

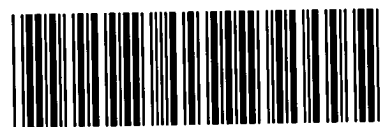
HD Finance Holdings Limited

Annual Report and Audited Financial Statements

For the year from 1 January to 31 December 2019

Registered number: 11088908

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HD Finance Holdings Limited

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HD Finance Holdings Limited

Directors and other information

Directors

K E Crowe Jr – Appointed 14 February 2020
(American)
K. J. Dymoke – Appointed 24 January 2018 (British)
C. P. Greuter – Appointed 29 November 2017
(Swiss)
E. Lhomond – Appointed 29 November 2017
(French)
A. W. Humphreys – Resigned 14 February 2020
(British)

Registered office

C/O Tmf Group 8th Floor,
20 Farringdon Street,
London
United Kingdom EC4A 4AB

Registered number

11088908

Secretary

Walkers Corporate Services (Ireland) Limited
5th Floor, The Exchange
George's Dock, IFSC
Dublin 1
Ireland

Corporate Administrator

Walkers Corporate Services (Ireland) Limited
5th Floor, The Exchange
George's Dock, IFSC
Dublin 1
Ireland

Auditor

Deloitte LLP
Hill House
1 Little New Street, London
England, EC4A 3TR

Bankers

Société Générale Bank & Trust
Corporate Banking
11 avenue Emile Reuter
L-2420 Luxembourg

HD Finance Holdings Limited

Strategic Report

The Directors present their strategic report for the year from 1 December to 31 December 2019.

Review of the business

The principal activity of HD Finance Holdings Limited ("the Company") is the holding of majority stake (85%) in HD Bidco Limited ("Bidco") investing alongside the founder and Executive Chairman, Jonathan Harper Wilkinson (14%) and others (1%). In turn Bidco owns 100% of the share capital of Haydock Finance Holdings Limited ("HFL"), a United Kingdom based asset finance originator and underwriter for business critical assets such as heavy-duty vehicles, industrial plants and machinery. HFL operates tiered levels of underwriting authority in respect of all new lending. The profit for the year was GBP 2,876,540.90 (2018: GBP 2,533,320.36).

Principal risks and uncertainties

The principal risks and uncertainties facing the Company include liquidity and macroeconomic risks.

Liquidity risk is the risk that the Company will encounter difficulty in meeting its current liabilities. The Company aims to mitigate that risk by monitoring its operations and cash requirement. The Company has sufficient financial resources available to it from its Parent Companies.

On 29 April 2020, the Parent Companies funded GBP 100,000.00 for ongoing operating costs and general corporate purposes.

Macroeconomic risk following Brexit is considered relatively low. Although UK GDP growth slowed materially in 2019 it is projected to pick up in 2020. Projected gradual recovery in global growth as well as assumption of a smooth transition to UK's eventual trading relationships are mitigating the risk.

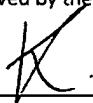
Foreign exchange risk is the financial risk of an investment's value changing due to the changes in currency exchange rates. The Company operates on UK Market exclusively, and maintains its records in GBP, and therefore is not exposed to that risk.

From 1 January 2020 to 14 August 2020 global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the Company's performance.

Future developments

The Directors expect the general level of activity to be impacted by the unfolding Covid-19 crisis, which will have an effect across the industry both in terms of economic activity and new origination, as well as funding and default levels. HFL is considered to be a well-established business and a high-quality lender in the UK SME asset finance market and has entered the year 2020 on a strong foot supporting it through the industry headwinds caused by Covid-19. These annual accounts have been prepared on a going concern basis.

Approved by the board and signed on its behalf by:



K. J. Dymoke
Director – 14 August 2020

HD Finance Holdings Limited

Directors' report

The Directors present their report, along with the Financial Statements of the Company for the year from 1 December to 31 December 2019.

These financial statements are presented in pounds sterling ("GBP") because that is the currency of the primary economic environment in which the Company operates.

Incorporation, principal activity and future developments

The Company was incorporated in United Kingdom on the 29 November 2017 under the name of HD Finance Holdings Limited, with registration number 11088908.

The principal activity of the Company is the holding of majority stake in Bidco which in turn owns 100% of the share capital in HFL, a United Kingdom based asset finance originator and underwriter for business-critical assets such as heavy-duty vehicles, industrial plants and machinery.

The Directors do not anticipate material changes to the volume of business of the Company in the foreseeable future. Details of future developments can be found in the Strategic Report on page 2.

Results for the period and dividend

The profit for the year was GBP 2,876,540.90 (2018: GBP 2,533,320.36). The Directors do not recommend the payment of a dividend.

Directors

The Directors who served throughout the period and subsequent to 31 December 2019 were as follows:

Directors

- K. J. Dymoke
- C. P. Greuter
- E. Lhomond
- A. W. Humphreys (resigned 14 February 2020)
- K. E. Crowe Jr (appointed 14 February 2020)

Directors' interests

The Directors who held office at 31 December 2019 and throughout the period had no interests in the shares, debentures or loan stock of the Company.

Directors indemnities

The Directors are covered by the group Indemnity Insurance. The Company has not made qualifying third party indemnity provisions for the benefit of its Directors.

Political donations

The Directors have satisfied themselves that no donation has been made by the Company.

HD Finance Holdings Limited

Directors' report (continued)

Accounting records

The Directors believe that they have kept adequate accounting records by employing an external outsourced company, Lapithus Management S.à r.l. with appropriate expertise who maintain the books and accounts at 2 Avenue Charles de Gaulle, Luxembourg and provide periodic returns to the registered office at 20 Farringdon Street London EC4A 4AB. The registered office address was changed from 25th St George Street Mayfair London W1S 1FS England to C/O TMF Group 8th Floor 20 Farringdon Street London EC4A 4AB on 14 August 2019.

Related party transactions

Related party transactions are disclosed in Note 13 forming part of the Financial Statements.

Post Balance Sheet events

From January 1, 2020 to 14 August 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the Company's performance.

On 29 April 2020, Athene subscribed for and the Company issued, 50,000 ordinary shares of GBP 0.01 each (with each share being paid up to GBP 1) in the capital of the Company in consideration for which Athene would pay a subscription price of GBP 50,000.00. On 29 April 2020, Athora subscribed for and the Company issued, 50,000 ordinary shares of GBP 0.01 each (with each share being paid up to GBP 1) in the capital of the Company in consideration for which Athora would pay a subscription price of GBP 50,000.00. The Company's shareholders funded GBP 100,000.00 for ongoing operating costs and general corporate purposes.

Research and development

The Company did not engage in any research and development projects during the period.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and details of its exposure to liquidity, foreign exchange and macroeconomic risk are described on page 2.

The directors believe that the Company is well placed and has sufficient financial resources to manage its business risks successfully. These financial statements have been prepared on going concern basis.

HD Finance Holdings Limited

Directors' report (continued)

Auditor


Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the board and signed on its behalf by:



K. J. Dymoke
Director – 14 August 2020

HD Finance Holdings Limited

Directors' Responsibility Statement

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with the applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under the law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year.

In preparing those Financial Statements, the Directors are required to:

- Select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; 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. They 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.

HD Finance Holdings Limited

Independent Auditor's Report to the directors of HD Finance Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of HD Finance Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement and statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

HD Finance Holdings Limited

Independent Auditor's Report to the directors of HD Finance Holdings Limited

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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

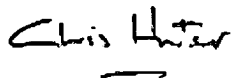
We have nothing to report in respect of these matters.

HD Finance Holdings Limited

Independent Auditor's Report to the directors of HD Finance Holdings Limited

Use of our 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.



Chris Hunter (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
14 August 2020

HD Finance Holdings Limited

Income statement and statement of comprehensive income

For the year 1 January to 31 December 2019

	Notes	2019 £	2018 £
Income			
Dividend Income	7	1,480,499.41	1,727,097.63
Net change in unrealised gain on investments at fair value through profit or loss	3	<u>1,448,665.94</u>	<u>1,338,227.63</u>
		2,929,165.35	5,797,409.91
 Operating expenses	 8,9	 (52,624.45)	 (532,004.90)
 Net operating profit before finance costs		 2,876,540.90	 2,533,320.36
 Profit for the year before taxation		 2,876,540.90	 2,533,320.36
Taxation (charge)/credit	10	<u>-</u>	<u>-</u>
 Profit for the year and total comprehensive income for the year		 <u>2,876,540.90</u>	 <u>2,533,320.36</u>

The Company had no recognised gains and losses during the period other than those presented above. All results are from continuing operations.

The accompanying notes are on pages 14 to 22 and form an integral part of these financial statements.

HD Finance Holdings Limited

Statement of financial position As at 31 December 2019

	Notes	2019 £	2018 £
Non-current assets			
Financial fixed assets	3	41,479,394.57	40,030,728.63
Dividend receivable	4	3,207,597.04	1,727,097.63
		<u>44,686,991.61</u>	<u>41,757,826.26</u>
Current assets			
Cash and bank balances		7,300.65	81,310.68
		<u>7,300.65</u>	<u>81,310.68</u>
Total assets		<u><u>44,694,292.26</u></u>	<u><u>41,839,136.94</u></u>
Current liabilities			
Trade and other payables	5	30,180.00	51,565.58
Total assets less current liabilities		<u><u>44,664,112.26</u></u>	<u><u>41,787,571.36</u></u>
Capital and reserves			
Called-up equity share capital	6	392,542.50	392,542.50
Share premium	6	38,861,708.50	38,861,708.50
Profit and loss account	11	2,876,540.90	2,533,320.36
Profit and loss brought forward		<u>2,533,320.36</u>	<u>-</u>
Total equity		<u><u>44,664,112.26</u></u>	<u><u>41,787,571.36</u></u>

Approved by the board and signed on its behalf by:



K. J. Dymoke
Director – 14 August 2020

The accompanying notes are on pages 14 to 22 and form an integral part of these financial statements.

HD Finance Holdings Limited

Statement of Changes in Equity

As at 31 December 2019

	Share Capital £	Share premium £	Retained earnings £	Total equity £
At 31 December 2018	392,542.50	38,861,708.50	2,533,320.36	41,787,571.36
Profit for the year	-	-	2,876,540.90	2,876,540.90
At 31 December 2019	392,542.50	38,861,708.50	5,409,861.26	44,664,112.26

The accompanying notes are on pages 14 to 22 and form an integral part of these financial statements.

HD Finance Holdings Limited

Statement of Cash Flows

As at 31 December 2019

	Notes	2019 £	2018 £
Cash flows used in operating activities			
Profit for the period	11	2,876,540.90	2,533,320.36
Movement in investments at fair value through profit or loss	3	(1,448,665.94)	(1,338,227.63)
Changes in assets and liabilities			
Movement in trade and other receivables	4	(1,480,499.41)	(1,727,097.63)
Movement in trade and other payables	5	(21,385.58)	51,565.58
<i>Net cash used in operating activities</i>		<u>(74,010.03)</u>	<u>(480,439.32)</u>
Cash flows provided by financing activities			
Proceeds from issuance of share capital and share premium	6	-	39,254,251.00
<i>Net cash provided by financing activities</i>		<u>-</u>	<u>39,254,251.00</u>
Cash flows used in investing activities			
Investment in subsidiary	3	-	(38,692,501.00)
<i>Net cash used in investing activities</i>		<u>-</u>	<u>(38,692,501.00)</u>
Net increase in cash and cash equivalents		(74,010.03)	81,310.68
Cash and cash equivalents at beginning of period		81,310.68	-
Cash and cash equivalents at end of period		<u>7,300.65</u>	<u>81,310.68</u>

The accompanying notes are on pages 14 to 22 and form an integral part of these financial statements.

HD Finance Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1. Organisation and Structure

The Company was incorporated in United Kingdom on the 29 November 2017 under the name of HD Finance Holdings Limited, with registration number 11088908.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The administration of the Company is carried out by Walkers Corporate Services (Ireland) Limited. The Investment Accounting and Primary and Special servicing of the Company have been outsourced to Lapithus Management S.à r.l.

The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on page 2.

2. Accounting Policies

(a) Basis of Preparation

The Company's financial statements are prepared in accordance with the applicable United Kingdom Account Standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") Companies Act 2006 as it applies to the financial statements of the Company for the period ended 31 December 2019.

The Company has not prepared consolidated financial statements for the year from 1 January 2019 to 31 December 2019, because as per FRS 102 section 9, a subsidiary can be excluded from consolidation if the interest in the subsidiary is held exclusively with a view to subsequent resale; and the subsidiary has not previously been consolidated in accordance with FRS 102 9.9. The Company has measured its investment in subsidiary at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

(b) Functional and presentation currency

The Financial Statements are presented in GBP which is the Company's functional currency, being the currency of the primary economic environment in which the Company operates.

(c) Going concern

From 1 January 2020 to 14 August 2020 global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the Company's performance.

The directors believe a potential risk facing the Company to be the Company's need to call funds from the Parent Companies to meet operating cost requirements and investment needs. However, the Company has a small investor base of high-quality investors and the directors believe that the risk of default by an investor is remote. As a consequence, the directors believe the Company is well positioned to manage its business risks successfully. In light of this the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

(d) Critical accounting judgements and estimation uncertainty

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that may 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 underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

HD Finance Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

2. Accounting Policies (continued)

(e) Taxation

Current tax is provided on the Company's taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted at the statement of financial position date.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

(g) Financial instruments

At the end of each reporting period, the Company measure financial instruments as follows:

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial assets and financial liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

HD Finance Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

2. Accounting Policies (continued)

(g) Financial instruments (continued)

Fixed cumulative preferential dividend at an annual rate of 12.0% of the Issue Price per Share compounded which shall accrue daily and be computed in respect of the period from the date of issuance of the relevant Class C Preference Share to the date of determination and on the basis of the exact number of days elapsed in the considered year by reference to a 365-day year. These are initially recognised at fair value at the date of the issuance and are subsequently measured at amortised cost using effective interest method.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The Company's assets compose of class C preference shares which are classified as debt instrument at Bidco level. The shares are redeemable upon request of holders of more than 50% in number of the Class C Preference shares in issue at the relevant time. Holders of class C preference shares have voting rights. The Company may, with Investor Consent, at any time on not less than 5 Business Days' notice in writing to the holders of Class C Preference Shares, redeem such number of Class C Preference Shares as is specified in such notice.

(h) Investments

Investments including investments in subsidiaries are shown as at fair value through profit and loss. A financial asset or financial liability at fair value through profit and loss is a financial assets or liability that is classified as held for trading or designated at fair value thorough profit and loss.

(i) Fair value

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

The investment recorded at fair value in the accompanying Statement of Financial Position is categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with inputs to fair valuation of these assets are as follows:

Level I- Quoted prices are available in active markets that the Company has the ability to access for identical assets or liabilities as of the reporting date. Level I assets or liabilities generally include listed equities, listed money market funds and listed derivatives.

These inputs may include quoted prices for identical instruments on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curve, default rate and similar data. Level II assets or liabilities generally include certain corporate bonds, convertible bonds, and bank loans whose fair value is determined through the use of broker quotes with higher levels of liquid market observability than Level III assets or liabilities.

Level III- Significant pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset or liability, including situations whereby the Company is restricted from redeeming all or a portion of the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation. Level III assets or liabilities generally include private or restricted common equity and preferred interests in companies, corporate bonds and bank loans, and certain derivatives. Fair value is determined through the use of broker quotes, models or other valuation methodologies that are not based on market-corroborated inputs. Positions that are valued based on broker quotes are subject to various criteria in making the determination as to whether a particular asset or liability would qualify for treatment as a Level II or Level III asset or liability, including the liquidity of the market in which the asset or liability is quoted, the number of broker quotes obtained, the standard deviation of the observed broker quotes and the corroboration of the broker quotes with independent pricing services.

HD Finance Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

2. Accounting Policies (continued)

(i) Fair value (continued)

The following table summarizes the valuation of the Partnership's assets and liabilities held at fair value by levels within the fair value hierarchy as of 31 December 2019:

	Level I £	Level II £	Level III £	Total £
Investments at fair value	-	-	41,479,394.57	41,479,394.57
Total	-	-	41,479,394.57	41,479,394.57

There were no transfers between Level I, II and III during the year ended 31 December 2019.

The table below summarizes information about the significant unobservable inputs used in determining the fair value of the Level III assets and liabilities, as of 31 December 2019. A significant change in valuation inputs could result in a significant change in value of these investments:

	Fair Value at 31 December 2019 £	Valuation Technique	Unobservable Inputs	Range	Weighted average
	41,479,394.57	P/E	Multiple	N/A	8.0x
		DDM	WACC	N/A	12.80%
		DDM	Long Term Growth Rate	N/A	3.00%
Total	41,479,394.57				

(j) Expenses

Expenses are recognised on an accrual basis.

HD Finance Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (Continued)

3. Financial fixed assets

Financial fixed assets consist of 386,925 Class A1 shares and 38,305,576 Class C1 shares in Bidco direct subsidiary of the Company, for a total subscription price of GBP 38,692,501.00.

Financial Fixed assets	Investment in HD Bidco Ltd
As at 31 December 2018	40,030,728.63
Unrealised gain on investments at fair value through profit or loss	1,448,665.94
As at 31 December 2019	<u>41,479,394.57</u>

In relation to each Class C preference share, a fixed cumulative preferential dividend at an annual rate of 12% of the issue per share compounded shall accrue daily – see Note 4.

The fair market value as at 31 December 2019 is GBP 41,479,394.57 (2018: GBP 40,030,728.63).

4. Trade and other receivables

	2019 £	2018 £
Dividend receivable	9,910,603.40	4,459,182.28
Provision for doubtful debt	(6,703,006.36)	(2,732,084.65)
	<u>3,207,597.04</u>	<u>1,727,097.63</u>

Dividend receivable accrued from Bidco amounts to GBP 9,910,603.40 (2018: GBP 4,459,182.28). However, based on the Bidco's financial position as of 31 December 2019 only GBP 3,207,597.04 (2018: GBP 1,727,097.63) would have been available for distribution. Therefore, provision for doubtful debt has been accrued in the amount of GBP 6,703,006.36 (2018: GBP 2,732,084.65). This provision is subject to change based on the future performance of the portfolio and will be revisited.

5. Trade and other payables

	2019 £	2018 £
Tax advisory accrual	15,780.00	10,140.00
Lapithus fee accrual	-	27,025.58
Audit fee accrual	14,400.00	14,400.00
	<u>30,180.00</u>	<u>51,565.58</u>

HD Finance Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (Continued)

6. Share capital and share premium

	£	£	£
	Share capital	Share premium	Total
Balance as at 31 December 2018	392,542.50	38,861,708.50	39,254,251.00
Balance as at 31 December 2019	392,542.50	38,861,708.50	39,254,251.00

On 29 November 2017 the Company issued 1 ordinary share (GBP 1 per share) to Apollo HD Advisors GP, LLC acting as general partner for Apollo HD Advisors L.P., itself acting as general partner for Athene HD Investor, L.P.

On 29 November 2017 the Company issued 1 ordinary share (GBP 1 per share) to Apollo HD Advisors GP, LLC acting as general partner for Apollo HD Advisors L.P., itself acting as general partner for Athora HD Investor, L.P.

On 31 January 2018 each ordinary share of GBP 1 was subdivided into 100 ordinary shares of GBP 0.01 per share.

On 31 January 2018 Athene HD Investor, L.P. and Athora HD Investor, L.P. each subscribed for additional 19,627,025 ordinary shares of GBP 0.01 per share in the Company.

The aggregate subscription price was GBP 19,627,125.50 each.

7. Income

In relation to each Class C preference share, a fixed cumulative preferential dividend at an annual rate of 12% of the issue per share compounded shall accrue daily.

	2019 £	2018 £
Dividend income	5,451,421.12	4,459,182.28
Value adjustment- dividend receivable	(3,970,921.71)	(2,732,084.65)
Total	1,480,499.41	1,727,097.63

For further details on the value adjustment on the dividend income refer to Note 4.

8. Audit fees

	2019 £	2018 £
Audit fees	14,400.00	14,400.00
Total	14,400.00	14,400.00

Deloitte as Independent Auditor has confirmed the fee for audit of the Company's financial statements for the year ending 31 December 2019 is GBP 12,000.00 excluding VAT of which GBP 12,000.00 excluding VAT is outstanding as at 31 December 2019. There are no non-audit fees.

HD Finance Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (Continued)

9. Other expenses

Breakdown of other external charges is presented as follows:

	2019	2018
	£	£
Bank charges	631.80	257.07
Legal fees	1,940.63	480,000.00
Tax consulting fees	5,640.00	10,140.00
Professional fees-Lapithus Corp fees	29,999.45	27,025.58
Professional fees- AGM fees	-	182.25
Foreign Exchange loss	12.57	-
Total	38,224.45	517,604.90

The Company had no employees during the period (2018: nil). The accounting of the Company has been outsourced to Lapithus Management S.à r.l. The services have been forecasted by a Domiciliation and Corporate Services Agreement entered into between both parties as at and with effective date 30 April 2018.

10. Income tax expenses

	2019	2018
	£	£
Tax on profit on ordinary activities		
<i>Income tax recognised in profit or loss</i>		
Current tax on income for the financial year 2019	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination/reversal of timing differences	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

HD Finance Holdings Limited

Notes to the Financial Statements For the year ended 31 December 2019 (Continued)

10. Income tax expenses (continued)

Factors affecting the current tax charge for the financial year:

	2019 £	2018 £
Profit on ordinary activities before taxation	2,876,540.90	2,533,320.36
Tax effect of:		
Tax-exempt income	<u>(2,876,540.90)</u>	<u>(2,533,320.36)</u>
Total profit on ordinary activities before taxation	<u>-</u>	<u>-</u>
Current tax at 19% on profit	<u>-</u>	<u>-</u>
Total current tax charge	<u>-</u>	<u>-</u>

11. Profit and loss account

	2019 £	2018 £
Balance at the beginning of the year	2,533,320.36	-
Profit for the year	<u>2,876,540.90</u>	<u>2,533,320.36</u>
Total	<u>5,409,861.26</u>	<u>2,533,320.36</u>

12. Company's parents and subsidiaries

The Company's direct parents are Athene HD Investor, L.P. ("Athene") and Athora HD Investor, L.P. ("Athora"), companies incorporated under the law of United States of America, and the Company has no ultimate parent/controlling party.

The Company's direct subsidiary is HD Bidco Limited, registered at C/O Tmf Group 8th Floor, 20 Farringdon Street, London, United Kingdom EC4A 4AB.

13. Related party transactions

The Company is owned 50% by Athene HD Investor, L.P. and 50% by Athora HD Investor, L.P.

During the financial period the Company incurred fees of GBP 24,999.54 excluding VAT relating to the master servicing agreement entered into between the Company and Lapithus Management S.à r.l. (2018: GBP 22,521.32). A total of GBP 0.00 is outstanding as at 31 December 2019 (2018: GBP 22,521.32).

All related party transactions are unsecured and repayable on demand.

None of the Directors received a remuneration for their services for the period ended 31 December 2019.

HD Finance Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (Continued)

14. Subsequent events

On 29 April 2020, Athene subscribed for and the Company issued, 50,000 ordinary shares of GBP 0.01 each (with each share being paid up to GBP 1) in the capital of the Company in consideration for which Athene would pay a subscription price of GBP 50,000.00. On 29 April 2020, Athora subscribed for and the Company issued, 50,000 ordinary shares of GBP 0.01 each (with each share being paid up to GBP 1) in the capital of the Company in consideration for which Athora would pay a subscription price of GBP 50,000.00. The Company's shareholders funded GBP 100,000.00 for ongoing operating costs and general corporate purposes.

From 1 January 2020 to 14 August 2020 global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the Company's performance.