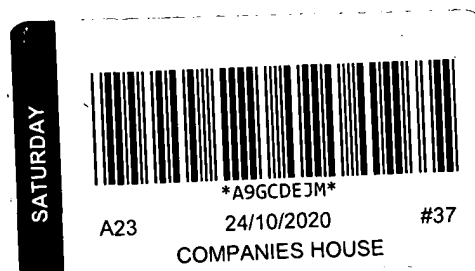


Company Registration No. 01526882 (England and Wales)

Haydock Finance Limited
Annual Report And Financial Statements
For The Year Ended 31 December 2019



HAYDOCK FINANCE LIMITED

COMPANY INFORMATION

Directors	Mr J H Wilkinson	
	Mr S L Worrall	
	Mr I H Barr	
	Mr J M Jenkins	(Appointed 2 January 2019)
	Mr J L Pearson	(Appointed 25 June 2019)
	Mr A S Taylor	(Appointed 16 September 2019)
Secretary	Mr J L Pearson	
Company number	01526882	
Registered office	Challenge House Challenge Way Greenbank Business Park Blackburn BB1 5QB	
Auditors	Garbutt & Elliott Audit Limited Triune Court Monks Cross Drive York YO32 9GZ	

HAYDOCK FINANCE LIMITED

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HAYDOCK FINANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

The Company has been able to deliver strong growth in its portfolio whilst maintaining credit and pricing discipline. It has also continued its programme of investment to upgrade and improve its underlying systems, processes and control environment and thus ensure growth continues to be well managed and the business is well placed to effectively implement further planned growth.

The Company has reported a profit before tax on ordinary activities of £2.8million compared to a profit before tax of £2.3million in 2018. After taxation, the retained profit for the year of £2.4million has been taken to reserves compared to £1.8million in 2018. The Group has reported a profit before tax on ordinary activities of £2.5million compared to a profit before tax of £3.2million in 2018.

Net assets of the Company at 31 December 2019 amounted to £16.0million compared with £13.6million in 2018. Net assets of the Group at 31 December 2019 amounted to £22.0million compared with £20.0million in 2018.

The net receivables of the Company continued to grow being at £256.4million at the end of 2019, an increase of 44% when compared with £177.8million in 2018. The net receivables of the Group also continued to grow being at £262.9million at the end of 2019, an increase of over 36.6% when compared with £192.5million in 2018.

Principal risks and uncertainties

The principal risks and uncertainties faced remain as liquidity, interest rate, credit and fraud risk, all of which are mitigated through a comprehensive control framework.

The Company and the Group operate tiered levels of underwriting authority, all mandated by the Board of Directors, in respect of all new lending. The controls that are in place further require Director approval for individual customer exposures above certain monetary levels set regularly by the Board. Customer and portfolio exposures are also regularly reviewed by the Directors. Ongoing monitoring of exposures and portfolio behaviour ensures swift identification and resolution of issues

Detailed monthly management accounts are prepared and reviewed to monitor actual financial performance against the budget, which is set annually by the Board.

Interest rate exposure is managed Group wide through the use of fixed interest rate agreements with funders and an element of interest rate caps on bank borrowings. No additional financial instruments are actively utilised as part of the financial risk management.

During the year the Group renegotiated its principal funding arrangements with both its Senior funder and Junior funder. Subsequent to the year end, variations were agreed, specifically designed to be able to cope with the economic environment caused by Covid. The Group furthermore engaged with 3 legacy block funders who had not been used for any new funding since early 2018, and added a further new block funder with flexible acceptance criteria. These, in combination, considerably reduced any ongoing liquidity risks. Furthermore, following the launch of the government supported CBILS programme in April 2020, the business successfully negotiated a substantial additional funding facility to increase capacity and diversity of funding sources. This facility allows for further growth should the Government extend the CBILS programme.

Subsequent to the year end, Covid-19 has resulted in a pandemic affecting businesses globally, including within the UK. The speed and severity of the impact has been unprecedented and while the UK Government has introduced considerable measures to help businesses through this extremely challenging time, the full, longer term impact of Covid-19 on the wider economy is currently unknown. Based on the robust trading through the pandemic so far, the facilities available to the group, the strong ongoing support of its shareholders and the actions taken by management, the directors are confident that the Company and the Group have sufficient working capital for at least the next 12 months. Accordingly, based on the current models and forecasts, as detailed in the going concern note on page 11, the board remains satisfied that the Company and the Group are going concerns. No adjustments have been identified as a result of this post balance sheet event.

HAYDOCK FINANCE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Key performance indicators

The entity level key performance indicators which the Directors regularly monitor comprise:-

	2019	2018
New lending volumes	£180.6m	£159.3m
Average yield on receivables	9.4%	10.3%
Debt servicing cost to interest income ratio	39.5%	35.3%
Debtor provisions and write offs as a proportion of average receivables	1.1%	2.1%

The Directors also consider a range of KPI's at an operational level, including sector concentration, customer concentration and asset type to ensure there is no over-exposure in any particular area.

Future developments

The Directors believe the continuing strategy for the medium to long term future remains in expanding its commercial asset finance business based in Blackburn. The combination of: -

- a) strong origination sources;
- b) sound underwriting of finance transactions that are secured on moveable assets; and
- c) a commendable arrears record,

This provides a sufficiently robust platform, with ongoing investment to continue to drive growth and success.

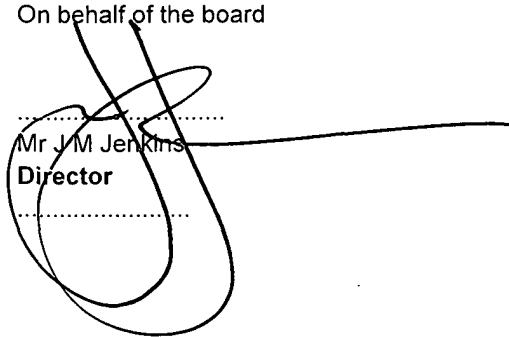
The Company is mindful of ongoing uncertainty in its market and the broader economic environment and will continue to monitor developments closely, especially as they pertain to its core borrower sectors. It believes, however, that its well diversified portfolio, broad sourcing and attractive and flexible propositions will continue to deliver opportunity and is planning accordingly.

The Company recognises the importance of maintaining good business relationships with its suppliers and remains committed to paying all invoices in accordance with agreed terms.

Despite the current environmental uncertainties, the long term future outlook remains encouraging and the Directors expect that the growth of the company will continue into 2020.

On behalf of the board

.....
Mr J M Jenkins
Director
.....



HAYDOCK FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The company's principal business during the year continued to be the provision of financial services to the commercial asset finance sector in the United Kingdom.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr J H Wilkinson

Mr S L Worrall

Mr I H Barr

Mr J M Jenkins

(Appointed 2 January 2019)

Mr J L Pearson

(Appointed 25 June 2019)

Mr A S Taylor

(Appointed 16 September 2019)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Post reporting date events

Subsequent to the year end, Covid-19 has resulted in a pandemic affecting businesses globally, including within the UK. The speed and severity of the impact has been unprecedented and while the UK Government has introduced considerable measures to help businesses through this extremely challenging time, the full, longer term impact of Covid-19 on the wider economy is currently unknown.

The pandemic has affected the profile of the receivables book with approximately 70% of customers requesting differing forms of repayment relief, principally repayment holidays, for a 3 month period during the country's lockdown. A much smaller proportion, approximately 30%, requested further repayment relief for a second period.

With the proactive approach taken by the Board and the Company's credit team, credit losses have thus far been limited, although the Company remains alert to the risks as Government support for customers is removed. The Company is, however, well secured as an asset backed lender, which will help ensure credit losses are minimised so far as practicable. No assessment can currently be made regarding the likely level of credit losses.

The Company successfully renegotiated its senior credit facility of £250million to accommodate the extent of repayment relief extended to customers and a new funding facility of £67.5million initially has been secured from a new funder. This has enabled the Company to continue its growth trajectory whilst ensuring it maintains all of the lending disciplines of a successful asset backed lender.

Given the above and based on robust trading through the pandemic so far, the facilities available to the Company and the Group, the strong ongoing support of its shareholders and the actions taken by management, the directors are confident that the Company and the Group have sufficient working capital for at least the next 12 months. Accordingly, based on the current models and forecasts, as detailed in the going concern note on page 15, the board remains satisfied that the Company and the Group are going concerns.

Auditor

The auditor, Garbutt & Elliott Audit Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

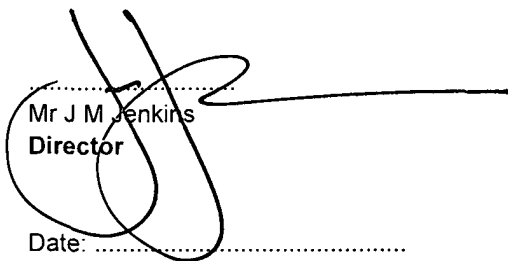
HAYDOCK FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board


.....
Mr J M Jenkins
Director
Date:

HAYDOCK FINANCE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

HAYDOCK FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYDOCK FINANCE LIMITED

Opinion

We have audited the financial statements of Haydock Finance Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

HAYDOCK FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HAYDOCK FINANCE LIMITED

Matters on which we are required to report by exception

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 material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Alan Sidebottom (Senior Statutory Auditor)
for and on behalf of Garbutt & Elliott Audit Limited

30.9.2020

Chartered Accountants
Statutory Auditor

Triune Court
Monks Cross Drive
York
YO32 9GZ

HAYDOCK FINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Turnover	3	23,338	15,915
Administrative expenses		(12,938)	(9,767)
Other operating income		-	400
Operating profit	4	10,400	6,548
Interest receivable and similar income	7	457	416
Interest payable and similar expenses	8	(8,015)	(4,653)
Profit before taxation		2,842	2,311
Tax on profit	9	(460)	(495)
Profit for the financial year		2,382	1,816
Total comprehensive income for the year		2,382	1,816

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

HAYDOCK FINANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	10	267	85
Current assets			
Debtors falling due after more than one year	12	177,866	122,791
Debtors falling due within one year	12	102,977	75,470
Cash at bank and in hand		6,086	3,188
		286,929	201,449
Creditors: amounts falling due within one year	14	(79,171)	(58,690)
Net current assets		207,758	142,759
Total assets less current liabilities		208,025	142,844
Creditors: amounts falling due after more than one year	15	(191,647)	(128,808)
Provisions for liabilities	16	(362)	(402)
Net assets		16,016	13,634
Capital and reserves			
Called up share capital	19	2,112	2,112
Share premium account		200	200
Capital redemption reserve		1,000	1,000
Profit and loss reserves		12,704	10,322
Total equity		16,016	13,634

The financial statements were approved by the board of directors and authorised for issue on 30/09/20... and are signed on its behalf by:

Mr J M Jenkins
Director

Company Registration No. 01526882

HAYDOCK FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2018	2,112	200	1,000	8,506	11,818
Year ended 31 December 2018:					
Profit and total comprehensive income for the year	-	-	-	1,816	1,816
Balance at 31 December 2018	2,112	200	1,000	10,322	13,634
Year ended 31 December 2019:					
Profit and total comprehensive income for the year	-	-	-	2,382	2,382
Balance at 31 December 2019	2,112	200	1,000	12,704	16,016

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Haydock Finance Limited is a company limited by shares incorporated in England and Wales. The registered office is Challenge House, Challenge Way, Greenbank Business Park, Blackburn, BB1 5QB.

1.1 Accounting convention

These financial statements have been prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

On the grounds that the company's results are consolidated into its parent, as disclosed in note 23, the company has taken advantage of certain exemptions conferred by section 1.11 of FRS 102 as follows:

- Exemption from presenting a statement of cashflows as a primary note to the financial statements, as otherwise required by section 7 of FRS 102;
- Exemption from disclosing details of its financial instruments;
- Exemption from disclosing key management personnel remuneration.

The company has taken advantage of the disclosure exemptions of Section 33.1A of FRS102 which permit it to not present details of its transactions with members of the group headed by Haydock Finance Holdings Limited where relevant group companies are all wholly owned. Details of outstanding balances as at the year end are given in note 12 and 14.

Haydock Finance Limited is a wholly owned subsidiary of Haydock Finance Holdings Limited and the results of Haydock Finance Limited are included in the consolidated financial statements of Haydock Finance Holdings Limited. The registered office of Haydock Finance Holdings Limited is Challenge House, Challenge Way, Greenbank Business Park, Blackburn, BB1 5QB.

HD Bidco Limited owns 100% of the share capital of Haydock Finance Holdings Limited. HD Bidco Limited is a company that is ultimately controlled by Apollo Global Management, LLC. Apollo Global Management, LLC's registered office is 9 West 57th Street, 43rd Floor, New York, NY 10019, United States.

1.2 Going concern

Subsequent to year end, coronavirus Covid-19 has resulted in a global pandemic affecting customers within the UK, Europe and wider territories. The speed and severity of the impact has been unprecedented, but the UK Government has introduced considerable measures to help business through this extremely challenging time. Similarly, the business, with the support of its funders, shareholders and partners has effectively adapted to the environment and continues to trade robustly.

On the basis of the value and terms of the Company's credit facilities, the cash position at 31 December 2019 and 31 August 2020, underlying profitability of the business, and various stress cash flow scenarios, the directors have determined that the company is a going concern and has the ability to meet its liabilities as they fall due, and therefore believe it is appropriate to prepare the financial statements on a going concern basis. The accounts do not include any adjustments that would be necessary if the company was not a going concern

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.3 Turnover

Finance leases and instalment credit agreements

Income from assets leased to customers and from instalment credit agreements is determined by spreading interest and charges over the period of repayment in proportion to the net cash investment. Amounts due from customers under finance leases and instalment credit agreements are included in debtors.

Loans and similar advances

Interest earnings from loans and similar advances made to customers are recognised on an accruals basis.

Other income

Fees and commission income are recognised on an accruals basis and are stated net of VAT where applicable.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	25% - 33% Straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.6 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss. See also accounting policy 1.13, Bad and doubtful debts.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

1.13 Bad and doubtful debts

Impairment provisions are made for specific finance lease, instalment credit receivables and loans which are considered to be bad or doubtful. Impairment provisions made during the year are charged to the profit and loss account, net of recoveries.

Finance lease, instalment credit and loan receivables are all stated in the balance sheet, after deduction for specific impairment provisions.

1.14 Deferred commissions

Time-apportionable commission that is paid to third-party introducers is allocated to accounting periods by spreading the cost in proportion to the net cash investment of the related finance receivable.

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Bad debt provision

The company includes a specific bad debt provision within its financial statements to cover potential future losses arising from finance lease receivables. Management calculate and review this provision regularly, basing the provision on missed or late payments, and the judgement of management, having regard to potential recoveries from enforcement actions. The value of bad debt provisions is disclosed in note 11.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £'000	2018 £'000
Turnover analysed by class of business		
Interest earnings	20,302	13,189
Other finance related income	3,036	2,529
Commissions	-	197
	<u>23,338</u>	<u>15,915</u>

	2019 £'000	2018 £'000
Turnover analysed by geographical market		
United Kingdom	<u>23,338</u>	<u>15,915</u>

4 Operating profit

	2019 £'000	2018 £'000
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	70	40
Operating lease charges	<u>87</u>	<u>85</u>

5 Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>28</u>	<u>23</u>
For other services		
Taxation compliance services	10	6
All other non-audit services	<u>2</u>	<u>4</u>
	<u>12</u>	<u>10</u>

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Directors	6	3
Sales and administration	53	42
	<u>59</u>	<u>45</u>

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	3,728	2,601
Social security costs	423	287
Pension costs	111	90
	<u>4,262</u>	<u>2,978</u>

7 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest income		
Interest on bank deposits	16	8
Interest receivable from group companies	427	408
Other interest income	14	-
	<u>457</u>	<u>416</u>

8 Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on block discount finance agreements	4,015	4,613
Interest on securitised debt	2,321	-
Interest on other loans	1,679	40
	<u>8,015</u>	<u>4,653</u>

The rights to interest due on the preference shares was waived in the year as it was in the prior year.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9 Taxation

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the current period	530	250
Adjustments in respect of prior periods	(45)	16
Total current tax	<u>485</u>	<u>266</u>
Deferred tax		
Origination and reversal of timing differences	(25)	229
Total tax charge	<u>460</u>	<u>495</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit before taxation	<u>2,842</u>	<u>2,311</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	540	439
Tax effect of expenses that are not deductible in determining taxable profit	-	7
Adjustments in respect of prior years	(45)	16
Other	(35)	33
Taxation charge for the year	<u>460</u>	<u>495</u>

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

	Fixtures, fittings and equipment £'000
Cost	
At 1 January 2019	1,040
Additions	252
	<hr/>
At 31 December 2019	1,292
	<hr/>
Depreciation and impairment	
At 1 January 2019	955
Depreciation charged in the year	70
	<hr/>
At 31 December 2019	1,025
	<hr/>
Carrying amount	
At 31 December 2019	267
	<hr/>
At 31 December 2018	85
	<hr/>

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11 Finance lease and loan receivables

	2019 £'000	2018 £'000
Finance lease receivables		
Gross amounts receivable under finance leases:		
Within one year	94,482	66,700
In one to five years	200,235	138,749
	<u>294,717</u>	<u>205,449</u>
Unearned finance income	(41,180)	(29,806)
	<u>253,537</u>	<u>175,643</u>
Present value of minimum lease payments receivable		
The present value is receivable as follows:		
Within one year	81,280	57,024
In one to five years	172,257	118,619
	<u>253,537</u>	<u>175,643</u>

At the year end the company had made specific provisions against the finance lease present value of minimum lease payments receivable to the value of £5,368,000 (2018 - £5,268,000).

	2019 £'000	2018 £'000
Loan receivables		
Gross amounts receivable under loans:		
Within one year	1,025	747
In one to five years	2,218	1,598
	<u>3,243</u>	<u>2,345</u>
Unearned finance income	(393)	(226)
	<u>2,850</u>	<u>2,119</u>
Present value of minimum loan payments receivable		
The present value is receivable as follows:		
Within one year	899	673
In one to five years	1,951	1,446
	<u>2,850</u>	<u>2,119</u>

At the year end the company had made specific provisions against the present value of minimum repayments of loan receivables to the value of £80,000 (2018 - £113,000).

The above finance lease and loan receivables have been pledged as security against borrowings as disclosed in note 13.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12 Debtors

	Notes	2019 £'000	2018 £'000
Amounts falling due within one year:			
Corporation tax recoverable		-	95
Amount due from parent undertaking		14,646	13,892
Finance leases receivable	11	81,280	57,024
Loans receivable	11	899	673
Other debtors		475	552
Prepayments and accrued income		5,183	2,725
		<u>102,483</u>	<u>74,961</u>
Deferred tax asset	17	494	509
		<u>102,977</u>	<u>75,470</u>
Amounts falling due after one year:			
Finance leases receivable	11	172,257	118,619
Loans receivable	11	1,951	1,446
Prepayments and accrued income		3,658	2,726
		<u>177,866</u>	<u>122,791</u>
Total debtors		<u>280,843</u>	<u>198,261</u>

13 Loans and overdrafts

	2019 £'000	2018 £'000
Securitised debt	186,026	-
Redeemable preference shares	15,000	15,000
Block discount finance agreements	15,637	133,326
Other loans	45,000	24,000
	<u>261,663</u>	<u>172,326</u>
Payable within one year	70,988	44,797
Payable after one year	<u>190,675</u>	<u>127,529</u>

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13 Loans and overdrafts

(Continued)

In the opinion of the directors, it is not in the interest of the shareholders that distributable reserves should be used to redeem any preference shares at any time within 12 months of the balance sheet date. Accordingly, they have been included within creditors due after one year. The Preference shares comprise £6,000,000 'A' Preference shares and £9,000,000 'C' Redeemable preference shares, the rights of which are more fully disclosed in note 19.

The block discount financing agreements are secured against the underlying finance agreements. Interest rates vary between 4% and 6% and are repayable in line with the repayments of the underlying finance agreements they relate to.

The securitised debt is secured against the underlying finance agreements. Interest rates vary between 0.9% and 2.6% and are repayable in line with the repayments of the underlying finance agreements they relate to. The debt is secured through Haydock Finance No.1 Limited and as the risks and rewards of the debt remain with Haydock Finance Limited they have remained on their balance sheet.

Other loans consists of a £0 (2018 - £24,000,000) loan from a connected party. It also consists of a £45,000,000 (2018 - £0) from a related party, see note 22.

14 Creditors: amounts falling due within one year

		2019 £'000	2018 £'000
Block discount finance agreements	13	11,351	44,797
Securitised debt	13	59,637	-
Trade creditors		568	237
Amounts owed to group undertakings		4,348	12,228
Corporation tax		54	-
Other taxation and social security		436	285
Accruals and deferred income		2,777	1,143
		<u>79,171</u>	<u>58,690</u>

15 Creditors: amounts falling due after more than one year

		2019 £'000	2018 £'000
Redeemable preference shares	13	15,000	15,000
Block discount finance agreements	13	4,286	88,529
Securitised debt	13	126,389	-
Other loans	13	45,000	24,000
Other creditors		972	1,279
		<u>191,647</u>	<u>128,808</u>

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

16 Provisions for liabilities

	Notes	2019 £'000	2018 £'000
Deferred tax liabilities	17	362	402
		<u>362</u>	<u>402</u>

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2019 £'000	Liabilities 2018 £'000	Assets 2019 £'000	Assets 2018 £'000
Balances:				
Leased assets	362	402	-	-
Other timing differences	-	-	494	509
	<u>362</u>	<u>402</u>	<u>494</u>	<u>509</u>

	2019 £'000
Movements in the year:	
Liability/(Asset) at 1 January 2019	(107)
Credit to profit or loss	(25)
Liability/(Asset) at 31 December 2019	<u>(132)</u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

18 Retirement benefit schemes

	2019 £'000	2018 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	111	90
	<u>111</u>	<u>90</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

19 Share capital

	2019 £'000	2018 £'000
Ordinary share capital		
Issued and fully paid		
2,112,000 Ordinary shares of £1 each	2,112	2,112

Details of the non-equity share capital included within creditors due after more than one year are as follows:

'A' Preference shares

The 6,000,000 'A' Preference shares of £1 each carry no voting rights and carry a 5% per annum cumulative dividend (charged as interest). On a winding up, they are repayable at par and rank behind the 'C' Redeemable Preference shares but ahead of the other classes of shares.

'C' Redeemable preference shares

The 9,000,000 'C' Redeemable preference shares of £1 each carry no voting rights and carry a 5% per annum cumulative dividend (charged as interest). These shares have been available to redeem at par since 28 February 2006. In the opinion of the directors, it is not in the interest of the shareholder that distributable reserves should be used to redeem any of these preference shares at any time within 12 months of the balance sheet date. Accordingly, they have been included within creditors due after one year. Dividends (charged as interest) will continue to be paid on the shares until such future date when the shares are redeemed. On a winding up, they are repayable at par and rank ahead of the other classes of shares.

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	109	85
Between two and five years	422	340
In over five years	1,594	1,395
	<u>2,125</u>	<u>1,820</u>

The above rentals are in respect of Challenge House for the period to May 2040.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

21 Events after the reporting date

Subsequent to the year end, Covid-19 has resulted in a pandemic affecting businesses globally, including within the UK. The speed and severity of the impact has been unprecedented and while the UK Government has introduced considerable measures to help businesses through this extremely challenging time, the full, longer term impact of Covid-19 on the wider economy is currently unknown.

The pandemic has affected the profile of the receivables book with approximately 70% of customers requesting differing forms of repayment relief, principally repayment holidays, for a 3 month period during the country's lockdown. A much smaller proportion, approximately 30%, requested further repayment relief for a second period.

With the proactive approach taken by the Board and the Company's credit team, credit losses have thus far been limited, although the Company remains alert to the risks as Government support for customers is removed. The Company is, however, well secured as an asset backed lender, which will help ensure credit losses are minimised so far as practicable. No assessment can currently be made regarding the likely level of credit losses.

The Company successfully renegotiated its senior credit facility of £250million to accommodate the extent of repayment relief extended to customers and a new funding facility of £67.5million initially has been secured from a new funder. This has enabled the Company to continue its growth trajectory whilst ensuring it maintains all of the lending disciplines of a successful asset backed lender.

Given the above and based on robust trading through the pandemic so far, the facilities available to the Company and the Group, the strong ongoing support of its shareholders and the actions taken by management, the directors are confident that the Company and the Group have sufficient working capital for at least the next 12 months. Accordingly, based on the current models and forecasts, as detailed in the going concern note on page 11, the board remains satisfied that the Company and the Group are going concerns.

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22 Related party transactions

Transactions with related parties

The company has taken advantage of the exemption in FRS 102 section 33.1A from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

Included in other loans is a £45,000,000 (2018 - £0) loan from a group company of which £43,600,000 was secured against the underlying finance agreements at the year end. Interest is charged on the loan at an average of 7.7% and is due for repayment in July 2025. Interest charged on the loan in the year was £1.5m (2018 - £0).

23 Ultimate controlling party

The company is a wholly owned subsidiary of Haydock Finance Holdings Limited ("HFH"), a company registered in England and Wales.

The financial statements of the company are consolidated in the financial statements of HFH. Copies of the group financial statements are available from HFH with registered office Challenge House, Challenge Way, Greenbank Business Park, Blackburn, BB1 5QB. HFH is the smallest and largest group into which Haydock Finance Limited is consolidated.

HD Bidco Limited owns 100% of the share capital of HFH. HD Bidco Limited is a company that is ultimately controlled by Apollo Global Management, LLC. Apollo Global Management, LLC's registered office is 9 West 57th Street, 43rd Floor, New York, NY 10019, United States.

24 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	1,390	835
Company pension contributions to defined contribution schemes	52	42
	<u>1,442</u>	<u>877</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2018 - 3).

HAYDOCK FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

24 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	535	357
Company pension contributions to defined contribution schemes	-	10
	<u> </u>	<u> </u>

The company's key management personnel are considered to be the directors only.