Borro Loan 2 Limited

Unaudited Report and Financial Statements

Year Ended

31 December 2018

Company Number 06926445

Unaudited Report and financial statements for the year ended 31 December 2018

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Directors

J R Allbrook (Resigned 6 December 2018)
C Hillier
T Welch (Appointed 11 April 2019)

Secretary and registered office

G Bielfeldt (Resigned on 2 January 2019)
EMW Secretaries Limited (Resigned on 30 April 2018)

31 Regal Way, Harrow, Middlesex. HA3 0RZ.

Company number

06926445

Report of the directors for the year ended 31 December 2018

The directors present their report together with the unaudited financial statements for the year ended 31 December 2018.

During 2017 the company Borro Group Holdings Limited (previously the ultimate parent company) entered administration. The remaining undertakings were acquired by a new company Borro Holdings Limited. Borro Holdings Limited is owned by Victoria Park Capital who are an alternative lending funder based in Chicago, USA.

Principal activities

The principal activity of the Company was to make loans secured by property and related activities acting as a collateralised loan provider, however, as of 11 February 2019, the parent Company, Borro Limited decided to no longer write any new loans and to start running off their current loan book and therefore resulting in closing the whole business.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors do not recommend the payment of a dividend (2017: £nil).

Directors

The directors of the Company throughout the year and up to the approved date of the financial statements unless stated below were:

J R Allbrook (Resigned 6 December 2018)
C Hillier
T Welch (Appointed 11 April 2019)

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law). 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Report of the directors for the year ended 31 December 2018 (continued)

Directors' Responsibilities Statement (continued)

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Small companies' exemption

In preparing this Report of the directors, advantage has been taken of the small companies' exemption. Additionally, no strategic report has been prepared under this exemption.

On behalf of the Board

DocuSigned by:
T.M. Welch
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T Welch
Director

16 December 2020

Profit and loss account for the year ended 31 December 2018

	Note	2018	2017
		£	£
Turnover	3	**1,539,622**	2,917,993
Cost of sales		**(1,162,158)**	(1,396,275)
Gross profit		**377,464**	1,521,718
Administrative expenses		**(19,540,634)**	(1,586,500)
Operating loss	5	**(19,163,170)**	(64,782)
Interest payable and similar expenses	6	**(482,608)**	(733,687)
Loss before taxation for the financial year attributable to members of the parent company		**(19,645,778)**	(798,469)
Tax on the Loss for the financial year	7	**-**	-
Loss for the financial year attributable to members of the parent Company		**(19,645,778)**	(798,469)

All recognised gains and losses are included in the profit and loss account in the current and prior years.

During the current and previous accounting year, there has been no other comprehensive income and therefore no separate statement of comprehensive income has been presented.

The notes on pages 8 to 13 form part of these financial statements.

Balance sheet as at 31 December 2018

	Note	2018	2017
		£	£
Current assets			
Debtors	8	2,195,054	24,351,622
Cash at bank and in hand		1,132,734	1,277,948
		3,327,788	25,629,570
Creditors: amounts falling due within one year	9	(23,772,034)	(26,428,038)
Net current liabilities		(20,444,246)	(798,468)
Net liabilities		(20,444,246)	(798,468)
Capital and reserves			
Called up share capital	10	1	1
Accumulated losses		(20,444,247)	(798,469)
Total Equity		(20,444,246)	(798,468)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS102 Section 1A – small entities.

For the financial year ended 31 December 2018, the company was entitled to exemption from audit under Companies Act 2006, Section 477 relating to small companies and the members have not required the company to obtain an audit of its accounts for the year in question in accordance with Section 476. The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements were approved by the Board of Directors and authorised for issue on 16 December 2020.

DocuSigned by:
T.M. Welch
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T Welch
Director
16 December 2020

The notes on pages 8 to 13 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2018

	Accumulated losses	Share Capital	Total Equity
	£	£	£
At 1 January 2018	(798,469)	1	(798,468)
Comprehensive expense for the year			
Loss for the year	(19,645,778)	-	(19,645,778)
At 31 December 2018	**(20,444,247)**	**1**	**(20,444,246)**

Statement of changes in equity for the year ended 31 December 2017

	Accumulated losses	Share capital	Total equity
	£	£	£
At 1 January 2017	-	1	1
Comprehensive expense for the year			
Loss for the year	(798,469)	-	(798,469)
At 31 December 2017	**(798,469)**	**1**	**(798,468)**

The notes on pages 8 to 13 form part of these financial statements.

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

Basis of preparation of financial statements

Borro Loan 2 Limited is a private company limited by shares and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on the contents page. The principal activity of the Company is set out on page 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, and the Companies act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

Financial reporting standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 for qualifying entities:

- Section 3 Financial Statement Presentation paragraph 3.17(d) and Section 7 Statement of Cash Flows not to prepare a statement of cash flows;
- Section 4 Statement of Financial Position paragraph 4.12(a)(iv) not to prepare a reconciliation of the number of shares outstanding at the beginning and end of the year; and
- Section 11 Basic Financial Instruments paragraph 11.41(b) and 11.41(e) not to disclose the carrying amounts of financial assets that are debt instruments measured at amortised costs and financial liabilities measured at amortised cost.
- Section 33 Related Party transactions paragraph 33.1(a) not to disclose the transactions between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Turnover

Turnover represents personal asset lending charges and interest on loan book loans. All turnover represents turnover in the UK.

Interest receivables on loans are recognised in turnover on an amortised cost basis using the effective interest rate method.

Foreign currency

The financial statements are presented in British Pounds Sterling, the Company's functional currency.

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

1 Accounting policies (continued)

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the Group is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Impairment of loans and advances to customers

Impairment provisions are recognised when a loan is deemed to be no longer recoverable. The amount recognised as a provision is the best estimate of the value expected to be received either through repayments or sale of the asset. For collectively assessed assets, impairment is calculated based on probability of default, exposure to loss at the time of default and the loss given default. All factors are based on recent data on the portfolio of financial assets with similar credit risks.

Provisions and liabilities

Provisions are recognised when the Company has a current legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation

Corporation taxes

Corporation taxes have been provided for in the financial statements in accordance with the tax legislation enacted or substantively enacted by the balance sheet date in the jurisdictions in which the Company operates. Taxable loss differs from loss as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or tax deductible.

The corporation tax charge comprises current and deferred taxes and is recognised in the profit and loss account. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Current tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the current tax is dealt with in equity.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Deferred taxes

Deferred tax is generally accounted for on all timing differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is dealt with in equity. Deferred tax is measured on a non-discounted basis.

Taxes, such as non-recoverable value added taxes are recorded within operating expenses.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing the financial statements the directors have made the following judgements and estimates:

- Determining whether there are indicators of issues with recoverability of the Company's trade debtors. Factors taken into consideration in reaching a decision include the economic viability and expected future financial performance of the customer and value of underlying asset.
- Where the loan is impaired arising from issues of provenance or asset authenticity, management have taken prudent evaluations that may result in significant recoveries of impairment in future periods.

3 Turnover

All turnover in the current and prior year arose in the United Kingdom.

4 Directors' remuneration and employees

During the year, no director received any remuneration (2017: £nil) from this Company. The directors receive remuneration from Borro Limited for their services to all Group companies. It is not considered practical or possible to accurately apportion these costs to each entity in the Group. Given the relative size of the respective Group entities the effect of not apportioning these costs for disclosure purposes is not considered to be material.

During the year there were no employees and employee costs were £nil (2017: £nil).

5 Operating loss

	2018	2017
	£	£
This is arrived at after charging:		
Management recharges	**1,980,646**	1,564,790
Bad debt provision charge	**308,363**	934,361
Intercompany write-off	**17,768,096**	-

6 Interest payable and similar expenses

	2018	2017
	£	£
Interest on loans	**482,608**	733,687

Interest charges represent an allocation of the Group's borrowings costs to the Company.

7 Tax on the loss for the financial year

UK corporation tax

	2018	2017
	£	£
Current tax:		
Total current tax	-	-
Deferred tax:		
Total deferred tax	-	-
Taxation on loss	-	-

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

7 Tax on the loss for the financial year (continued)

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK multiplied by the loss before tax. The differences are explained below.

	2018 £	2017 £
Loss before taxation	**(19,645,778)**	(798,469)
Tax on loss before taxation at the standard rate of corporation tax in the UK of 19% (2017: 19.25%).	**(3,732,698)**	(153,705)
Effects of:		
Non-deductible expenses / non-taxable income	**3,376,173**	1,065
Deferred tax not recognised	**356,525**	152,640
Total tax charge for year	**-**	-

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

There are no unused tax losses or unused tax credits.

8 Debtors

	2018 £	2017 £
Trade debtors	**2,195,054**	5,703,502
Amounts owed by Group undertakings	**-**	18,648,120
	2,195,054	24,351,622

Trade debtors are secured by collateral provided by customers prior to the advance of a loan.

The balance of trade debtors £2,195,054 (2017: £5,703,502) includes a bad debt provision of £1,200,045 (2017: £1,423,215). The charge to Profit and Loss for the year was £308,363 (2017: £934,361).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

9 Creditors: amounts falling due within one year

	2018 £	2017 £
Amounts owed to Group undertakings	**23,208,360**	25,509,509
Accruals and deferred income	**563,674**	918,529
	23,772,034	26,428,038

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

10 Called up share capital

	Allotted, called up and fully paid shares			
	2018 Number	2017 Number	2018 £	2017 £
Ordinary shares of £1 each	**1**	1	**1**	1

11 Ultimate controlling party

The Company's immediate parent undertaking is Borro Limited and the ultimate parent Company is Victory Park Capital. The largest and smallest Group into which these accounts consolidate is Borro Holdings Limited. The consolidated financial statements are available from the registered office of the company, Level 2, 81 Chancery Lane, London, WC2A 1DD.

In 2017, the company Borro Group Holdings Limited (previously the ultimate parent company) entered administration. The remaining undertakings were acquired by a new company Borro Holdings Limited in November 2017.

Borro Holdings Limited is owned by Victoria Park Capital who are an alternative lending funder based in Chicago, USA.