

Registered No. 09502421

Victoria Asset Finance Limited

Annual Report and Financial Statements

For the year ended 31 March 2020



Victoria Asset Finance Limited

Officers and professional advisors

Directors

S L Burdell
A R Cloake
H Shah

Bankers

HSBC
8 Canada Square
London
EC14 5HQ

Registered Office

The Peak
2nd Floor
No. 5 Wilton Road
London
SW1V 1AN

Registered Number

09502421

Directors' report for the year ended 31 March 2020

The directors present their report and the financial statements of Victoria Asset Finance Limited (the "Company") for the year ended 31 March 2020.

Principal activity

The principal activity of the Company is to acquire portfolios of lease receivables.

Future Developments

The Company continues to manage the portfolios it has acquired, and will continue to assess other portfolios for acquisition where the opportunity arises.

Results and dividends

The financial statements for the year ended 31 March 2020 are set out on pages 4 to 18. The loss for the financial year was £9,570,000 (2019: loss of £7,729,000).

The directors do not recommend the payment of a dividend for the year (2019: nil) and the loss for the year has been transferred to reserves.

Directors and their interests

The directors who served during the year and up to the date of signing the financial statements were as follows:

S L Burdell
A R Cloake
H Shah

Brexit

Following the end of the UK Brexit transition period on 31 December 2020, new rules apply to UK companies from 1 January 2021. Whilst a certain level of uncertainty still exists around what the post-Brexit trading environment will look like, the directors believe that the impact on the Company, and the wider Group, will not be significant, since the Group's European trading operations are standalone within their respective countries, and the Company's operations are closely managed. It should be added that the Group has the appropriate regulatory permissions to operate in its European markets and has sought advice over necessary changes required post Brexit.

COVID-19

In early 2020, a new illness that can affect the lungs and airways, called coronavirus or COVID-19, became widespread across many parts of the world. As at the date of signing of these financial statements, the impact upon the Company has not been significant. Nevertheless, management are closely monitoring developments as they occur, including regularly monitoring the cash and liquidity position of the Company, and are taking precautionary measures where this is possible and necessary.

Employees

All operational activities are outsourced to Link Financial Outsourcing Limited as servicer and third party administrator. The Company has no employees.

Directors' report for the year ended 31 March 2020 (continued)

Statement of directors' responsibilities in respect of the financial statements

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.


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. 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.

Format of report

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

On behalf of the Board

A R Cloake



Director

6th July 2021

Victoria Asset Finance Limited

Income statement

for the year ended 31 March 2020

	Note	2020	2019
		£'000	£'000
Interest receivable and similar income	5	937	1,780
Interest payable and similar charges	6	<u>(12,078)</u>	<u>(11,479)</u>
Gross loss		(11,141)	(9,669)
Administrative expenses	7	(750)	(862)
Operating loss		<u>(11,891)</u>	<u>(10,561)</u>
Other operating income	8	2,810	3,679
Loss before taxation	10	<u>(9,081)</u>	<u>(6,882)</u>
Tax on loss	11	(489)	(847)
Loss for the financial year	19	<u><u>(9,570)</u></u>	<u><u>(7,729)</u></u>

All amounts relate to continuing operations.

The notes on pages 8 to 18 form an integral part of these financial statements.

Victoria Asset Finance Limited

Statement of comprehensive income

for the year ended 31 March 2020

	Note	2020	2019
		£'000	£'000
Loss for the financial year	19	(9,570)	(7,729)
Items that cannot be reclassified to profit or loss			
Tax relating to components of other comprehensive income		-	-
Total comprehensive expense for the year		<u>(9,570)</u>	<u>(7,729)</u>

The notes on pages 8 to 18 form an integral part of these financial statements.

There are no material differences between the loss on ordinary activities after taxation and the loss for the financial year stated above and their historical cost equivalent, except where fair value is used as stated in the accounting policies.

Victoria Asset Finance Limited

Statement of changes in equity

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Tangible fixed assets	12	-	-
Debtors – amounts falling due after more than one year	13	3,500	6,218
		<u>3,500</u>	<u>6,218</u>
Current assets			
Debtors – amounts falling due within one year	13	226,982	221,594
Cash at bank and in hand		<u>1,327</u>	<u>3,003</u>
		228,309	224,597
Creditors: amounts falling due within one year	16	<u>(48,435)</u>	<u>(234,142)</u>
Net current assets		179,874	(9,545)
Creditors: amounts falling due after more than one year	17	<u>(210,704)</u>	<u>(14,433)</u>
Net liabilities		(27,330)	(17,760)
<i>Capital and reserves</i>			
Called up share capital	18	-	-
Accumulated losses	19	<u>(27,330)</u>	<u>(17,760)</u>
Total shareholders' deficit	19	(27,330)	(17,760)

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with Section 476 of Companies Act 2006. The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements. The 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 FRS Section 1A – small entities.

The financial statements on pages 4 to 18 were approved and authorised for issue by the Board of directors on 6th July 2021 and signed on its behalf by:

A R Cloake *Adrian Cloake*

Director

6th July 2021

The notes on pages 8 to 18 form an integral part of these financial statements.

Victoria Asset Finance Limited

Statement of changes in equity

For the year ended 31 March 2020

	Called up share capital	Accumulated profit/ (losses)	Total shareholders' funds/(deficit)
	£'000	£'000	£'000
Balance as at 1 April 2018	-	(10,031)	(13,031)
Total Comprehensive expense for the year	-	(7,729)	(7,729)
Balance as at 31 March 2019	-	(17,760)	(17,760)
	Called up share capital	Accumulated losses	Total shareholders' deficit
	£'000	£'000	£'000
Balance as at 1 April 2019	-	(17,760)	(17,760)
Total Comprehensive expense for the year	-	(9,570)	(9,570)
Balance as at 31 March 2020	-	(27,330)	(27,330)

The notes on pages 8 to 18 form an integral part of these financial statements.

Victoria Asset Finance Limited

Notes to the financial statements

For the year ended 31 March 2020

1. General information

Victoria Asset Finance Limited (the "Company") is a limited company, limited by shares, and incorporated and domiciled in the United Kingdom under the Companies Acts 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on pages 2.

These financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000), because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements.

2. Statement of compliance

These financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Statement 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

3. Summary of significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all periods presented in these financial statements.

a. Basis of preparation

These financial statements are prepared for the year to 31 March 2020. The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

b. Going Concern

The Company meets its day-to-day working capital requirements from cash generated through its normal course of business. The availability of sufficient credit to finance the portfolio is of paramount importance to the ongoing operations of the Company. Additional on-going support is provided through loan arrangements with the immediate parent company, LC Asset 1 S.à.r.l based in the Grand Duchy of Luxembourg.

The directors have received confirmation from LC Asset 1 S.à.r.l that it intends to support the Company for at least one year after the date these financial statements are signed. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Victoria Asset Finance Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

3. Summary of significant Accounting Policies (continued)

c. Exemptions under Financial Reporting Standard 102

FRS 102 Section 1A allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions;

- (i) from preparing a cashflow on the basis that the entity meets the qualifying small entity criteria under Section 7 Statement of cashflows.

d. Functional and presentation currency

These financial statements are presented in pounds sterling rounded to the nearest thousand.

Tangible Fixed Assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated to write off their cost less any residual value on a straight-line basis over their estimated useful lives which are considered to be the time to the maturity of each contract.

The assets residual value, useful economic life and depreciation method are reviewed and adjusted prospectively if appropriate or if there is an indication of a significant change.

Residual values

A residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as the general economic conditions.

Residual values have been adopted by the company at the time of acquisition having previously been set based on the expectation of future sale proceeds. During the remaining course of the lease, residual values are monitored so as to identify any impairment required. Any permanent impairment in the residual value of each group of assets is immediately charged to the income statement.

Leases

Following the adoption of IFRS 16 *Leases* in the current year, the Company no longer accounts for leases in accordance with IAS 17 *Leases*.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases and shown under fixed assets.

Impairment of lease receivables

Analysis has been performed on the historical default and write off rates and a provision made by applying a consistent loss rate across the portfolio at the balance sheet date. Where individual losses are expected or defaulted payments are expected to give rise to a loss an appropriate provision has been provided.

Victoria Asset Finance Limited

Notes to the financial statements (continued)**For the year ended 31 March 2020****3. Summary of significant Accounting Policies (continued)*****Taxation***

Current tax payable is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences calculated at the rate at which it is anticipated the timing differences will reverse. Deferred taxation assets are only recognised if recovery is reasonably certain.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the rate prevailing at the time of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit and loss.

Financial instruments

The company's financial assets and liabilities include cash and deposits, trade and other receivables, trade and other payables and interest bearing loans and other borrowings. Management determines the classification of the company's financial assets and liabilities at initial recognition.

Financial assets**(i) Trade and other receivables**

Financial assets within trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount (or the net asset value at the time of acquisition) and are subsequently carried at the amortised cost, using the effective interest rate method, less provisions made for doubtful receivables. Provisions are made specifically where there is evidence of a risk of non-payment, taking into account aging, previous losses experienced and general economic conditions.

(ii) Cash and cash equivalents

Cash and bank balances comprise cash in hand and current balances with banks which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Victoria Asset Finance Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

3. Summary of significant Accounting Policies (continued)

Financial Liabilities

(i) Trade and other payables

Financial liabilities within trade and other payables are initially recognised at the fair value, which is usually the original invoiced amount, and subsequently measured at amortised cost using the effective interest rate method.

(ii) Loans and other borrowings

Loans and other borrowings are initially recognised at the fair value of amounts received net of any transaction costs. Interest is calculated and accrued on the outstanding balance of the loan in accordance with the loan agreements in place.

Turnover

a. Finance agreements

Finance income is recognised in the profit and loss account over the period of the agreement in respect of finance leases and hire purchase agreements. It is stated exclusive of VAT.

b. Operating leases

Rental income is stated exclusive of VAT and is recognised in the income statement on a straight line basis over the life of the lease.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Judgements

In the process of applying the company's accounting policies, management has made the following judgements:

Provisioning

Management have performed historical analysis of the default rates, being those loans where the past due exceeds 90 days and the write off rates, being those loans that exceed 180 days and extrapolated this across the portfolio. This analysis has provided the management with the information necessary for a specific provision to be applied to the loan receivable balance which reflects the current position and on-going trend of the portfolio.

Victoria Asset Finance Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

5. Interest receivable and similar income

The company's turnover arises substantially within the United Kingdom from its principal activities as defined below:

<i>By Activity</i>	2020	2019
	£'000	£'000
<i>Turnover by origin:</i>		
Finance interest	937	1,780
Operating lease rentals	-	-
	<u>937</u>	<u>1,780</u>

6. Interest payable and similar charges

	2020	2019
	£'000	£'000
Loans and overdrafts	12,078	11,479
	<u>12,078</u>	<u>11,479</u>

The Company entered into a secured loan facility agreement on 29 October 2015 with an interest rate of 4.80% per annum.

7. Administrative expenses

	2020	2019
	£'000	£'000
Other direct costs	873	1,307
(Provisions reversed)/provisions made	(123)	(445)
	<u>750</u>	<u>862</u>

Victoria Asset Finance Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

8. Other operating income

	2020	2019
	£'000	£'000
Secondary rental income	1,611	2,201
Other income	472	478
Deferred income	727	1,000
	<u>2,810</u>	<u>3,679</u>

9. Staff costs

The Company has no employees as all services are contracted to associated group companies. The directors of the Company are also directors or employees of other companies within the LC Financial Holdings Ltd (formerly known as LCH European Portfolio Holdings Limited) group. These directors did not receive any remuneration for their services to the Company for the year ended 31 March 2020 (2019: nil).

10. Loss before taxation

	2020	2019
	£'000	£'000
Bad debt (release)/charge for the year	(123)	(445)
Auditors' remuneration:		
Statutory audit	-	40
	<u></u>	<u></u>

The directors received no remuneration from the company for the year ended 31 March 2020 (2019: nil).

Victoria Asset Finance Limited
Notes to the financial statements (continued)
For the year ended 31 March 2020
11. Tax on loss

	2020	2019
	£'000	£'000
<i>Current tax</i>		
UK corporation tax on loss for the year	569	847
Adjustment in respect of previous periods	(80)	-
Total tax charge/(credit) per income statement	<u>489</u>	<u>847</u>

The tax charge/(credit) for the year can be reconciled to the loss per the income statement as follows;

	2020	2019
	£'000	£'000
Loss before taxation	<u>(9,081)</u>	<u>(6,882)</u>
Tax on loss on ordinary activities at statutory rate of 19.00% (2019: 19.00%)	(1,725)	(1,308)
<i>Effects of:</i>		
Transfer pricing adjustments	2,294	2,155
Adjustment in respect of previous periods	(80)	-
Tax charge/(credit) for the year	<u>489</u>	<u>847</u>

The main rate of corporation tax in the UK for the period to 31 March 2020 was 19.00% (31 March 2019: 19.00%).

Victoria Asset Finance Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

12. Tangible fixed assets

Operating leases

	£'000
Cost:	
At 1 April 2019	4,636
Additions	-
Disposals during the year	-
At 31 March 2020	-
Accumulated depreciation:	
At 1 April 2019	(4,636)
Depreciation charge	-
At 31 March 2020	(4,636)
Net book value:	
At 31 March 2019	-
At 31 March 2020	-

13. Debtors

	2020 £'000	2019 £'000
<i>Amounts falling due within one year</i>		
Finance lease, hire purchase and loan receivables (note 14)	3,645	5,010
Other debtors	223,337	216,584
	<u>226,982</u>	<u>221,594</u>
<i>Amounts falling due after more than one year</i>		
Finance lease, hire purchase and loan receivables (note 14)	3,500	5,970
	<u>230,482</u>	<u>224,451</u>

Other debtors represent an intergroup balance with the Company's immediate parent, LC Asset 1 S.à.r.l, which is non-interest bearing.

Victoria Asset Finance Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

14. Finance lease, hire purchase and loan receivables

	2020 £'000	2019 £'000
Minimum finance lease, hire purchase and loan receivables	7,291	11,102
Assets at the end of the year	<u>7,291</u>	<u>11,102</u>

The amounts receivable under finance lease and hire purchase contracts comprise:

	2020 £'000	2019 £'000
Finance leases	7,276	10,402
Hire purchase contracts and loan receivables	15	700
Assets at the end of the year	<u>7,291</u>	<u>11,102</u>

The original cost of assets acquired in 2015 under finance leases and hire purchase contracts but excluding operating leases was £206,253,000.

The original cost of assets acquired on 15 December 2017 under finance leases and hire purchase contracts but excluding operating leases was £14,432,878.

15. Residual Values

Unguaranteed residual values under finance leases can be analysed as follows:

	2020 £'000	2019 £'000
Within one year	-	10
Between 1 and 5 years	-	-
Total exposure	<u>-</u>	<u>10</u>

The total exposure of £nil (2019: £10,000) is included within the £7,291,000 (2019: £11,102,000) balance of "Minimum finance lease, hire purchase and loan receivables" in note 14.

Victoria Asset Finance Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

16. Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Accrued interest payable	46,792	34,714
Accruals and deferred income	30	1,190
Corporation tax payable	527	1,047
Loan from parent company	-	196,271
Other creditors	480	456
Provisions	606	464
	<u>48,435</u>	<u>234,142</u>

17. Creditors: Amounts falling due after more than one year

On 29 October 2015 the company entered into a Loan Agreement providing a secured facility with its parent company, LC Asset 1 S.à.r.l. The first repayment date was extended to September 2019 and therefore under the terms of the agreement a percentage of the outstanding loan was classified as falling due less than one year in the prior year. The first repayment date was then subsequently extended to 31 July 2021 and has been reclassified as falling due after one year.

The company entered into an additional Loan Agreement providing a secured facility relating to Project Learog on 15 December 2017, with LC Asset 1 S.à.r.l. The interest rate payable on the loan is 4.80%. As at the balance sheet date the first repayment date and interest had not been paid, therefore the loan has been classified as falling due after more than one year.

	2020 £'000	2019 £'000
Creditors falling due after more than one year	210,704	14,433
	<u>210,704</u>	<u>14,433</u>

18. Called up share capital

	2020 Shares	2019 Shares
Authorised shares		
Ordinary shares of £1 each	100	100
	Shares	£
Ordinary shares of £1 each issued and fully paid		
At 1 April 2019	100	100
Issued during the year	-	-
At 31 March 2020	<u>100</u>	<u>100</u>

Victoria Asset Finance Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

19. Reconciliation of movements in shareholders' funds and movement on reserves

	<i>Called up share capital</i>	<i>Accumulated losses</i>	<i>Total shareholders deficit</i>
	£'000	£'000	£'000
At 1 April 2019	-	(17,760)	(17,760)
Loss for the financial year	-	(9,570)	(9,570)
At 31 March 2020	-	(27,330)	(27,330)

20. Related party transactions

The servicing and administration of the leasing and hire purchase portfolios is delegated to Link Financial Outsourcing Limited, through an Asset Management Agreement dated 29 October 2015. The accrued fees due to the Asset Manager as at 31 March 2020 were £30,000 (2019: £137,000).

On 29 October 2015 the company entered into a Loan Agreement providing a secured facility with its parent company, LC Asset 1 S.à.r.l. At the balance sheet date no repayments have been made as the first repayment date has been extended to 31 July 2021 and therefore the entire outstanding loan and accrued interest is classified as falling due after one year as detailed in note 17. The Company made a number of payments totalling £6,752,900 (2019: £12,802,600) to LC Asset 1 S.à.r.l. during the year which are reflected as an intercompany balance and shown in note 13 under Other Debtors.

The company entered into an additional Loan Agreement providing a secured facility with LC Asset 1 S.à.r.l. relating to Project Learog on 15 December 2017. The first amount of £14,167,907 was drawn down on 15 December 2017 and a further amount of £264,971 was drawn down on 8 February 2018. The total amount drawn was £14,432,878. At the balance sheet date no repayments have been made. The entire loan and accrued interest is classified as falling due after one year as detailed in note 17.

21. Ultimate parent undertaking and controlling party

The Company's ultimate parent company is LC Financial Holdings Limited which is a Dublin registered Company.

As a result of the Company's financing arrangements, the directors of LC Financial Holdings Limited do not consider that the LC Financial Holdings Limited group has economic benefit in, or is exposed to the risk of, Victoria Asset Finance Limited. The Company does not therefore form part of the consolidated financial statements of LC Financial Holdings Limited. The Directors consider LC Asset 1 S.à.r.l, a special purpose vehicle registered in the Grand Duchy of Luxembourg, to be the controlling party for accounting purposes.