

## HD Finance Holdings Limited

### Annual Report and Audited Financial Statements

**For the year from 1 January to 31 December 2021**

*Registered number: 11088908*

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## HD Finance Holdings Limited

<i>Contents</i>	<i>Page/s</i>
Directors and other information	1
Strategic Report	2
Directors' Report	3 - 4
Directors' Responsibility Statement	5
Independent Auditor's report	6 - 8
Income statement and statement of comprehensive income	9
Statement of financial position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes forming part of the Financial Statements	13 - 21

## HD Finance Holdings Limited

### Directors and other information

#### Directors

K E Crowe Jr – Appointed 14 February 2020  
(American)  
C. P. Greuter – Appointed 29 November 2017  
(Swiss)  
E. Lhomond – Appointed 29 November 2017  
(French)  
K. J. Dymoke – Resigned 23 April 2022  
(British)  
M Rychev – Appointed 23 April 2022 (German)

#### 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  
5<sup>th</sup> Floor, The Exchange  
George's Dock, IFSC  
Dublin 1  
Ireland

#### Corporate Administrator

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

#### Auditor

Deloitte LLP  
2 New Street Square, London  
England, EC4A 3BZ

#### 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 2021

#### 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 Non-Executive Director, Jonathan Harper Wilkinson (14%) and others (1%). In turn Bidco owns 100% of the share capital of Haydock Finance Holdings Limited ("HFHL"), a United Kingdom based asset finance originator and underwriter for business critical assets such as heavy-duty vehicles, industrial plants and machinery. HFHL operates tiered levels of underwriting authority in respect of all new lending. The profit for the year was £13,372,803.03 (2020: loss of £4,457,751.61). The profit during the financial year is due to the fair market value adjustment.

#### 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.

Macroeconomic risk following Brexit is considered relatively low. Projected gradual recovery in global growth as well as assumption of a smooth transition to UK's eventual trading relationships are mitigating the risk.

From 1 January 2020 to today, 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. Due to Covid-19 the Company's indirect subsidiary may be facing an increase of probabilities of default.

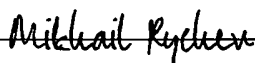
#### Future developments

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 2022 on a strong footing 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:

M. Rychev  
Director – 8 September 2022

DocuSigned by:



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## 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 2021.

These financial statements are presented in pounds sterling ("£") 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 (85%) in Bidco which in turn owns 100% of the share capital in HFHL, 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 £13,372,803.03 (2020: loss of £4,457,751.61). The Directors do not recommend the payment of a dividend.

#### **Directors**

The Directors who served throughout the period and subsequent to 31 December 2021 were as follows:

##### *Directors*

- C. P. Greuter
- E. Lhomond
- K. E. Crowe Jr
- K. J. Dymoke – resigned 23 April 2022
- M. Rychev – appointed 23 April 2022

#### **Directors' interests**

The Directors who held office at 31 December 2021 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

#### 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 7 rue de la Chapelle, 2<sup>nd</sup> floor, L-1325 Luxembourg and provide periodic returns to the registered office at 20 Farringdon Street London EC4A 4AB. The registered office address was changed from 25<sup>th</sup> 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 14 forming part of the Financial Statements.

#### Post Balance Sheet events

There are no material subsequent events to be disclosed.

#### 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. The continuing effects of Covid- 19 have been considered and the Directors currently believe that any impact on the operations of the Company is likely to be limited. These financial statements have been prepared on going concern basis.

#### 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.

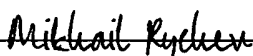
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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:

M. Rychev  
Director – 8 September 2022

DocuSigned by:



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## 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.

## **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 2021 and of its profit for the year 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 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- *Fair value of the underlying investment in Haydock Finance Holdings Limited*  
The valuation of the investment at fair value includes unobservable inputs, including earnings based multiples and stable growth rates which require significant management judgements and therefore there is a potential for management bias.

We therefore consider this valuation to possess a heightened risk of potential fraud or error due to the judgement involved in the valuation.

We have performed the following procedures to address this fraud risk:

- Obtained an understanding of relevant controls over the valuation of investments, including management's oversight and challenge of their expert's valuation methodology and the challenge of key inputs and assumptions;
- Obtained and reviewed the valuation workings and all underlying backup data;
- Involved our internal asset pricing specialists to aid the audit team in challenging and concluding on key assumptions;
- Assessed the objectivity and competence of management's expert; and
- Assessed key inputs and assumptions employed in the valuation, including growth forecasts, revenue forecasts, long term growth rates and discount rates to supporting business rationale and external market data, and evaluated all corroboratory and contradictory evidence obtained.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

## **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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 strategic report or the directors' report.

### **Matters on which we are required to report by exception**

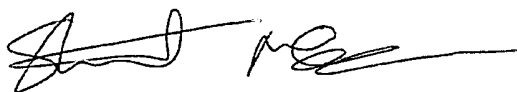
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

### **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.



Stuart McLaren (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
8 September 2022

## HD Finance Holdings Limited

### Income statement

For the year 1 January to 31 December 2021

	Notes	2021 £	2020 £
<b>Income</b>			
Dividend Income	7	6,932,119.45	6,164,211.54
Net change in unrealised gain/(loss) on investments at fair value through profit or loss	3	-	(3,173,818.57)
		<u>6,932,119.45</u>	<u>2,990,392.97</u>
Value adjustment - dividend receivable	7	6,499,753.44	(7,390,321.73)
Operating expenses	8,10	(60,554.68)	(57,799.67)
		<u>6,439,198.76</u>	<u>(7,448,121.40)</u>
<b>Net operating profit before finance costs</b>		<b>13,371,318.21</b>	<b>(4,457,728.43)</b>
Other financial expenses	9	(15.75)	(23.18)
<b>Profit/(loss) for the year before taxation</b>		<b>13,371,302.46</b>	<b>(4,457,751.61)</b>
Taxation (charge)/credit		-	-
<b>Profit/(loss) for the year and total comprehensive profit for the year</b>		<b><u>13,371,302.46</u></b>	<b><u>(4,457,751.61)</u></b>

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 13 to 21 and form an integral part of these financial statements.

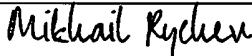
# HD Finance Holdings Limited

## Statement of financial position As at 31 December 2021

	Notes	2021 £	2020 £
<b>Non-current assets</b>			
Investment in HD Bidco Ltd	3	38,305,576.00	38,305,576.00
Dividend receivable	4	15,413,359.74	1,981,486.85
		<u>53,718,935.74</u>	<u>40,287,062.85</u>
<b>Current assets</b>			
Cash and bank balances		5,675.50	52,326.87
		<u>5,675.50</u>	<u>52,326.87</u>
<b>Total assets</b>		<u><u>53,724,611.24</u></u>	<u><u>40,339,389.72</u></u>
<b>Current liabilities</b>			
Trade and other payables	5	46,948.13	33,029.07
<b>Net Assets</b>		<u><u>53,677,663.11</u></u>	<u><u>40,306,360.65</u></u>
<b>Capital and reserves</b>			
Called-up equity share capital	6	393,542.50	393,542.50
Share premium	6	38,960,708.50	38,960,708.50
Profit and loss account	11	13,371,302.46	(4,457,751.61)
Profit and loss brought forward		<u>952,109.65</u>	<u>5,409,861.26</u>
<b>Total equity</b>		<u><u>53,677,663.11</u></u>	<u><u>40,306,360.65</u></u>

Company's registration number: 11088908

Approved by the board and signed on its behalf by:

DocuSigned by:  
  
 M. Rychev  
 Director – 8 September 2022  
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The accompanying notes are on pages 13 to 21 and form an integral part of these financial statements.

## HD Finance Holdings Limited

### Statement of Changes in Equity As at 31 December 2021

	Share Capital £	Share premium £	Retained earnings £	Total equity £
At 31 December 2020	<b>393,542.50</b>	<b>38,960,708.50</b>	<b>952,109.65</b>	<b>40,306,360.65</b>
Addition for the year	-	-	-	-
Gain/(loss) for the year	-	-	13,371,302.46	13,371,302.46
At 31 December 2021	<b>393,542.50</b>	<b>38,960,708.50</b>	<b>14,323,412.11</b>	<b>53,677,663.11</b>

The accompanying notes are on pages 13 to 21 and form an integral part of these financial statements.

## HD Finance Holdings Limited

### Statement of Cash Flows

As at 31 December 2021

	Notes	2021 £	2020 £
<b>Cash flows used in operating activities</b>			
Gain/(loss) for the period	12	13,371,302.46	(4,457,751.61)
Movement in investments at fair value through profit or loss	3	-	3,173,818.57
<b>Changes in assets and liabilities</b>			
Movement in accounts receivable	4	(13,431,872.89)	1,226,110.19
Movement in accounts payable	5	13,919.06	2,849.07
<i>Net cash used in operating activities</i>		<u>(46,651.37)</u>	<u>(54,973.78)</u>
<b>Cash flows provided by financing activities</b>			
Proceeds from issuance of share capital and share premium	6	-	100,000.00
<i>Net cash provided by financing activities</i>		<u>-</u>	<u>100,000.00</u>
<b>Net increase in cash and cash equivalents</b>		(46,651.37)	45,026.22
<b>Cash and cash equivalents at beginning of period</b>		<u>52,326.87</u>	<u>7,300.65</u>
<b>Cash and cash equivalents at end of period</b>		<u><b>5,675.50</b></u>	<u><b>52,326.87</b></u>

The accompanying notes are on pages 13 to 21 and form an integral part of these financial statements.

## HD Finance Holdings Limited

### Notes to the Financial Statements For the year ended 31 December 2021

#### 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 2021.

The Company has not prepared consolidated financial statements for the year from 1 January 2021 to 31 December 2021, because as per FRS 102 section 9, a subsidiary can be excluded from consolidation if it is held as part of an investment portfolio. 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 pound sterling £ 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 today 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. Due to Covid-19 the Company's indirect subsidiary may be facing an increase of probabilities of default.

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 2021 (continued)*

#### 2. Accounting Policies (continued)

##### *(d) Critical accounting judgements and estimation uncertainty (continued)*

###### Key sources of estimation uncertainty

Valuation model utilizes Guideline Public Company Analysis and Dividend Discount Model. The estimates and assumptions which have a significant risk of causing a material adjustment to the value of the assets are selected multiple range for Guideline Public Company Analysis, and perpetual growth rates and discount rates for Dividend Discount Model.

Guideline Public Company Analysis has the following range of multiples:

Book value of equity	2x - 2.5x
Adjusted Net income	10.5x – 12.5x

Dividend Discount Model has the range of perpetual growth rates (1.75% - 2.25%) and discount rates (17% -19%).

Based on the above significant inputs to the valuation Implied equity value range is as follows:

Low	High
£48,929,000.00	£58,564,000.00

##### *(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.



## HD Finance Holdings Limited

### Notes to the Financial Statements

*For the year ended 31 December 2021 (continued)*

#### **2. Accounting Policies (continued)**

##### *(g) Financial instruments (continued)*

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.

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. In relation to each Class C Preference Share, a fixed cumulative preferential dividend of 12% is accrued daily.

These are measured at the initial cost amount less impairment until a reliable measure of fair value becomes available.

##### *(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.

## HD Finance Holdings Limited

### Notes to the Financial Statements

*For the year ended 31 December 2021 (continued)*

#### **2. Accounting Policies (continued)**

##### *(i) Fair value (continued)*

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.

##### *(j) Dividend income recognition*

Dividend income is recognised on an accrual basis.

##### *(k) Expenses*

Expenses are recognised on an accrual basis.

##### *(l) Provision for bad and doubtful debts*

Impairment provisions are made for receivables which are considered to be bad or doubtful. Impairment provisions made during the year are charged to the profit and loss account. The value of bad debt provision is disclosed in note 4.

## HD Finance Holdings Limited

### Notes to the Financial Statements

For the year ended 31 December 2021 (Continued)

#### 3. Financial fixed assets

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

The principal activity of the Company is the holding of 78% of Class A ordinary shares and 85% of Class C preference shares in Bidco, registered at C/O Tmf Group 8th Floor, 20 Farringdon Street, London, United Kingdom EC4A 4AB. The Company has 85% of voting rights.

Financial Fixed assets	Investment in HD Bidco Ltd 2021	Investment in HD Bidco Ltd 2020
As at 31 December 2020	38,305,576.00	41,479,394.57
Unrealised gain/(loss) on investments at fair value through profit or loss	-	(3,173,818.57)
As at 31 December 2021	<u>38,305,576.00</u>	<u>38,305,576.00</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 2021 is £38,305,576.00 (2020: £38,305,576.00).

The following table summarizes the valuation of the Partnership's assets held at fair value by levels within the fair value hierarchy as of 31 December 2021:

	Level I £	Level II £	Level III £	Total £
Ordinary shares held at the Subsidiary	-	-	-	-
Preference shares held at the Subsidiary	-	-	38,305,576.00	38,305,576.00
<b>Total</b>	<u>-</u>	<u>-</u>	<u>38,305,576.00</u>	<u>38,305,576.00</u>

There were no transfers between Level I, II and III during the year ended 31 December 2021.

The table below summarizes information about the valuation techniques and significant unobservable inputs used in determining the fair value of the Level III assets as of 31 December 2021. A significant change in valuation inputs could result in a significant change in value of these investments:

Valuation Technique	Unobservable Inputs	Weighted average
P/E	Multiple	11.5x
P/TBV	Multiple	2.3x
DDM	WACC	18.00%
DDM	Long Term Growth Rate	2.00%

The total value of investment amounts £53,718,935.74 (2020: £40,287,062.85) and composes of preference shares held at the Subsidiary in the amount of £38,305,576.00 (2020: £38,305,576.00) and dividend receivable in the amount of £15,413,359.74 (2020: £1,981,486.85). For details regarding dividend receivable please refer to note no 4.

## HD Finance Holdings Limited

### Notes to the Financial Statements For the year ended 31 December 2021 (Continued)

#### 4. Trade and other receivables

	2021 £	2020 £
Dividend receivable	23,006,934.39	16,074,814.94
Provision for doubtful debt	(7,593,574.65)	(14,093,328.09)
<b>Total</b>	<b>15,413,359.74</b>	<b>1,981,486.85</b>

Dividend receivable accrued from HD Bidco amounts to £23,006,934.39 (2020: £16,074,814.94). Based on the HD Bidco's financial position as of 31 December 2021 £15,413,359.74 (2020: £1,981,486.8) would have been available for distribution. Therefore, provision for doubtful debt has been adjusted by £6,499,753.44 and as at 31 December 2021 it amounts to £7,593,574.65 (2020: £14,093,328.09). This provision is subject to change based on the future performance of the portfolio and will be revisited.

#### 5. Trade and other payables

	2021 £	2020 £
Trade payables	7,319.06	-
Tax advisory accrual	11,280.00	11,280.00
Lapithus fee accrual	7,349.07	7,349.07
Audit fee accrual	21,000.00	14,400.00
<b>Total</b>	<b>46,948.13</b>	<b>33,029.07</b>

#### 6. Share capital and share premium

	Share capital £	Share premium £	Total £
<b>Balance as at 31 December 2020</b>	393,542.50	38,960,708.50	39,354,251.00
Share capital - subscription	-	-	-
Share premium - subscription	-	-	-
<b>Balance as at 31 December 2021</b>	<b>393,542.50</b>	<b>38,960,708.50</b>	<b>39,354,251.00</b>

On 29 November 2017 the Company issued 1 ordinary share (£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 (£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 £1 was subdivided into 100 ordinary shares of £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 £0.01 per share in the Company.

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

On 29 April 2020 the Company issued 50,000 ordinary shares of £0.01 each (with each share being paid up to £1.00) to Athene HD Investor, L.P. and 50,000 ordinary shares of £0.01 each (with each share being paid up to £1.00) to Athora HD Investor, L.P.

## HD Finance Holdings Limited

### Notes to the Financial Statements

For the year ended 31 December 2021 (Continued)

#### 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.

	2021 £	2020 £
Dividend income	6,932,119.45	6,164,211.54
Value adjustment - dividend receivable	6,499,753.44	(7,390,321.73)
<b>Total</b>	<b>13,431,872.89</b>	<b>(1,226,110.19)</b>

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

#### 8. Audit fees

	2021 £	2020 £
Audit fees	21,720.00	14,400.00
<b>Total</b>	<b>21,720.00</b>	<b>14,400.00</b>

Deloitte as Independent Auditor has confirmed the fee for audit of the Company's financial statements for the year ending 31 December 2021 is £17,500.00 (2020: £12,000.00) excluding VAT of which £17,500.00 excluding VAT is outstanding as at 31 December 2021. The actual fee received for 2020 was £12,600.00 excluding VAT. There are no non-audit fees.

#### 9. Other financial expenses

	2021 £	2020 £
Foreign Exchange loss	15.75	23.18
<b>Total</b>	<b>15.75</b>	<b>23.18</b>

#### 10. Other expenses

Breakdown of other external charges is presented as follows:

	2021 £	2020 £
Professional fees-Lapithus Corp fees	29,396.24	30,398.25
Tax consulting fees	5,640.00	7,410.00
Legal fees	3,146.64	4,384.59
Bank charges	651.80	776.30
Tax fines and penalties	-	375.00
Postage fees	-	55.53
<b>Total</b>	<b>38,834.68</b>	<b>43,399.67</b>

## HD Finance Holdings Limited

### Notes to the Financial Statements

For the year ended 31 December 2021 (Continued)

#### 10. Other expenses (continued)

The Company had no employees during the period (2020: 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.

#### 11. Income tax expenses

	2021 £	2020 £
<b>Tax on profit on ordinary activities</b>		
<i>Income tax recognised in profit or loss</i>		
Current tax on income for the financial year 2020	-	-
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	-	-
Total deferred tax	-	-
<b>Tax on profit on ordinary activities</b>	<u>-</u>	<u>-</u>

Factors affecting the current tax charge for the financial year:

	2021 £	2020 £
Total profit/(loss) on ordinary activities before taxation	<u>13,371,302.46</u>	<u>(4,457,751.61)</u>
Current tax at 19% on profit	<u>-</u>	<u>-</u>
<b>Total current tax charge</b>	<u>-</u>	<u>-</u>

## HD Finance Holdings Limited

### Notes to the Financial Statements

For the year ended 31 December 2021 (Continued)

#### 12. Profit and loss account

	2021 £	2020 £
Balance at the beginning of the year	952,109.65	5,409,861.26
Profit/(loss) for the year	13,371,302.46	(4,457,751.61)
<b>Total</b>	<b>14,323,412.11</b>	<b>952,109.65</b>

#### 13. 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.

#### 14. 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 £25,124.99 excluding VAT relating to the master servicing agreement entered into between the Company and Lapithus Management S.à r.l. (2020: £24,496.87). A total of £12,536.86 excluding VAT is outstanding as at 31 December 2021 (2020: £6,124.23).

During the financial year dividend receivable on Class C preference shares payable from HD Bidco amounts to £23,006,934.39 (2020: £16,074,814.94). Based on the HD Bidco's financial position as of 31 December 2021 £15,413,359.74 (2020: £1,981,486.85) is available for distribution. Provision for doubtful debt has been adjusted by £6,499,753.44 and amounts to £7,593,574.65 (2020: £14,093,328.09). This provision is subject to change based on the future performance of the portfolio and will be revisited. Value adjustment for dividend receivable for the financial year amounts to £6,499,753.44 (2020: (£7,390,321.73)).

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 2021.

#### 15. Subsequent events

On 24 June 2022, the Company received an interim dividend from HD Bidco in the amount of £1,485,242.77. The interim dividend distribution was paid pro rata to each holder of Class C Preference Shares and was used to pay accrued yield. Subsequently, on 4 July 2022, the Company made a distribution to its shareholders of £1,230,000.00 via share premium reduction of £465,213.23 and an interim dividend payment of £764,786.77. There are no other material subsequent events to be disclosed.