

HD Bidco Limited

Annual Report and Audited Financial Statements

For the year from 1 January to 31 December 2021
Registered number: 11088936



HD Bidco Limited

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HD Bidco Limited

Directors and other information

Directors

K E Crowe Jr – Appointed 14 February 2020
(American)
J. H. Wilkinson – Appointed 24 January 2018
(British)
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

11088936

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
2 New Street Square, London
England, EC4A 3BZ

Bankers

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

HD Bidco 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 Bidco Limited ("the Company") is the holding 100% of shares in 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. HFL operates tiered levels of underwriting authority in respect of all new lending. The profit for the year was £7,665,231.42 (2020: loss of £8,928,542.79). 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 Company.

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 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.

On behalf of the board:

DocuSigned by:

Mikhail Rychev

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M. Rychev

Director – 8 September 2022

HD Bidco Limited

Directors' report

The Directors present their report, along with the Financial Statements of the Company for the year from 1 January 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 Bidco Limited, with registration number 11088936.

The principal activity of the Company is the holding of 100% shares 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 year and dividend

The profit for the year was £7,665,231.42 (2020: loss £8,928,542.79). The Directors do not recommend the payment of a dividend.

Directors and Company Secretary

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

Directors

- J. H. Wilkinson
- 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 year had no interests in the shares, debentures or loan stock of the Company with exception of J.H. Wilkinson.

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 Bidco 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 7 rue de la Chapelle, 2nd 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 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 16 forming part of the Financial Statements.

Research and development

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

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, credit, foreign exchange and macroeconomic risk are described on page 2.

Due to accrued yield on preference shares the Company is in a negative equity position. However, although preference shares are payable upon demand, they will rank lower in repayment priority to other liabilities and preference dividends do not require cash settlement during the course of the year post approval of the financial statements.

Apart from the fact that the Company ended the financial year with a profit of £7,665,231.42, the Company has sufficient financial resources available to it from its Parent Company to pay its current liabilities to third parties. In addition, as disclosed in the subsequent events note the Company has received an interim dividend in the amount of £2,000,000.00 in 2022.

As a consequence, 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 a going concern basis.

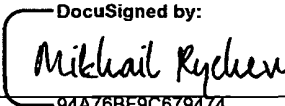
Auditor

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.

On behalf of the board: 
M. Rychev
Director – 8 September 2022

HD Bidco Limited

Directors' Responsibility Statement

The Directors are responsible for preparing 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 Bidco Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of HD Bidco 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 17.

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. 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

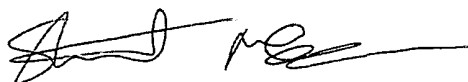
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 Bidco Limited

Income Statement

For the year from 1 January to 31 December 2021

	Notes	2021	2020
		£	£
Income			
Net change in unrealised gain / (loss) on investments at fair value through profit or loss	3	15,891,000.00	(26,427,854.24)
Dividend income	7	-	25,695,833.32
		<u>15,891,000.00</u>	<u>(732,020.92)</u>
Operating expenses	8, 12	(61,147.64)	(236,517.49)
		<u>(61,147.64)</u>	<u>(236,517.49)</u>
Net operating profit before finance costs		15,829,852.36	(968,538.41)
		-	-
Dividend expense	9	(8,164,543.06)	(7,260,112.99)
Interest expense	10	-	(695,833.32)
Other financial expenses	11	(77.88)	(4,058.07)
		<u>(8,242,421.04)</u>	<u>(8,010,004.38)</u>
Profit/(Loss) for the year before taxation		7,665,231.42	(8,928,542.79)
Taxation (charge)/credit		-	-
		<u>-</u>	<u>-</u>
Profit/(Loss) for the year		<u>7,665,231.42</u>	<u>(8,928,542.79)</u>

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

The accompanying notes are on pages 13 to 23 and form an integral part of these financial statements.

HD Bidco Limited

Statement of financial position

As at 31 December 2021

	Notes	2021 £	2020 £
Non-current assets			
Investment in Haydock Finance Holding Ltd	3	63,369,000.00	47,478,000.00
		<u>63,369,000.00</u>	<u>47,478,000.00</u>
Current assets			
Trade and other receivables		0.20	0.20
Cash and bank balances		6,792.41	54,089.28
		<u>6,792.61</u>	<u>54,089.48</u>
Total assets		<u><u>63,375,792.61</u></u>	<u><u>47,532,089.48</u></u>
Current liabilities			
Trade and other payables	4	46,978.13	33,049.48
Creditors: amounts falling due within one year	5	72,212,926.29	64,048,383.23
		<u>72,259,904.42</u>	<u>64,081,432.71</u>
Net current assets		(72,253,111.81)	(64,027,343.23)
Net assets		<u><u>(8,884,111.81)</u></u>	<u><u>(16,549,343.23)</u></u>
Capital and reserves			
Called-up equity share capital	6	4,598.66	4,598.66
Share premium	6	480,555.49	480,555.49
Profit and loss account	14	7,665,231.42	(8,928,542.79)
Profit and loss brought forward	14	(17,034,497.38)	(8,105,954.59)
Total equity		<u><u>(8,884,111.81)</u></u>	<u><u>(16,549,343.23)</u></u>

The Company's registration number: 11088936

On behalf of the board:

DocuSigned by:



M. Rychev

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Director – 8 September 2022

The accompanying notes are on pages 13 to 23 and form an integral part of these financial statements.

HD Bidco Limited

Statement of Changes in Equity As at 31 December 2021

	Share Capital £	Share premium £	Retained earnings £	Total equity £
At 31 December 2020	4,598.66	480,555.49	(17,034,497.38)	(16,549,343.23)
Addition for the period	-	-	-	-
Profit for the period	-	-	7,665,231.42	7,665,231.42
At 31 December 2021	4,598.66	480,555.49	(9,369,265.96)	(8,884,111.81)

The accompanying notes are on pages 13 to 23 and form an integral part of these financial statements.

HD Bidco Limited

Statement of Cash Flows

As at 31 December 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Profit/(Loss) for the year	14	7,665,231.42	(8,928,542.79)
Adjustment for:			
Dividend income recognised in profit and loss	7	-	(25,695,833.32)
Total of adjustments		-	(25,695,833.32)
Movement in investments at fair value through profit or loss	3	(15,891,000.00)	26,427,854.24
Changes in assets and liabilities			
Movement in accounts receivable		-	32,489.00
Movement in accounts payable	4	13,928.65	(1,773.82)
Movement in dividend payable	5	8,164,543.06	7,260,112.99
Movement in accounts payable - interest on credit facility	10	-	695,833.32
Interest on credit facility repayment	10	-	(695,833.32)
Net cash used in operating activities		(47,296.87)	(905,693.70)
Cash flows provided by financing activities			
Proceeds from issuance of share capital and share premium	6	-	6,964.95
Proceeds from issuance of class C shares		-	-
Proceeds from credit facility	10	-	25,000,000.00
Credit facility repayment	10	-	(25,000,000.00)
Net cash provided by financing activities		-	6,964.95
Cash flows from investing activities			
Investment in subsidiary	3	-	(25,000,000.00)
Dividend income	7	-	25,695,833.32
Net cash provided by investing activities		-	695,833.32
Net increase in cash and cash equivalents		(47,296.87)	(202,895.43)
Cash and cash equivalents at beginning of the year		54,089.28	256,984.71
Cash and cash equivalents at end of the year		6,792.41	54,089.28

The accompanying notes are on pages 13 to 23 and form an integral part of these financial statements.

HD Bidco 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 Bidco Limited, with registration number 11088936.

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 year ended 31 December 2021.

The Company has not prepared consolidated financial statements for the year from 1 January 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 pounds 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.

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. In addition, preference dividend does not require cash settlement during the course of the year post approval of the financial statements. 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.

HD Bidco 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

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.

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
£57,689,000.00	£69,049,000.00

(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.

HD Bidco Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

2. Accounting Policies (continued)

(g) Financial instruments (continued)

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 which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

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 Bidco Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

2. Accounting Policies (continued)

(g) Financial instruments (continued)

Financial assets and financial liabilities (continued)

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

The Company's liabilities compose of class C preference shares which are classified as debt instrument. 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.

Class C preference shares accrue daily a fixed cumulative preferential of 12.00%. 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 i.e. financial fixed assets 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.

Level II - 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 Bidco Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

2. Accounting Policies (continued)

(j) Dividend income recognition

Dividend income is recognised on an accrual basis.

(k) Revenue recognition

Revenue is recognised on an accrual basis.

(l) Expenses

Expenses are recognised on an accrual basis.

HD Bidco Limited

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

3. Financial fixed assets

Financial fixed assets consist of entire issued share capital of HFHL.

	2021 £	2020 £
Beginning balance	47,478,000.00	48,905,854.24
Acquisition of issued share capital	-	25,000,000.00
Unrealised gain/(loss) on investments at fair value through profit or loss	15,891,000.00	(26,427,854.24)
Ending balance	<u>63,369,000.00</u>	<u>47,478,000.00</u>

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 £
Investments at HFHL at fair value	-	-	63,369,000.00	63,369,000.00
Total	<u>-</u>	<u>-</u>	<u>63,369,000.00</u>	<u>63,369,000.00</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:

	Fair Value at 31 December 2021 £	Value calculation	Valuation Technique	Unobservable Inputs	Weighted average
Total investment at Haydock Finance Holdings Ltd.	65,197,500.00	(A)	P/E	Multiple	11.5x
			P/TBV	Multiple	2.3x
	61,540,500.00	(B)	DDM	WACC	18.00%
			DDM	Long Term Growth Rate	2.00%
	63,369,000.00	(C)=(A)+(B))/2			

The Company is holding 100% of ordinary shares in Haydock Finance Holdings Limited, a United Kingdom based asset finance originator and underwriter for business critical assets such as heavy-duty vehicles, industrial plants and machinery, registered at Challenge House, Challenge Way, Blackburn, Lancashire, BB1 5QB United Kingdom.

On 8 December 2017 Jonathan Harper Wilkinson & Others and the Company entered into share sale deed. The aggregate consideration for the purchase of the shares was £44,997,662.00. In 2020 additional £25,000,000.00 of shares were purchased. The fair market value as at 31 December 2021 is £63,369,000.00 (2020: £47,478,000.00).

HD Bidco Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (Continued)

4. Trade and other payables

	2021 £	2020 £
Trade payables	7,349.06	20.41
Audit fee accrual	21,000.00	14,400.00
Tax advisory accrual	11,280.00	11,280.00
Lapithus fee accrual	7,349.07	7,349.07
Total	46,978.13	33,049.48

5. Creditors: amounts falling due within one year

	2021 £	2020 £
Preference shares payable	45,133,873.00	45,133,873.00
Dividend payable	27,079,053.29	18,914,510.23
Total	72,212,926.29	64,048,383.23

This caption is composed of redeemable shares issued by the Company. 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.

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. The dividend accrued for the year is £8,164,543.06 (2020: £7,260,112.99).

Class C preference shares amount to £45,133,873.00 (2020: £45,133,873.00) and fixed cumulative preferential dividend amounts to £27,079,053.29 (2020: £18,914,510.23).

6. Share capital and share premium

	Share Capital £	Share premium £	Total £
Balance as at 31 December 2020	4,598.66	480,555.49	485,154.15
Share capital - subscription	-	-	-
Share premium - subscription	-	-	-
Balance as at 31 December 2021	4,598.66	480,555.49	485,154.15

HD Bidco Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (Continued)

6. Share capital and share premium (continued)

Please see below for details of Class A and B shares.

Classes of shares	Share Capital price per share	Share premium price per share	Number of shares	Total share capital	Total Share premium
Class A1	0.01	0.99	390,597.00	3,905.97	386,691.03
Class A2	0.01	0.99	65,302.00	653.02	64,648.98
Class B1	0.001	2.289	9,917.00	9.92	22,700.01
Class B2	0.001	0.639	9,917.00	9.92	6,336.96
Class B3	0.001	0.009	9,917.00	9.92	89.25
Class B4	0.001	0.009	9,917.00	9.92	89.25
Total				4,598.66	480,555.49

Holders of class A ordinary shares have voting rights and shares are not redeemable. Holders of class B ordinary shares have no voting rights and shares are not redeemable.

There were no shares issuances throughout the financial year.

7. Interest and other income

	2021 £	2020 £
Dividend income	-	25,695,833.32
Total	-	25,695,833.32

During the financial year the Company received no interim dividends from HFHL (2020: £25,695,833.32).

8. Audit fees

	2021 £	2020 £
Audit fees	21,720.00	14,400.00
Total	21,720.00	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 2021 is £17,500.00 (2020: £12,600.00) excluding VAT of which £17,500.00 is outstanding as at 31 December 2021. There are no non-audit fees.

HD Bidco Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (Continued)

9. Dividend expense

	2021 £	2020 £
Dividend expense	8,164,543.06	7,260,112.99
Total	8,164,543.06	7,260,112.99

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.

10. Interest expense

	2021 £	2020 £
Interest expense	-	695,833.32
Total	-	695,833.32

In 2020 Athene USA Corporation and Athora Lux Loan Administration S.à r.l. entered into a revolving credit agreement with a maximum aggregate commitment of £70,000,000 with the Company as borrower (the "Credit Agreement"). Maturity date fell on 1 June 2022. The drawdown in the amount of £25,000,000.00 with accrued interest of £695,833.32 was fully repaid in 2020.

11. Other financial expenses

	2021 £	2020 £
Foreign Exchange loss	77.88	4,058.07
Total	77.88	4,058.07

HD Bidco Limited

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

12. Other expenses

Breakdown of other external charges is presented as follows:

	2021 £	2020 £
Legal fees	4,010.52	179,558.90
Professional fees - Lapithus Corp fees	29,396.24	29,416.66
Tax consulting fees	5,640.00	8,610.00
Other professional fees	-	3,698.44
Bank charges	380.88	458.49
Tax penalty	-	375.00
Total	39,427.64	222,117.49

The Company had no employees during the year. 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 31 January 2018.

13. Income tax expenses

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

Factors affecting the current tax charge for the financial year:

	2021 £	2020 £
Total profit/(loss) on ordinary activities before taxation	7,665,231.42	(8,928,542.79)
Current tax at 19% on profit	-	-
Total current tax charge	-	-

HD Bidco Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (Continued)

14. Profit and loss account

	2021 £	2020 £
Profit and loss account		
Balance at the beginning of the year	(17,034,497.38)	(8,105,954.59)
Profit/(Loss) for the year	<u>7,665,231.42</u>	<u>(8,928,542.79)</u>
Total	<u>(9,369,265.96)</u>	<u>(17,034,497.38)</u>

15. Company's parents and subsidiaries

The Company's direct parent is HD Finance Holdings Limited, a Company incorporated under the law of United Kingdom, and the Company has no ultimate parent/controlling party.

The Company's direct subsidiary is HFHL, registered at Challenge House, Challenge Way, Blackburn, Lancashire, BB1 5QB United Kingdom.

16. Related party transactions

The Company is owned 85% by HD Finance Holdings Ltd, 14% by Jonathan Harper Wilkinson and 1% by others.

During the financial year 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: £24,496.88). A total of £12,562.50 excluding VAT is outstanding as at 31 December 2021 (2020: £6,124.23).

During the financial year dividend expense on Class C preference shares issued to the Shareholder amounts to £8,164,543.06 (2020: £7,260,112.99).

None of the Directors received a remuneration for their services for the year ended 31 December 2021 (2020: nil).

17. Subsequent events

On 20 June 2022, the Company received an interim dividend from HFHL in the amount of £2,000,000.00. Subsequently, on 24 June 2022, the Company paid an interim dividend to its shareholders in the amount of £1,750,000.00. The interim dividend distribution was paid pro rata to each holder of Class C Preference Shares and was used to pay accrued yield. There are no other material subsequent events to be disclosed.