

Vector Capital Plc
Interim Financial Report
For the six months ended 30 June 2023

VECTOR CAPITAL PLC
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For the six months ended 30 June 2023

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VECTOR CAPITAL PLC
Company Information
For the six months ended 30 June 2023

DIRECTORS:	A Jain J Pugsley R Andrews R Stevens G Robinson	Chief Executive Officer Finance Director Non-Executive Director Non-Executive Chairman Non-Executive Director
COMPANY SECRETARY:	Allazo Ltd	
REGISTERED OFFICE:	2 Claridge Court Lower Kings Road HP4 2AF	
REGISTERED NUMBER:	12140968 (England and Wales)	
AUDITORS:	Gravita Audit Ltd 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 20 Birchin Lane London EC3V 9DU	

VECTOR CAPITAL PLC
Chairman's Statement
For the six months ended 30 June 2023

I am pleased to present our 2023 Interim Results for the six months ended 30 June 2023, which report consolidated pre-tax profits of £1,274,000 (2022 £1,556,000), and to propose an interim dividend of [1.00] pence per share payable on [29] September 2023 (2022 1.00 pence).

The results for the first half of the year should be seen in the light of the combined effects of the well-publicised headwinds in the UK economy, as borrowers struggle with continually rising interest rates, inflationary pressure on input prices and falling property prices; almost the perfect storm for any sector. Against this challenging backdrop, the Group's results show considerable resilience and reflect our strong capital base, our selective and cautious lending policy, our proven loan management systems and the experience of the executive management team. The reduction in the Group's loan book to £48.8m from £53.2m during the period from 31 December 2022, was to be expected where the terms of trade of many SME borrowers are being squeezed. While these conditions prevail, our aim is to maximise the return to shareholders on our capital base. Our overall aim remains to create a leading market presence in the provision of secured loans to the SME sector, which our strong capital position in these challenging conditions may well accelerate as other lenders trading on the margins struggle.

During the period we extended and deepened our wholesale banking facilities such that we can now utilise up to £45 million (31 December 2022 £40 million) from these sources, of which £2.5 million can be applied to loans secured by second charges, thus providing scope for additional and in some cases higher-margin lending as opportunities arise and market conditions improve. We are also selectively developing our co-lending relationships, and the Company's parent company, Vector Holdings Limited has increased its loan to the Company from £3 million to £4 million.

Despite the uncertainties in the immediate economic outlook in the UK and the likely continuing relatively high interest rates through to 2025, we remain determined to build on the Group's strong business foundations, to maximise returns from our existing capital base and to build the loan book utilising the debt facilities described above.

We are increasingly aware of our environmental, social and governance responsibilities to shareholders and other stakeholders and we are following what we believe to be market best practice and developing procedures to address these important issues. Details of our ESG policies and procedures, aimed principally at responsible lending and encouraging sustainability and avoidance of waste in all we do, are set out on the Company's website www.vectorcapital.co.uk.

The Group's half year results are based on the continued hard work of the executive team, to whom considerable thanks is due, the quality of the underlying operational systems and the robustness of the business model. Thanks, are also due to my fellow Board members and our business partners.

We believe that our team has the skills and experience to adapt to the challenges presented by the UK economic conditions and to continue to build the business by capitalising on the opportunities that are expected to arise through the rest of 2023 and beyond.

Robin Stevens
Chairman
4 September 2023

VECTOR CAPITAL PLC
Chief Executive's Statement
For the six months ended 30 June 2023

Background

The trading climate for the first six months of this year has been set by the backdrop of historic base rate rises from 0.10% in March 2020 to 5% in June 2023, the highest rate since April 2008. For the mortgage sector, these are circumstances not experienced by many lenders or borrowers. The tool used by the Bank of England to control inflation has hit some of our borrowing customers extremely hard. Our principal market consists of borrowers that take loans to refurbish or develop land and property.

Our borrowers have been faced with multiple issues of rising building material costs and long lead times since 2022. This has led to cost overruns and delays. On top of this, they are now faced with substantial interest rate rises. This has a negative bearing on project viability and the ability of some borrowers to re-finance their developments.

Stressed Loans

For those borrowers experiencing difficulty, our approach is to be flexible and supportive where we believe that the circumstances justify this approach. We do this by agreeing to re-schedule monthly payments and capital repayments. Where we are not satisfied with the financial viability of a borrowers' loan, we work with the borrowers to give time for them to sell or re-finance and, if necessary, appoint an LPA Receiver to sell the property. Bearing in mind the circumstances prevailing this year, the number of receiver appointments has increased over previous years.

Our expectation is that we will recover our full capital in almost all cases and also the fees and accrued interest in most cases, albeit with consequent delays of 4-12 months. In accordance with our normal policy, we have made provision for estimated doubtful debts with the results for the period and the impact on our results is within the margins we had stress tested. It should be stressed that we have not written off any debts in the current period under review but are taking a prudent view due to the macro-economic environment. We have a strong capital base which provides the Board with a high level of confidence that we can weather continued or increased economic headwinds.

Excellent Interim Results

Against these adverse market conditions, I am very pleased to report that Vector has delivered an excellent set of results and we expect to continue to pay attractive dividends.

The unaudited profit before tax for the period was £1.3m on a revenue of £2.9m (£1.6m and £3.0m, respectively, 30 June 2022).

At 30 June 2023 the loan book was £48.8m (31 December 2022, £53.2m), and the consolidated net assets were £25.4m (31 December 2022, £25.1m).

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

We will propose an interim dividend of 1.0 pence per share payable on 29 September 2023 (2022 1.0 pence).

Continued.

VECTOR CAPITAL PLC
Chief Executive's Statement (cont.)
For the six months ended 30 June 2023

Loan Book KPIs

	HY 2023	%	FY 2022	%
Residential	27,234,055	55.80%	30,351,346	57.02%
Commercial	11,681,461	23.93%	11,643,949	21.87%
Land & Development	5,050,619	10.35%	4,681,424	8.79%
Mixed	3,937,194	8.07%	4,707,648	8.84%
2nd charge	492,023	1.01%	1,545,273	2.90%
Other	415,000	0.85%	300,000	0.56%
	48,810,352	100.00%	53,229,641	100.00%

The loans we have issued to the various market segments that we serve remain broadly similar.

The average rate achieved during the period was 10.18% p.a. (June 2022, 11.69% p.a.)

The average loan size was £474,000 spread over 103 live loans. (June 2022, £532,000)

Security held at 30 June 2023 was estimated at £84m giving an average LTV of 58.10% (June 2022, 59.41%).

The loan balances are stated net of provisions of £367,000 at 30 June 2023 (December 2022, £200,000)

Operational review

Our strategy this year has been to seek to maintain higher liquidity, with a correspondingly lower loan book and reduced wholesale borrowings. To the extent that we lend our own capital we can now earn a much higher return than previously.

Our pipeline is healthy with a steady stream of enquiries from our Broker network allowing us to pick and choose the deals that suit us.

Our wholesale banking rates have inevitably increased. However, the rates are still viable for us to continue to drawdown against the facilities. Our facilities are currently £45m and we do not need to seek a further increase this year.

The existing operational team is extremely efficient and provides a fast response time to brokers and borrowers alike. We remain lean and have not needed to increase the head count in the period.

Outlook

Vector is in a healthy financial position with a strong capital base and we remain keen to return to a growth path when market conditions allow. However, we still remain cautious and will wait to see the impact on our market when the base rates stabilise. There is strong demand for our loans, we have good support from our lenders, and we remain excited about capitalising on the opportunities ahead, albeit selectively.

Agam Jain
 Chief Executive Officer
 4 September 2023

VECTOR CAPITAL PLC
Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2023

		Six months ended 30 June 2023 £'000 (Unaudited)	Six months ended 30 June 2022 £'000 (Unaudited)	Year ended 31 December 2022 £'000 (Audited)
	<i>Notes</i>			
Revenue	3	2,851	2,980	5,928
Cost of sales		(156)	(289)	(429)
Gross profit		2,695	2,691	5,499
Administrative expenses		(532)	(307)	(911)
Operating profit		2,163	2,384	4,588
Finance income		-	-	3
Finance costs		(889)	(828)	(1,782)
Profit on ordinary activities before taxation		1,274	1,556	2,809
Income tax expense	4	(305)	(296)	(534)
Profit after taxation		969	1,260	2,275
Other comprehensive income		-	-	-
Total comprehensive income attributable to the shareholders of the Company		969	1,260	2,275
Pro-forma basic and diluted earnings per share attributable to the owners of the Company (pence)	9	2.14	2.79	5.03

VECTOR CAPITAL PLC
Condensed Consolidated Statements of Financial Position
For the six months ended 30 June 2023

	Notes	30 June 2023 £'000 (Unaudited)	30 June 2022 £'000 (Unaudited)	31 December 2022 £'000 (Audited)
Non-Current assets				
Property, plant and equipment	5	1	2	1
		1	2	1
Current assets				
Trade and other receivables	6	49,422	52,223	53,997
Cash and bank balances		479	737	688
		49,901	52,960	54,685
Total Assets				
		49,902	52,962	54,686
Current liabilities				
Trade and other payables	7	20,230	28,140	25,800
Income tax payable		307	296	240
		20,537	28,436	26,040
Non-Current liabilities				
Trade and other payables	7	4,000	-	3,558
Total Liabilities				
		24,537	28,436	29,598
Equity				
Share capital	8	226	226	226
Share premium		20,876	20,876	20,876
Group reorganisation reserve		188	188	188
Retained earnings		4,075	3,236	3,798
		25,365	24,526	25,088
Total Equity and Liabilities				
		49,902	52,962	54,686

VECTOR CAPITAL PLC
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2023

	Share capital £'000	Share premium £'000	Group reorganisation reserve £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2022	226	20,876	188	2,659	23,949
Profit for the six months ended 30 June 2022	-	-	-	1,260	1,260
Dividends paid	-	-	-	(683)	(683)
Balance at 30 June 2022	226	20,876	188	3,236	24,526
Profit for the six months ended 31 December 2022	-	-	-	1,015	1,015
Dividends paid	-	-	-	(453)	(453)
Balance at 31 December 2022	226	20,876	188	3,798	25,088
Profit for the six months ended 30 June 2023	-	-	-	969	969
Dividends paid	-	-	-	(692)	(692)
Balance at 30 June 2023	226	20,876	188	4,075	25,365

VECTOR CAPITAL PLC
Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2023

	Six Months ended 30 June 2023 £'000 (Unaudited)	Six Months ended 30 June 2022 £'000 (Unaudited)	Year ended 31 December 2022 £'000 (Audited)
Cash flow from operating activities			
Profit for the period before taxation	1,274	1,556	2,809
Adjustment for:			
Interest expense	889	828	1,782
Depreciation	-	1	1
Finance income	-	-	(3)
Tax paid	(238)	(289)	(581)
Operating cash flows before movements in working capital	1,925	2,096	4,008
(Increase)/decrease in trade and other receivables	4,575	(5,658)	(7,432)
Increase/(decrease) in trade and other payables	(5,131)	4,283	5,499
Cash generated from operating activities	1,369	721	2,075
Interest paid	(889)	(828)	(1,782)
Net cash generated from/(absorbed in) operating activities	480	(107)	293
Cash flows (for)/from investing activities			
Finance income	-	-	3
Net cash generated from investing activities	-	-	3
Cash flows (for)/from financing activities			
Amounts introduced by directors	3	-	1
Equity dividends paid	(692)	(683)	(1,136)
Net cash (absorbed in)/generated from financing activities	(689)	(683)	1,135
Net (decrease) in cash & cash equivalents	(209)	(790)	(839)
Cash and equivalent at beginning of period	688	1,527	1,527
Cash and equivalent at end of period	479	737	688

VECTOR CAPITAL PLC
Notes to the Interim Financial Statements
For the six months ended 30 June 2023

1. Basis of Preparation

The interim consolidated financial statements of Vector Capital Plc (the “Company”) are unaudited condensed financial statements for the six months ended 30 June 2023. These include unaudited comparatives for the six months ended 30 June 2022 together with audited comparatives for the year ended 31 December 2022. The financial information for the six months ended 30 June 2022 does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. A copy of the audited financial statements for the year ended 31 December 2022 is available on the Company's website. The auditor's opinion on those financial statements was unqualified and did not draw attention to any matters by way of an emphasis of matter paragraph. These interim condensed financial statements have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 December 2023 based on the recognition and measurement principles of United Kingdom adopted International Financial Reporting Standards (IFRS), in accordance with the provisions of the Companies Act 2006, applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention. The Group's presentation and functional currency is Sterling (£). The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Group's annual financial statements to 31 December 2022. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRS. The preparation of financial statements in conformity with United Kingdom adopted International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

2. General information

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

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

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

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

3. Segmental reporting

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

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

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

VECTOR CAPITAL PLC
Notes to the Interim Financial Statements
For the six months ended 30 June 2023

4. Income Tax expense

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

5. Property, plant and equipment

	Fixture, fittings and equipment		
	30 Jun 23	30 Jun 22	31 Dec 22
	(Unaudited	(Unaudited)	(Audited)
	£'000	£'000	£'000
Cost			
Brought forward	5	5	5
Carried forward	5	5	5
Accumulated depreciation			
Brought forward	4	2	2
Depreciation	-	1	2
Carried forward	4	3	4
NBV c/fwd	1	2	1
NBV b/fwd	1	3	3

6. Trade and other receivables

	30 Jun 23	30 Jun 22	31 Dec 22
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Current			
Trade receivables	48,810	51,604	51,709
Prepayments and accrued income	612	619	768
Total	49,422	52,223	52,477
Non-Current			
Trade receivables	-	-	1,520
	49,422	52,223	53,997

At 30 June 2023 48% of trade receivables were held by third party secure funding via the block discounting facility (30 Jun 22: 54%, 31 Dec 22: 72%).

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

VECTOR CAPITAL PLC
Notes to the Interim Financial Statements
For the six months ended 30 June 2023

7. Trade and other payables

	30 Jun 23 (Unaudited) £'000	30 Jun 22 (Unaudited) £'000	31 Dec 22 (Audited) £'000
Current			
Trade payable	38	31	11
Amounts owed to parent company	-	3,000	-
Other payables	20,082	25,070	25,556
Accruals and deferred income	110	39	233
Total	20,230	28,140	25,800
Non-Current			
Amounts owed to parent company	4,000	-	3,000
Other creditors	-	-	558
	4,000	-	3,558

Other payables includes loan finance of £20,069k (30 Jun 22: £24,882k, 31 Dec 22: £26,100k) which is secured against associated loans assigned by way of block discounting.

8. Called up share capital

Authorised	Nominal value	30 Jun 23 (Unaudited) £'000	30 Jun 22 (Unaudited) £'000	31 Dec 22 (Audited) £'000
45,244,385 Ordinary	£0.005	226	226	226

9. Basic and diluted earnings per share

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

	30 Jun 23 (Unaudited) £'000	30 Jun 22 (Unaudited) £'000	31 Dec 22 (Audited) £'000
Total comprehensive income for the period, used in the calculation of total basic and diluted profit per share	969	1,260	2,275
Weighted average number of ordinary shares for the purpose of basic and diluted profit per share	45,244,385	45,244,385	45,244,385
<u>Earnings per share</u>			
Basic and diluted earnings per share (pence)	2.14	2.79	5.03

VECTOR CAPITAL PLC
Notes to the Interim Financial Statements
For the six months ended 30 June 2023

10. Significant related party transactions

The Group owed £4 million to its parent company, Vector Holdings Ltd (30 Jun 22 £3 million, 31 Dec 22: £3 million). During the period the Company paid interest totalling £97k to Vector Holdings Ltd in relation to the balance owed as per the loan agreement (30 Jun 22: £75k, 31 Dec 22: £150k).

During the period the Company paid £520k in dividends to Vector Holdings Ltd (30 Jun 22: £513k, 31 Dec 22: £853k).

11. Subsequent events

There were no significant subsequent events which warranted disclosure.

12. Half Year Report

A copy of this interim report, as well as the annual statutory accounts to 31 December 2022 are available on the Company's website at www.vectorcapital.co.uk/investors/corporate-documents