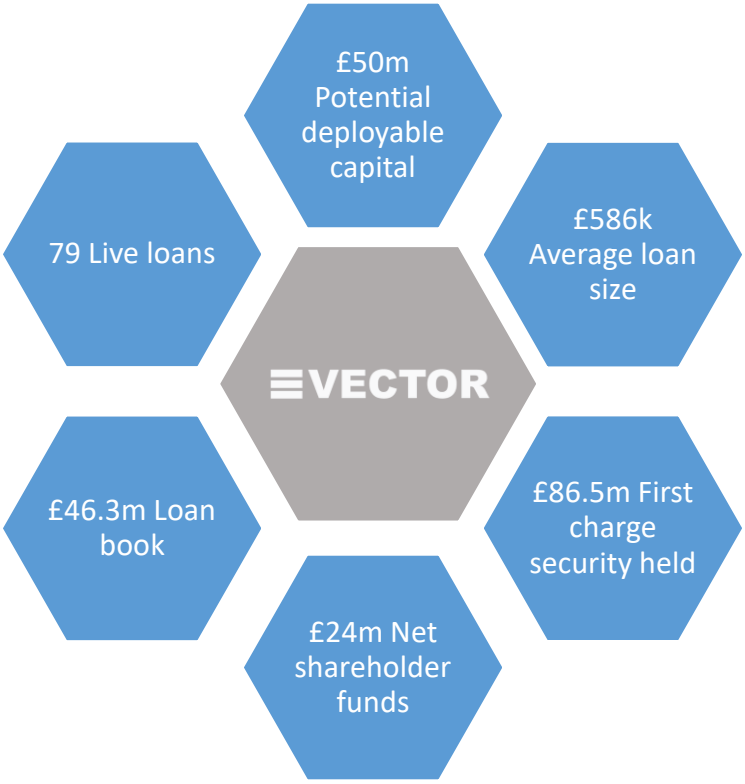
KEY HIGHLIGHTS

CONTINUED STRONG GROWTH WITH OPPORTUNITIES TO SCALE

SUSTAINABLE GROWTH

- 27.2% Loan book growth from £36.4m to £46.3m
- 22.0% Revenue growth from £4.3m to £5.3m
- 20.4% PBT growth from £2.3m to £2.8m
- Proposed final dividend for the year of 1.51p per share, 2020 final dividend of 1.43p, reflecting a progressive dividend policy

A SCALABLE BUSINESS



"We have delivered an excellent performance in the year under review and achieved strong growth across our key performance indicators, Including impressive growth of 27.2% in our loan book to £46.3m

We continue to grow and explore further options to expand our loan book, maximise shareholder returns and further establish our place in the market segment."

Agam Jain CEO

TRUSTED AND SECURE

- Low LTV at 53.5% (2020: 44.2%)
- Over 20 years' experience in the lending market

Accredited Member of The Association of Short Term Lenders

astl
Member of The Association of Short Term Lenders

CHAIRMAN'S STATEMENT

I'm delighted to present our 2021 Annual Report and Accounts, which reflect the results of the continued growth in Vector's loan book, the extension of our network of business introducers and the creation of a strong and growing presence in our chosen market, being the provision of secured loans to the SME sector. Vector's customers are mainly small property developers operating in England who buy properties to develop or refurbish and then re-sell.

Having achieved admission to the AIM market in December 2020, the Company returned to the market in June 2021 to raise a further £1.5m from shareholders which was applied to grow the loan book, together with retained profits, increased wholesale bank facilities of £35m and finance received from co-lending arrangements. This deployment of debt and equity facilities is reflected in the Group's outstanding results for the year, achieving revenue growth of 22.0% to £5.3m, an increase in profits before tax of 20.4% to £2.8m, and a 27.2% rise in the value of the loan book from £36.4m to £46.3m. Such growth is also attributable to the efforts and abilities of the operational team, the strength of the underlying loan management systems and the robust nature of the Vector business model.

We are keen to build on these strong foundations and to continue to grow the loan book utilising our own resources and the external facilities provided by our wholesale lenders. However, we are also fully aware of the attendant risk and uncertainty arising from the economic and financial implications in the post COVID-19 pandemic era and the outlook for the UK economy where inflation and higher interest rates are going to be with us for the foreseeable future. We continue to factor in these risks and uncertainties as we progress our strategies in the coming months and beyond, building on our team's considerable experience, and we will report on progress on a timely and open basis.

As a Board we are also mindful and accepting of our responsibilities 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 will be followed in all we do as a public company. We also recognise 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.

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CHAIRMAN'S STATEMENT (cont)

The results for the period were only possible due to the efforts of Vector's employees and my fellow Board members and considerable thanks are due to them. I am delighted that post the year end we were able to welcome to the Board Gordon Robinson, a banking professional steeped in relevant operational and business development experience in the lending sector, as our third non-executive Director.

We are also indebted to our business partners, our past and current advisers and of course our shareholders, with whom we look forward to a continuing and rewarding relationship. This relationship is in part reflected in our proposed final dividend for the year of 1.51 pence per share, an increase of 0.08 pence (5.59%) over 2020, consistent with our stated intention to adopt a progressive dividend policy.

I am confident that we have the skills, strategy and experience to navigate the economic challenges that will surely arise and to capitalise on the market opportunities that exist, and thereby continue our growth through 2022.

Robin Stevens
Chairman
22 April 2022

CEO REVIEW

A very strong performance and continued growth
I am pleased to report an extremely healthy set of results achieved in a very competitive market. We are proud to be one of the select group of AIM quoted companies paying dividends and showing consistent capital growth.

Our Loan book was £46.3m at 31 December 2021 (2020: £36.4m). This represents an impressive 27.2% year on year growth. The average monthly loan book for the 12 months period was £40.8m (2020: £ 34.8m).

The average interest rate charged over the year increased to 11.84% p.a. (2020: 11.53%).

Pre-tax profit for the year was £2.8m, representing a 20.4% increase over the previous year (2020: £2.3m).

Diverse market spread
Our loan book is primarily secured by 1st charges over a diverse spread of property sectors.

Residential (internal refurbishment, investment, buy to let)	£24,580,323	53.1%
Commercial (retail, hotel, golf, etc.)	£12,773,180	27.6%
Land & Development	£5,429,273	11.7%
Mixed (Residential & Commercial)	£2,997,977	6.5%
2nd charge	£532,023	1.1%
	£46,312,776	100.0%

Note: Market segmentation as at 31 December2021

We are also issuing selected loans against 2nd charge residential where the equity in the security is substantial.

We have seen growth potential in all segments but we retain a weighting towards residential as that is the preference of our wholesale banking lines.

Funding
We returned to the market in June 2021 with a Placing of 3,191,490 new shares at 47 pence each to raise £1.5m gross.

We also negotiated significant increases during the year in our 2 banking lines to £35m in aggregate (2020: £25m). We continue to maintain constructive dialogue with other debt funders.
Our liquidity remains healthy and we have good capacity to fund selected new loan opportunities.

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CEO REVIEW (cont)

Outside our property backed wholesale funding our gearing remains negligible and so we have scope to grow using suitable new debt facilities. We have designed a co-funding instrument and tested it in the market. The initial response has been good, and we will make further iterative refinements going forward.

Information Technology
We continue to initiate further improvements to the bespoke software platform which we licence, by continuously reviewing and re-mapping our processes and we are now in the process of implementing the new enhanced version.

Headcount
We did not need to increase headcount during the year but we 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.

Marketing
During the year we have expanded our connection with new business introducers and brokers and at a corporate level we started our YouTube channel. We also maintained a market presence at industry conferences and shows, notably the ASTL (Association of Short-Term Lenders) AGM and the Asian Jewish Business Network event.

Outlook
The market has been buoyant with many lenders on a growth path. In 2021 we saw the value of UK bridging loan books top £5bn (source – ASTL) for the first time as short-term property lending continued to grow. More brokers are recognising the uses of bridging loans for their clients and, increasingly, bridging can be seen as an integral cog in the workings of the wider property market – saving transactions from falling through, enabling investors to buy, convert and refurbish otherwise un-mortgageable property and providing a fast and flexible means of raising capital.

No doubt a correction is due at some stage so we will always temper our growth plans with caution and sound underwriting.

We are confident of delivering further significant growth in 2022.

Agam Jain
Chief Executive Officer
22 April 2022

BACKGROUND

The Board believe that the Company has greatly benefitted from the admission to AIM in December 2020 and has used the equity raised at the time, and from the subsequent placing in June 2021, to unlock the debt facilities provided by Group's commercial lenders and thereby allow acceleration in the growth of the Group's loan book.

BUSINESS OVERVIEW

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

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

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

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

SECTION 172(1) STATEMENT

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

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

Long-term decisions

The Board is focussed on the long-term success of the Group and makes decisions to deliver 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 their continual health and well-being. The Group values diversity and opportunity for our employees and aims to provide a platform for them to flourish within the Group.

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

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

Breakdown of employees at the year end by gender:

Directors		Senior Managers		Employees		Total	
Male	Female	Male	Female	Male	Female	Male	Female
4	-	1	-	2	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.

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

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

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

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

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

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

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

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

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

SECTION 172(1) STATEMENT (cont)
Interaction between members
The Company has a significant 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 Company is subject to the following risks and uncertainties:

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

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

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

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

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

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

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

2021 saw an improvement in the performance of the UK property market and the Company now believes Brexit to be a diminishing risk, at least in London and the South East.

PRINCIPAL RISKS AND UNCERTAINTIES (cont)

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

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

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

(e) Fraud

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

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

(f) Coronavirus Pandemic

Despite the Coronavirus pandemic the UK property market has remained strong with high demand from developers and consumers. The UK government’s incentives have helped prop up the property market with little sign of material price reductions.

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

(g) Inflation and Interest Rates

Whilst there is anticipated to be continuing inflationary pressures on the UK economy, and a gradual increase in interest rates, these are not expected to greatly dampen the housing market in the sectors where the Group is active.

(h) 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.

FINANCIAL KEY PERFORMANCE INDICATORS ("KPIs")

	2021	2020
Loan Book growth	£9,889,000	£2,747,000
Live loans	79	63
Average loan size	£586,000	£577,000
Largest loan	£3,416,000	£2,653,000
Average loan to value	53.52%	44.17%
Average rate charged	11.84%	11.50%
Bad debts provided	£50,000	£43,000

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

PROSPECTS

Despite the economic uncertainties and dislocations caused by the combined effects of Brexit, Covid-19 and now the war in Ukraine, leading to widespread supply chain delays, inflation and rising interest rates, the Company expects to maintain and build its position in what remains a competitive UK lending market by drawing on its long-term experience in the sector, the strength of its loan management systems and the resilience of its business model.

ON BEHALF OF THE BOARD:

A Jain - Director

22 April 2022

Vector Capital Plc

Corporate Governance Report
for the Year Ended 31 December 2021

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 principles of the QCA Code. The QCA Code has ten broad principles and sets of disclosures.

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

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

Robin Stevens
Chairman

1	**Principle**	**Establish a strategy and business model which promotes long-term value for shareholders**
	Application	The Company heads an established and profitable commercial lending Group that offers secured loans primarily to businesses located in 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**	**Seek to understand and meet shareholder needs and expectations**
	Application	The Board aims to provide clear and transparent information as to the Company's activities, strategy, performance, and financial position to its shareholders. The Directors are committed to communicating with shareholders through the Annual Report and Accounts, full-year and half year announcements and the annual general meeting ("AGM"). Shareholders will be encouraged to participate in the AGM as impacted by COVID-19 restrictions at the time and the number of proxy votes received for each resolution will be announced at the AGM and the results of the AGM will be announced. Details of all shareholder communications are available on the Company's website.

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

5	**Principle Application**	**Maintain the Board as a well-functioning, balanced team led by the chair** 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, which is itself the controlling shareholder of the Company. A Relationship Agreement is in place between Vector Holdings and the Company under which Vector Holdings has agreed, amongst over matters, to exercise its voting rights to procure that the Group and Business shall be managed for the benefit of the Shareholders as a whole; that it will not seek to influence the running of the Company or any member of the Group at an operational level and will not in the period of five years following Admission carry on or be employed, engaged or interested in any business which would compete with the Company. This agreement also contains provisions requiring that the Board at all times has a majority of Directors who are not appointed to the Board by or with the votes of Vector Holdings. For these purposes the current Directors other than Agam Jain are not treated as having been appointed to the Board by or with the votes of Vector Holdings. Jonathan Pugsley, Finance Director, contributes as much of his time to the Company as is required for the proper performance of his duties to the Company. Robin Stevens is the non-Executive Chairman and Ross Andrews and Gordon Robinson are non-executive Directors. Each of Mr Stevens, Mr Andrews and Mr Robinson, who was appointed in February 2022. devote such time as is necessary for the proper performance of their respective duties to the Company. The Chairman and the other non-executive Director are considered by the Directors to be independent under the QCA Code's guidance for determining such independence. For the Board to discharge its duties it has access to all relevant information in a timely manner and meets on a monthly basis. The Board is supported by audit and risk, remuneration and nominations committees and the Directors consider that the members of those committees have the necessary skills, knowledge and experience to discharge their responsibilities executively. Details of the number of Board meetings held during the year and the attendance at those meetings is set out on page 21.

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

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		Recognising that Agam Jain is the controlling shareholder of Vector Holdings, which is itself the controlling shareholder of the Company, a Relationship Agreement is in place between Vector Holdings and the Company. Under this agreement Vector Holdings has agreed, amongst other matters, to exercise its voting rights to procure that the Group and Business shall be managed for the benefit of the Shareholders as a whole; that it will not seek to influence the running of the Company or any member of the Group at an operational level and will not in the period of five years following Admission carry on or be employed, engaged or interested in any business which would compete with the Company. This agreement also contains provisions requiring that the Board at all times has a majority of Directors who are not appointed to the Board by or with the votes of Vector Holdings. The Directors, other than Agam Jain, are not treated as having been appointed by or with the votes of Vector Holdings for these purposes. Other policies and procedures in place include an Anti-Corruption and Bribery prevention policy and a Social Media Policy.
9	**Principle**	**Maintaining governance structures and processes that are fit for purpose and support good decision-making by the board**
	Application	The Board is responsible to shareholders for the proper management of the Group. The Board comprises Agam Jain, Chief Executive Officer, Jonathan Pugsley, Finance Director, Robin Stevens, Non-executive Chairman and Ross Andrews 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

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	· 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.

During the year the Board attended the following meetings:

	PLC Board meetings		Committee meetings					
			Audit		Remuneration		Nomination	
Director	**Invited**	**Attended**	**Invited**	**Attended**	**Invited**	**Attended**	**Invited**	**Attended**
A Jain	17	17	-	-	-	-	-	-
J Pugsley	17	17	3	3	-	-	-	-
R Andrews	17	17	3	3	1	1	2	2
R Stevens	17	17	3	3	1	1	2	2
G Robinson	-	-	-	-	-	-	-	-

Note: G Robinson appointed post year end on 4 February 2022

Vector Capital Plc

Report of the Directors
for the Year Ended 31 December 2021

The Directors present their report with the financial statements of the company and the Group for the year ended 31 December 2021.

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 0.95p per share was paid on 24 September 2021 (2020; 2.35p (prior to the 2:1 share split in December 2020)) The Directors propose that a final dividend for the year of 1.51p per share, is paid post year end (2020: 1.43p)

If approved the total distribution of dividends in relation to the year 31 December 2021 will be in the region of £1,113,012 (2020 £1,001,356).

DIRECTORS
The Directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

Agam Jain
Jonathan Pugsley
Ross Andrews
Robin Stevens

Other changes in Directors holding office are as follows:

G Robinson - appointed 4 February 2022

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	Fees	Pension contributions	Total remuneration
Executive				
Agam Jain	£100,000	-	£20,000	£120,000
Jonathan Pugsley	£20,000	-	-	£20,000
Non-executive				
Ross Andrews	£25,417	-	-	£25,417
Robin Stevens	£23,333	-	-	£23,333

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2021 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%
VP Bank AG	4.00%
Chelverton Small Companies Div	3.32%
Bernard Cook	3.21%

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 of £46,262,775 (2020: £36,373,856) represented 54% (2020: 44%) of the security held.

Cont..

FINANCIAL RISK MANAGEMENT (cont)

Liquidity risk

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

Capital risk

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

EVENTS AFTER THE REPORTING DATE

The Company has reviewed and evaluated all events and material transactions that have occurred after 31 December 2021 to the date of signing of the financial statements and conclude that there are no material subsequent events which justify adjustment or disclosure.

GOING CONCERN

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

The Group’s wholesale borrowing facilities totalling £35m are due for renewal in July and October 2022, on a rolling annual contract, the Group maintain a good working relationship with both providers and are confident the facilities will be renewed.

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Cont..

STATEMENT OF DIRECTORS' RESPONSIBILITIES (cont)

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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

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

ON BEHALF OF THE BOARD:

A Jain - Director

22 April 2022

Independent Auditors Report
To the Members of Vector Capital Plc

Opinion

We have audited the financial statements of Vector Capital Plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK- adopted International Accounting Standards (IFRSs). The financial reporting framework that has been applied in the preparation of the 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 Company's affairs as at 31 December 2021 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 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 Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Summary of our audit approach

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

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

These are explained in more detail below.

Materiality
The materiality that we used for the Group financial statements was £148k which was determined on the basis of 5% of results after tax.

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

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

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

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

Recoverability of loans issued and loan loss provisioning (expected credit losses) The Group has a significant loan portfolio to customers of £46.3m (2020: £36.4m). There is a risk arising from the possibility that the Group will incur losses from the failure of customers to meet their obligations. Individual loan impairment and provisioning is one of the most significant estimates made by the company's Directors and management in preparing financial statements. Refer to the summary of significant accounting policies in relation to the loan impairment provisioning on page 50, judgements in applying accounting policies and critical accounting estimates on page 51 and provision for impairment losses on loans in note 11 on page 58. The significant judgements include whether an impairment is required or not, and the level of provision required for loans that are considered to be impaired. These are considered on a case-by-case basis and, therefore, there is an inherent degree of subjectivity and a corresponding increased risk of material misstatement. In addition, the coronavirus pandemic has increased the complexity of determining impairment due to uncertainty of outcomes including the valuation of collateral property. The provision balance as at 31 December 2021 was £Nil (2020: £Nil). This balance was derived after bad debt write off of £50k (2020: £43k).	We performed the following audit procedures to address the risk: • obtained an understanding of the relevant controls over the individual loan impairment process. • reviewed the Group's loan impairment and provisioning policy to assess whether it was in compliance with the requirements of IFRS 9. • selected a sample of loans and examined the valuation documents of the properties which are secured as collateral and to determine whether the valuation was within the acceptable risk levels as per the Group's policies. • selected a sample of loans across the loan portfolio where no impairment indicators had been identified by management to assess whether they were appropriately accounted for. • critically assessed and challenged management's assumptions and consideration of the impact of the coronavirus pandemic on the estimation uncertainty in individual loan impairments. We consider management's judgements in relation to the individual impairment provision for the year ended 31 December 2021 to be appropriate.
Valuation of investments in and recoverability of amounts due from subsidiaries The Company carried investments in subsidiaries of £17m (2020: £17m) at the year end. The Company also had amounts owed by subsidiary undertakings of £8.4m (2020: £5.16m) 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,	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;

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.	• challenged cash inflows from revenue generating activities and the key assumptions applied in arriving at the expected revenues for the foreseeable future; • assessed the appropriateness and applicability of discount rate applied to the current business performance. • assessed the reasonability of cash outflows, including contracted costs, research expenditure and expected capital expenditure; • reviewed the latest management accounts for all entities in the Group to confirm reasonability of assumption used in the cashflow forecast; Based on the audit work performed we are satisfied that the management have made reasonable assumptions in arriving at the value of the companies in the Group based on net present value of future cashflow. The net present value of the subsidiaries is higher than the investment in them and the loans issued to them. Therefore, no impairment loss is required in the 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	£141k (2020: £95k).	£63k (2020: £60k).
How we determined it	Based on 5% net profit after tax (2020: 5% net profit after tax).	Based on 5% net profit after tax (2020: 5% net profit after tax).
Rationale for benchmark applied	We believe that distributable profit is a primary measure used by shareholders in assessing the financial strength of the Group and is a generally accepted auditing benchmark.	We believe that distributable profit is a primary measure used by shareholders in assessing the financial strength of the Group and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £50k and £136k.

Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2021 audit (2020: 75%).

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

Error reporting threshold
We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £7k (Group audit) (2020: £4.7k) and £3.1k (Company audit) (2020: £3k) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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

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

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

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

The Group engagement team performed all audit procedures.

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

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 24, 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 the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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;
- 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.

Sanjay Parmar (Senior Statutory Auditor)
For and on behalf of Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
22 April 2022

Vector Capital Plc

Consolidated Income Statement
for the Year Ended 31 December 2021

	Notes	2021 £'000	2020 £'000
CONTINUING OPERATIONS			
Revenue		5,275	4,325
Cost of sales		(502)	(321)
GROSS PROFIT		4,773	4,004
Other operating income	4	-	29
Administrative expenses		(703)	(668)
OPERATING PROFIT		4,070	3,365
Finance costs		(1,245)	(1,018)
Finance income		2	-
PROFIT BEFORE INCOME TAX	6	2,827	2,347
Income tax	7	(538)	(445)
PROFIT FOR THE YEAR		2,289	1,902
Profit attributable to:			
Owners of the parent		2,289	1,902
Earnings per share expressed in pence per share:	10		
Basic		5.24	5.58
Diluted		5.24	5.58

The notes form part of these financial statements

Vector Capital Plc

Consolidated Statement of Income and Other Comprehensive Income
for the Year Ended 31 December 2021

	2021 £'000	2020 £'000
PROFIT FOR THE YEAR	2,289	1,902
OTHER COMPREHENSIVE INCOME		
	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,289	1,902
Total comprehensive income attributable to:		
Owners of the parent	2,289	1,902

The notes form part of these financial statements

Vector Capital Plc (Registered number: 12140968)

Consolidated Statement of Financial Position
31 December 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	3	4
		3	4
CURRENT ASSETS			
Trade and other receivables	13	46,565	36,963
Cash and cash equivalents	14	1,527	2,569
		48,092	39,532
TOTAL ASSETS		48,095	39,536
SHAREHOLDERS' EQUITY			
Called up share capital	16	226	210
Share premium	17	20,876	19,502
Group reorganisation reserve	17	188	188
Retained earnings	17	2,659	1,401
TOTAL EQUITY		23,949	21,301
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	23,858	18,030
Tax payable		288	205
TOTAL LIABILITIES		24,146	18,235
TOTAL EQUITY AND LIABILITIES		48,095	39,536

The financial statements were approved by the Board of Directors on 22 April 2022 and were signed on its behalf by:

J Pugsley - Director

The notes form part of these financial statements

Vector Capital Plc (Registered number: 12140968)

Company Statement of Financial Position
31 December 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	3	4
Investments	12	17,000	17,000
		17,003	17,004
CURRENT ASSETS			
Trade and other receivables	13	8,467	5,174
Cash and cash equivalents	14	121	1,899
		8,588	7,073
TOTAL ASSETS		25,591	24,077
SHAREHOLDERS' EQUITY			
Called up share capital	16	226	210
Share premium	17	20,876	19,502
Retained earnings	17	1,454	1,210
TOTAL EQUITY		22,556	20,922
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	3,035	3,155
TOTAL EQUITY AND LIABILITIES		25,591	24,077

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 £1,275,687 (2020 - £1,609,732).

The financial statements were approved by the Board of Directors on 22 April 2022 and were signed on its behalf by:

J Pugsley – Director

The notes form part of these financial statements

Vector Capital Plc

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Group reorganisation reserve £'000	Total equity £'000
Balance at 1 January 2020	170	(101)	16,830	188	17,087
Changes in equity					
Issue of share capital	40	-	2,672	-	2,712
Dividends	-	(400)	-	-	(400)
Total comprehensive income	-	1,902	-	-	1,902
Balance at 31 December 2020	210	1,401	19,502	188	21,301
Changes in equity					
Issue of share capital	16	-	1,374	-	1,390
Dividends	-	(1,031)	-	-	(1,031)
Total comprehensive income	-	2,289	-	-	2,289
Balance at 31 December 2021	226	2,659	20,876	188	23,949

Vector Capital Plc

Company Statement of Changes in Equity
for the Year Ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2020	170	-	16,830	17,000
Changes in equity				
Issue of share capital	40	-	2,672	2,712
Dividends	-	(400)	-	(400)
Total comprehensive income	-	1,610	-	1,610
Balance at 31 December 2020	210	1,210	19,502	20,922
Changes in equity				
Issue of share capital	16	-	1,374	1,390
Dividends	-	(1,031)	-	(1,031)
Total comprehensive income	-	1,275	-	1,275
Balance at 31 December 2021	226	1,454	20,876	22,556

Vector Capital Plc

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	1	247	(913)
Interest paid		(1,195)	(1,018)
Tax paid		(455)	(614)
Net cash from operating activities		(1,403)	(2,545)
Cash flows from investing activities			
Purchase of tangible fixed assets		-	(5)
Interest received		2	-
Net cash from investing activities		2	(5)
Cash flows from financing activities			
Intercompany loans		-	2,473
Amount withdrawn by Directors		-	(3)
Share issue		16	40
Share premium		1,374	2,672
Equity dividends paid		(1,031)	(400)
Net cash from financing activities		359	4,782
(Decrease)/increase in cash and cash equivalents		(1,042)	2,232
Cash and cash equivalents at beginning of year	2	2,569	337
Cash and cash equivalents at end of year	2	1,527	2,569

Vector Capital Plc

Company Statement of Cash Flows
for the Year Ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	1	(727)	(383)
Interest paid		(150)	(5)
Net cash from operating activities		(877)	(388)
Cash flows from investing activities			
Purchase of tangible fixed assets		-	(5)
Dividends received		2,050	2,100
Net cash from investing activities		2,050	2,095
Cash flows from financing activities			
Intercompany loans		(3,310)	(2,184)
Amount withdrawn by Directors		-	(2)
Share issue		16	40
Share premium		1,373	2,672
Equity dividends paid		(1,031)	(400)
Net cash from financing activities		(2,952)	126
(Decrease)/increase in cash and cash equivalents		(1,779)	1,833
Cash and cash equivalents at beginning of year	2	1,899	66
Cash and cash equivalents at end of year	2	121	1,899

Vector Capital Plc

Notes to the Statements of Cash Flows
for the Year Ended 31 December 2021

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

Group

	2021 £'000	2020 £'000
Profit before income tax	2,827	2,347
Depreciation charges	1	1
Finance costs	1,195	1,018
Finance income	(2)	-
	4,021	3,366
Increase in trade and other receivables	(9,602)	(2,713)
Increase/(decrease) in trade and other payables	5,828	(1,566)
Cash generated/(absorbed) from operations	247	(913)

Company

	2021 £'000	2020 £'000
Profit before income tax	1,275	1,610
Depreciation charges	1	1
Finance costs	150	5
Dividend income	(2,050)	(2,100)
	(624)	(484)
Decrease/(increase) in trade and other receivables	17	(28)
(Decrease)/increase in trade and other payables	(120)	129
Cash absorbed from operations	(727)	(383)

Vector Capital Plc

Notes to the Statements of Cash Flows
for the Year Ended 31 December 2021

2. CASH AND CASH EQUIVALENTS

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

	Group		Company	
Year ended 31 December 2021				
	31.12.21	1.1.21	31.12.21	1.1.21
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,527	2,569	121	1,899
Year ended 31 December 2020				
	31.12.20	1.1.20	31.12.20	1.1.20
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,569	337	1,899	66

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 page.

2. **ACCOUNTING POLICIES**

Basis of preparation

The consolidated financial statements of the Group have been prepared using the historical cost convention, on a going concern basis and in accordance with 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.

On 31 December 2020 IFRS as adopted by the European Union were brought into UK law and became UK-adopted international accounting standards with future changes being subject to endorsement by the UK Endorsement Board.

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

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

• Requirements of IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group;

• the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets;

• the requirements of IFRS 7 Financial Instruments: Disclosures;

• the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;

• the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;

• the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

2. ACCOUNTING POLICIES (cont)

New and amended standards adopted by the Group

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

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

Ref	Title	Summary	Application date of standards (periods commencing)
IFRS9, IAS39 and IFRS7	Interest Rate Benchmark Reform Phase 2	Amendments regarding measurement and classification	1 January 2021

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 2021 reporting periods.

No new standards or interpretations issued by the International Accounting Standards Board ('IASB') or the IFRS Interpretations Committee ('IFRIC') 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.

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

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2. **ACCOUNTING POLICIES (cont)**

Ref	Title	Summary	Application date of standards (periods commencing)
IAS1	Presentation of Financial Statements	Amendments regarding the classification of liabilities	1 January 2023
		Amendments to defer effective date of the January 2020 amendments	1 January 2023

Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Group's forecasts and projections, taking into account 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 £35m are due for renewal in July and October 2022, on a rolling annual contract, the Group maintain a good working relationship with both providers and are confident the facilities will be renewed.

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

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

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.

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

Cont..

2. **ACCOUNTING POLICIES (cont)**

and VBF. Therefore, the assets and liabilities of VAF and VBF have been recognised and measured in these consolidated financial statements at their pre combination carrying values. The retained earnings and other equity balances recognised in these consolidated financial statements are the retained earnings and other equity balances of the Company, VAF and VBF. The equity structure appearing in these consolidated financial statements (the number and the type of equity instruments issued) reflect the equity structure of the Company including equity instruments issued by the Company to affect the consolidation. The difference between consideration given and net assets of VAF and VBF at the date of acquisition is included in a Group reorganisation reserve.

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

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

Property, plant and equipment

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

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

Taxation

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

Employee benefit costs

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

Government grants

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

2. **ACCOUNTING POLICIES (cont)**

Significant accounting policies

a) Revenue Recognition

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

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

Dividend and interest income

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

b) Investments

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

c) Cash and cash equivalents

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

d) Financial instruments

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

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

e) Financial assets

Financial assets are subsequently classified into the following specified categories:

-financial assets at fair value through the income statement, including held for trading;
- fair value through other comprehensive income; or
- amortised cost.

Cont..

2. **ACCOUNTING POLICIES (cont)**

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

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

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

f) Trade receivables

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

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

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

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

Cont..

2. ACCOUNTING POLICIES (cont)

g) Financial liabilities

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

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through 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.

h) Fair value option

An entity may, at initial recognition, irrevocably designate a financial asset or liability that would otherwise have to be measured at amortised cost or fair value through other comprehensive income to be measured at fair value through the income statement if doing so would eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') or otherwise results in more relevant information.

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

i) De-recognition

De-recognition of financial assets and liabilities is the point at which an asset or liability is removed from the financial statement.
Financial assets are de-recognised when the rights to receive cashflows from the assets have ceased and the Company has transferred substantially all the risk and rewards of ownership of the asset.

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

j) Impairment

Impairment of financial assets is recognised in stages:

Stage 1 - as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in 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 (ie without deduction for expected credit losses).
Stage 2 - if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in the income statement. The calculation of interest revenue is the same as for Stage 1.

Cont..

2. **ACCOUNTING POLICIES (cont)**

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

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

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

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

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

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

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

The Directors consider that loan impairment provision is the most important to the true reflection of the Company's 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;

2. ACCOUNTING POLICIES (cont)

Market risk - interest rate

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

Credit risk

The Group lends to third parties as included in trade debtors, there is a risk of default from a borrower. Risk is measured by review of security held compared to credit provided. the risk is management by undertaking thorough valuations of security, obtaining legal charge and stringent onboarding processes. At the year end Group trade debtors of £46,262,775 (2020: £36,373,856) represented 54% (2020: 44%) of the security held.

Liquidity risk

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

Capital risk

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

3. OPERATING SEGMENTS

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

4. OTHER INCOME

	2021 £'000	2020 £'000
Grant income: Coronavirus job retention scheme	-	29
	-	29

5. EMPLOYEES AND DIRECTORS

	2021 £'000	2020 £'000
Wages and salaries	320	294
Social security costs	31	28
Other pension costs	24	3
	375	325

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

	2021 No.	2020 No.
Administrative	8	7

Directors' remuneration

	2021 £'000	2020 £'000
Salaries	169	194
Pension contributions	20	-
	189	194

The highest paid director, Agam Jain, was paid remuneration of £120,000 (2020, £100,000) during the year.

6. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	2021 £'000	2020 £'000
Brokers' commission	502	321
Depreciation - owned assets	1	1
Auditors' remuneration		
Audit of Group	35	31
Non-audit services	3	19
	38	50
Bad debts	50	43

7. INCOME TAX

Analysis of tax expense

	2021 £'000	2020 £'000
Current tax: Corporation tax	538	445
Total tax expense in consolidated income statement	538	445

7. INCOME TAX - continued

Factors affecting the tax expense

The tax assessed for the year is higher than (2020 – lower than) the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £'000	2020 £'000
Profit before income tax	2,827	2,347
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	537	446
Effects of:		
Accelerated capital allowances	-	(1)
Rounding	1	
Tax expense	538	445

8. PROFIT OF THE 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 Company's profit for the financial year was £1,275,687 (2020 - £1,609,732).

9. DIVIDENDS

	2021 £'000	2020 £'000
Ordinary shares of £0.005 each		
Final	601	-
Interim	430	400
	1,031	400

The interim dividend for the year of 0.95 pence per share was paid on 24 September 2021.

10. EARNINGS PER SHARE

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

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

Reconciliations are set out below.

	2021		
	Earnings £'000	Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	2,289	43,687,987	5.24
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	2,289	43,687,987	5.24

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

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST			
At 1 January 2021 and 31 December 2021	1	4	5
DEPRECIATION			
At 1 January 2021	-	1	1
Charge for year	-	1	1
At 31 December 2020	-	2	2
NET BOOK VALUE			
At 31 December 2021	1	2	3
At 31 December 2020	1	3	4

Company

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2021 and 31 December 2021	1	4	5
DEPRECIATION			
At 1 January 2021	-	1	1
Charge for year	-	1	1
At 31 December 2020	-	2	2
NET BOOK VALUE			
At 31 December 2021	1	2	3
At 31 December 2020	1	3	4

12. INVESTMENTS

Company

	Shares in Group undertakings £'000
COST	
At 1 January 2021 and 31 December 2021	17,000
NET BOOK VALUE	
At 31 December 2021	17,000
At 31 December 2020	17,000

Shares in Group Undertakings comprises;

Name of entity	Country of incorporation	Ownership held 2021	Ownership held 2020	Principal activities
Vector Business Finance Ltd	England and Wales	100%	100%	Commercial lending
Vector Asset Finance Ltd	England and Wales	100%	100%	Commercial lending

13. TRADE AND OTHER RECEIVABLES

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Current:				
Trade debtors	46,263	36,374	-	-
Amounts owed by Group undertakings	-	-	8,456	5,146
Prepayments and accrued income	302	589	11	28
	46,585	36,963	8,467	5,174

Cont..

13. TRADE AND OTHER RECEIVABLES (cont)

Trade receivables are stated after provisions for impairment of £Nil (2020; £Nil).

68% of trade receivables were held by third party secure funding (2020, 73%).

Trade and other receivables are stated at amortised cost.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank account	1,527	2,569	121	1,899

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Current:				
Trade creditors	3	18	2	18
Amounts owed to Group undertakings	3,000	3,000	3,000	3,000
Social security and other taxes	11	9	11	9
Other creditors	20,335	14,814	-	-
Accruals and deferred income	509	189	22	128
	23,858	18,030	3,035	3,155

Trade and other payables are stated at amortised cost.

Cont..

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

The following secured debts are included within creditors:

	Group	Company
	£'000	£'000
Other creditors under 1 year	20,335	-
	20,335	-

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

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

16. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £'000	2020 £'000
45,244,385 (2020: 42,052,895)	Ordinary	£0.005	226	210

On 28 June 2021 3,191,490 Ordinary £0.005 shares were allotted for cash.

17. RESERVES

Group

	Retained earnings £'000	Share premium £'000	Group reorganisation reserve £'000	Totals £'000
At 1 January 2021	1,401	19,502	188	21,091
Profit for the year	2,289			2,289
Dividends	(1,031)			(1,031)
Cash share issue	-	1,374	-	1,374
At 31 December 2021	2,659	20,876	188	23,723

Company

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2021	1,210	19,502	20,712
Profit for the year	1,275		1,275
Dividends	(1,031)		(1,031)
Cash share issue	-	1,374	1,374
At 31 December 2021	1,454	20,876	22,330

18. ULTIMATE PARENT COMPANY

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

19. RELATED PARTY DISCLOSURES

All figures quoted in £'000s

Vector Business Finance Ltd - wholly owned subsidiary
- Monies paid from subsidiary £1,550 (2020; £220)
- Funds paid to subsidiary £1,550 (2020; £530)
- Transfer of assets to subsidiary £Nil (2020; £1,634)
- Dividends voted from subsidiary £1,550 (2020; £1,450)
- Balance owed to the Company at year end £5,494 (2020; £3,944)

Cont..

19. RELATED PARTY DISCLOSURES (cont)

Vector Asset Finance Ltd - wholly owned subsidiary
- Monies paid from subsidiary £240 (2020; £1,575)
- Funds paid to subsidiary £1,600 (2020; £2,000)
- Transfer of assets from subsidiary £Nil (2020; £123)
- Dividends voted from subsidiary £500 (2020; £650)
- Balance owed to the Company at year end £2,903 (2020; £1,202)

Vector Holdings Ltd - ultimate parent company
- The Group owed £3,000 to the parent company (2020; £3,000)
- Interest is payable at a rate of 5% per annum, there is no requirement to make capital repayments.
- Dividends totalling £809 were paid to the parent company (2020; £400)
-Vector Holdings Ltd has provided a guarantee to Aldermore Bank and Shawbrook Bank covering all monies and liabilities due from the Group.

Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Directors (whether executive or otherwise). Key Management Personnel are defined as the Directors, executive and non-executive. The aggregate remuneration for Key Management Personnel is £239 (2020: £194).

Jonathan Pugsley – Director
During the year, Allazo Ltd, a company controlled by Jonathan Pugsley, charged accountancy fees of £8 (2020: £28) to the Group.

20. ULTIMATE CONTROLLING PARTY

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