Blue Motor Finance Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

Registration Number: 02738187

Contents

Company Information

Directors	Mr C A Barker (resigned 30 April 2021) Mr C N Jones Mr S R Jones Mr T Patel Mr S Piper Mr M Senchyna (resigned 31 March 2022) Mr T Sharma Mr J P Stein (resigned 30 April 2021) Mr S J Williams Mr D R Lock (appointed 19 August 2021)
Registered Office	Darenth House 84 Main Road Sundridge Sevenoaks Kent TN14 6ER
Company number	02738187 (England and Wales) Limited by shares.
Auditor	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD United Kingdom

Strategic Report for the Year Ended 31 December 2021

The Directors present their strategic report and the financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of Blue Motor Finance Limited ("Blue" or the "Company") is the issuing of hire purchase (HP) agreements in respect of the leasing of motor vehicles to third parties. The principal place of business is Darenth House, 84 Main Road, Sundridge, Sevenoaks, Kent, TN14 6ER.

Business review

The Company is a UK-based consumer finance provider and specialises in HP agreements to consumers for the purchase of vehicles at motor dealerships and via brokers.

Blue offers a high quality service-based proposition enabled by proprietary technology, customer-centric innovation, balanced risk management and high standards of regulatory compliance.

The Company is authorised and regulated by the Financial Conduct Authority (FCA).

Since early 2020 and the start of the Global pandemic, there have been many challenges for businesses. The early months of 2021 were impacted by further nationwide lockdowns which had knock-on effects on the motor trade. The Company experienced minor obstacles during 2021, however, their impact was far lower than 2020. The strong revenue growth and continued reliable, asset performance demonstrated resilience in both the operating model and the quality of the assets originated.

The continued excellent loan book performance reflects well on the prudent risk-based decisions taken during 2020 and 2021 to maintain rigid loan acceptance criteria and tightly control the volumes of new business. This strategy was underpinned by the customer-service focus of the Company.

Post lockdown, commencing in the second quarter of 2021, the used vehicle market was buoyant, which drove the unexpected sharp rise in used vehicle prices. This phenomenon built on top of the strong portfolio and revenue performances, with enhanced recoverability from auctioned vehicles. This price-elevation was an additional contributing factor in the better than expected portfolio performance, particularly against defaults or voluntary terminations during the year.

During 2021, the Company was able to strongly support those misfortunate enough to be impacted by coronavirus and, where appropriate to their circumstances, personally tailored forbearance measures were put in place for them. The measures led to positive outcomes for those customers who were put in difficult circumstances by the pandemic. What has been seen subsequently, for those customers who were given support, is that almost all have returned to paying in line with contractual requirements. Blue's customer service team provided the swift, positive actions needed for these customers, with short-term tailored support allowing them to return to a solid financial footing.

Revenue has been strong during 2021, with the sales teams able to return to the road again. Sales volumes were maintained throughout the latter part of the year, which promises a fast start into 2022 with current momentum.

These factors combined mean that the Company has come out of the second year of the global coronavirus crisis even stronger than in 2020.

Blue have continued to strengthen and diversify its sources of funding throughout the year. One warehouse has been successfully refinanced as a larger facility with a European Bank and another was extended early in 2021. Both warehouses have also attracted new investors, via the addition of new mezzanine financing structures.

A forward flow facility, launched in December 2020, has continued to grow and has been syndicated during the second half of 2021. This adds further stability to the funding platform and increases options for new investors to join one of the Company's SPVs. The corporate loan facility has been reset and further extended.

During November 2021 the Company invoked the clean-up call option for the Azure No. 1 SPV, with the remaining portfolio of assets refinanced into one of the warehouses.

The broad range of transactions, performed during 2021, demonstrates the trust that the capital markets have in the capabilities of the Company, and the consistent high-performing assets delivered. The rating agencies have reflected this positive perspective, with both public ABS transactions receiving improved credit ratings during the year.

The Company's core business was to attract new introducers and ensure existing introducers are increasing their business with Blue. The continued roll-out of initiatives in Small Medium Enterprise (SME) lending (Blue's stock funding programme for dealerships) and direct-to-consumer sales have attracted new customers and dealers to work with us. In the latter months of 2021, Blue has seen record numbers of applications and originations, so momentum going into 2022 is very positive.

Customers

Blue originates HP agreements to consumers mainly at point-of-sale through car dealerships and brokers, as well as finance loans to car dealerships. All of its customers are within the United Kingdom. It seeks to offer finance to a broad range of customers and so offers a range of pricing and terms to reflect affordability and risk. Blue is careful in its approach utilising a wide range of data, analytics and technology together, where appropriate, with human intervention to ensure it treats its customers fairly throughout their life with Blue.

As Blue works through intermediaries such as dealerships, it has an oversight obligation to ensure that these dealers are also following FCA requirements and appropriate guidelines. Blue has a rigorous on-boarding and monitoring process of dealers which is supported with a team of local area sales managers. This team works closely with dealers to ensure all processes work compliantly and smoothly for the benefit of customers and Blue.

Key performance indicators

Blue tracks its performance through a range of performance measures, including monthly management and business metrics. The effects of the coronavirus crisis had a considerable impact on 2020 and the early months of 2021, however the subsequent rapid recovery led to a 2021 origination volume of £322m (2020: £171m). This was a considerably better result than 2020, but was not quite back to the pre-Covid levels. Given the fluctuations in market demand, periods of closed dealerships, and difficulties in assessing affordability and credit risk for consumers, Blue has performed very well, and finished the year very strongly.

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 18. The profit for the year attributable to the equity holders of the Company was £1.2m (2020: loss £24.1m).

Funding structure

The Blue Auto Holdings Limited Group ("Group"), of which the Company is part of, leverages a range of funding facilities including private warehouse and public Asset Backed Securitisation facilities. The Group also has off balance sheet funding facilities where assets have been sold to investors who are exposed to the significant risks and rewards of the transaction. The Group continues to service all assets it has originated regardless of whether they are treated as on or off balance sheet. The Special Purpose Vehicles (SPVs) on balance sheet can continue to be consolidated within the Group and the details of these can be seen within note 24.

Future developments

The positive outlook and continued origination growth for 2022 will be a key factor in realising future sales for Blue. The level of originations and dealers is expected to increase, and with that Blue will look to continue its successful strategy of originating high-quality assets and securitising them into SPV structures.

Blue's goals for 2022 will be to continue to grow the business, increase headcount and further expand its revenue streams and funding opportunities. The sharp-focus on quality of origination and ensuring that the operational side of the business can continue to deliver exceptional customer service, whilst scaling further.

The Group have a range of initiatives planned in 2022 to support its aim of "making motoring simple", delivering an outstanding one-stop-shop and providing a great service experience to its dealers. The used car market is large and will continue to grow especially if there is a move away from public transport and holidays abroad. The long term prospects for Blue remain very positive.

Principal risks and uncertainties

The Company primarily originates HP agreements and the Company's underwriting and pay-out process has been designed to produce consistent, well-performing pools of assets as the business scales origination volumes. The coronavirus crisis is unprecedented in its impact on modern society, consumers and markets. Whilst at present, there is progress back towards pre-coronavirus conditions there remains uncertainty around this. Blue continues to operate conservatively to manage this particular risk and uncertainties arising. This significant overall risk has a potential broad ranging impact and is considered when evaluating other specific layers of risk which include those outlined below:

- Credit risk;
- Capital risk;
- Liquidity risk;
- Market risk;
- Operational risk; and
- Conduct risk.

Credit risk: is the risk that the customer fails to pay amounts in full when due. Blue operates clear and precise underwriting policies. All customers who wish to take on HP agreements are subject to credit verification and affordability checks. The HP agreements that are entered into are secured on motor vehicles. Default and loss rates are continuously reviewed and results fed back into underwriting.

Capital risk: is the risk that the Company will have insufficient capital resources to support the business. Blue manages capital in line with its funding strategy and is not subject to any external capital requirements. The funding strategy is approved by the board. It seeks to ensure sufficient forward cover for future originations and that Blue has sufficient diversification of funding sources available to enable it to secure additional future funds. Cash flow projections including performance under a range of scenarios are regularly prepared and communicated to the board. The outputs of this forecasting is used to drive the short- and medium-term funding activity.

Liquidity risk: is the risk that the Company is unable to meet its current and future financial obligations as they fall due, or is only able to do so at excessive cost. The Company's finance function is responsible for the day-to-day management of the Company's liquidity and funding requirements and ensures that there is significant capital and funding headroom to continue to meet the business requirements. The Company considers its capital to be share capital, preference shares, retained earnings and the subordinated loan from its parent.

Market risk: is the risk that the value of, or income arising from the Company's asset and liabilities change as a result of changes in market prices, the principal element being interest rate risk which is the risk of loss arising from adverse movements in market interest rates. Interest rate risk arises where the assets and liabilities have interest rates set under different bases or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Company uses derivative financial instruments to mitigate residual interest rate risk to an acceptable level.

Operational risk: is the risk of loss resulting from inadequate or failed internal processes, people and system failures, or from external events including strategy and reputational risks. The business has extensive monitoring of operational systems and controls and there were no material incidents in 2021 (2020: nil). There is a disaster recovery strategy in place which is tested regularly.

Conduct risk: is the risk that the Company's behaviour will result in poor customer outcomes and/or that our people fail to behave with integrity. Blue has specific policies and control to deal with conduct risk, such as comprehensive procedures and controls to on-boarding and managing dealers and introducers, and training and monitoring of all staff with appropriate role-based requirements.

The Company has been operated in a rigorous and controlled manner and has managed these risks capably. The coronavirus crisis has exacerbated some of these risks and the Company has taken action to mitigate these impacts. Credit risk policies have been tightened, liquidity and cash management has had greater focus and operational capability has been maintained. The Directors continue to monitor the market situation and context on a daily basis and adapt the business accordingly.

Systems and controls

The Company is committed to strong governance to ensure regulatory compliance and to benefit its customers, staff and the Company's commercial and financial objectives. A defined governance structure exists with layers of assurance, to continually assess and challenge the processes, risks and controls across the business.

Liabilities

As part of its funding strategy, the Company utilises a highly flexible funding platform including the servicing of warehouse facilities, ABS financing transactions and entering into portfolio sales of pools of originated HP agreements. The funding received is in exchange for loan notes which are issued through financing SPVs and appear on the balance sheet as a loan from subsidiary. The loan notes are secured on the underlying HP agreements and liabilities are repaid through collection of principal and interest on the HP agreements paid by the financing SPV to the Company. Further detail is provided in note 14 to the accounts and details of the post balance sheet funding facility events are detailed in the Directors' Report.

Compliance

The Company views its approach to compliance as a key strength. Management looks to understand the current requirements and pending concerns of regulators and position the business accordingly in a proactive manner. Systems and processes are constructed to ensure that compliance and controls are firmly embedded within the organisation.

The Company is authorised and regulated by the FCA, under permission no. 737682.

The compliance team identify relevant rules, principles and guidelines which apply to the activities of the Company and disseminate them to the relevant business or operational areas. It is also responsible for devising, or helping to devise, policies and procedures to ensure the Company meets the standards required by the Regulator, as well as our own. In addition, the Company seeks to adhere to the Finance and Leasing Association (FLA) Lending Code.

Stakeholder relationships

We report here on how the Directors have performed their duty under Section 172 of the Companies Act 2006. The directors must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to the following:

1. The consideration to likely consequences of any decision in the long term,
2. The interests of the company's employees,
3. The need to foster the company's business relationships with suppliers, customers and others,
4. The impact of the company's operations on the community and the environment,
5. The desirability of the company maintaining a reputation for high standards of business conduct, and
6. The need to act fairly as between members of the company.

Consequences of any decision in the long term

The Company's governance structure helps to ensure that the long-term consequences of decisions made are taken into account. The Company holds regular board meetings where strategic decisions are made as well as sub-committees for audit, funding, risk and compliance and pricing.

Interests of the company's employees

The Company and its Directors recognises the significant contribution that its employees make to its continued success in delivering customer satisfaction and driving shareholder value. The Company aims to be a responsible employer in our approach to the pay and benefits its employees receive. The health, safety and well-being of its employees is one of its primary considerations. The long-term interests and wellbeing of all staff were taken into consideration in any principal decisions taken by the Company during the financial year.

Senior management held regular meetings between departmental heads and their respective teams to ensure all employees were kept up to date with changes and new project plans. Employees have continued to be supported in terms of training and wellbeing activities, particularly in terms of support whilst continuing to work from home over the course of the Covid 19 pandemic and then in the return to an office environment.

The Company is committed to pursuing equality and diversity in all its employment activities including recruitment, training, career development and promotion and ensuring there is no bias or discrimination in the treatment of its employees. Staff are consulted regularly about changes which may affect them and feedback is sought throughout this communication process as well as via regular one to one and other feedback sessions.

Fostering business relationships with suppliers, customers and others

As a service-based business the company's relationship with the companies it deals with is critical to its success. Field-based staff work closely with introducers to understand how they can be better supported and the innovative approach to technology ensures that the Company can support them on the things that matter most to them. It is vital that strong working relationships are built with all suppliers and funders, based on strong risk management and customer service. All payments are made in a timely manner and in accordance with any pertinent legal transaction documentation.

The Company's success is achieved by providing a high-quality service to its customers, focusing on the customer journey with easy to use technology alongside a risk weighted pricing structure to ensure its products are available to a wide a range of potential customers as possible.

The Directors recognise the importance of maintaining an open and transparent relationship with regulators, trade bodies and other government authorities. The Senior Managers Certification Regime is embedded across the business and conduct measures are overseen by the Board of Directors.

The impact of the company's operations on the community and the environment

The Company actively promote the recruitment of staff from the local area and support local charities and events. The principal charity supported in 2021 was West Kent Mind. Directors are committed to using environmentally friendly electronic client communications methods whenever possible. The use of plastics has been minimised and the office waste split, via dedicated bin types, for more effective recycling. To further reduce the Company's environmental impacts, the majority of the area sales managers have been transitioned to fully electric vehicles. These are now to be issued as standard practice for all new joiners for the on-the-road sales teams.

Maintenance of the company reputation for high standards of business conduct

The Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for setting, monitoring and upholding the culture, values, standards, ethics, brand and reputation of the Company to ensure that its obligations to its shareholders, employees, customers and others are met.

Management are tasked with the embedding of the desired culture through the organisation. The Board monitors adherence to the policies and compliance with corporate governance.

Acting fairly as between members of the company

The Company is ultimately owned by CS Capital Partners IV LP and maintains strong links and open channels of communication and engagement with it. Their representatives are included on the Company's Board of Directors and the Company regularly provides up to date management information on its performance, costs, project progression, issues and new initiatives.

Environmental performance

The Company are required to report on its broad environment impacts and view these measures as important guides to how the business is being governed, operated and its effectiveness in reducing its overall energy use and greenhouse gas (GHG) emissions.

Calculations have been performed using 2019 as an initial baseline period and data is presented for the last three years to reduce Covid-19 impacts and enhance comparability. The use of 2019 as a baseline year will be reviewed during subsequent periods.

The Company have been led by 'HM Government's Environmental Reporting Guidelines: March 2019' in complying with the Streamlined Energy and Carbon Reporting (SECR) regulations. The GHG emissions are classified within three areas:

1. Scope 1: Combustion of gas and fuels for transport;
2. Scope 2: Purchased electricity;
3. Scope 3: Transport.

The appropriate UK Government GHG published Conversion Factors for Company Reporting for each of the three years was used for conversions into kWh or tCO_2e. The data presented relates to the Group's energy usage, which is entirely UK-based.

GHG emissions by type	2021		2020		2019	
	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh
Gas Consumption	37	199,829	27	145,703	29	158,174
Owned Transport	98	320,736	112	447,463	124	1,105,836
Total Scope 1	**135**	**520,565**	**139**	**593,166**	**153**	**1,264,010**
Electricity Consumption	40	186,517	50	213,502	73	286,411
Total Scope 2	**40**	**186,517**	**50**	**213,502**	**73**	**286,411**
Transport-related Services	153	627,375	153	627,375	260	1,068,356
Total Scope 3	**153**	**627,375**	**153**	**627,375**	**260**	**1,068,356**

GHG emissions by scope	2021		2020		2019	
	tCO_2e	kWh	tCO_2e	kWh	tCO_2e	kWh
Scope 1	135	520,565	139	593,166	153	1,264,010
Scope 2	40	186,517	50	213,502	73	286,411
Scope 3	153	627,375	153	627,375	261	1,068,357
Total GHG emissions	**328**	**1,334,457**	**342**	**1,434,043**	**487**	**2,618,778**

Intensity measures	2021		2020		2019	
Portfolio size /£m	612.7	612.7	753.9	753.9	712.9	712.9
Intensity ratio: tCO_2e/£m or kWh /£m portfolio	**0.54**	**2178**	**0.45**	**1902**	**0.68**	**3673**

Environmental actions

The Company is actively looking into measures to reduce its carbon emissions and environmental impacts. Recent examples of this are moving more than 50% of the sales force into electric vehicles, the addition of split recycling waste bins in the workplace, and the reduction of plastic waste, with the removal of single-use plastic water bottles use from the office.

By order of the Board

T K Patel

Mr T Patel
Director
08 April 2022

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

An analysis of the Company's performance, liabilities and likely future developments are contained within the Strategic Report. The Company's statement of comprehensive income is set out on page 18 and shows a profit for the year.

No dividend was proposed or paid (2020: £nil) to the holders of ordinary shares during the year.

Directors of the Company

The Directors who held office during the year and up to the date of this report were as follows:

Mr C A Barker (resigned 30 April 2021)
Mr C N Jones
Mr S R Jones
Mr T Patel
Mr S Piper
Mr M Senchyna (resigned 31 March 2022)
Mr T Sharma
Mr J P Stein (resigned 30 April 2021)
Mr S J Williams
Mr D R Lock (appointed 19 August 2021)

Directors' indemnities

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, the Company may indemnify any Director or former Director of the Company or any associated company against any liability and may purchase and maintain for any Director or former Director of the Company or any associated company insurance against any liability. The Company has maintained Directors' and officers' liability insurance throughout 2020.

Going concern

The financial statements have been prepared on a going concern basis as the Directors of the Company are satisfied that the Company has adequate resources to continue in business for the foreseeable future.

The Company has successfully navigated the Covid-19 crisis and returned to profit. Throughout the pandemic the Company has continued its ordinary course of business. During 2021, the Company have entered into a number of new funding facilities and have extended and reset others. This provides a diverse funding platform for Blue to continue to grow.

Forecasting and stress testing analysis has been completed with various assumptions modelled for a range of scenarios. The stress testing covered funding availability and costs, levels of originations and the impact of arrears and defaults from existing customers.

The Directors of the Company are confident that the business continues to be a going concern under both the base scenario and the stressed scenarios.

Financial risk management

An analysis of the Company's financial risk management is contained in the principal risks and uncertainties within the Strategic Report.

Post balance sheet events

In January 2022 the Company's finance loan receivable assets were sold to a new SPV, BMF SME Finance Limited. The sale will not result in de-recognition of the assets as the Company retained significant risks and rewards of ownership of the transferred assets.

Statement of disclosure of information to the auditor

Each Director in office at the date of this Directors' Report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director 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 the Companies Act 2006.

Reappointment of auditor

The auditor, PKF Littlejohn LLP, have expressed their willingness to accept re-appointment. The decision to re-appoint will be taken at the next board meeting.

By order of the Board

Mr T Patel
Director
08 April 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 '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 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:

- Properly select accounting policies and apply them consistently ;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Make an assessment of the Company's ability to continue as a going concern.

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 Members of Blue Motor Finance Limited

Opinion

We have audited the financial statements of Blue Motor Finance Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including 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 2021 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

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.

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.

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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

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 obtained an understanding of the company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from taxation, consumer credit regulations, FCA rules and the Companies Act 2006.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
    - Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above; and
    - Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HM Revenue and Customs and the Financial Conduct Authority.
    - Discussion with management and those charged with governance in relation to known and suspected instances of non-compliance with laws and regulations and fraud;
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that a potential management bias was identified in relation to the following areas:
    - Impairment of financial assets under IAS 39
    - Valuation of deferred purchase price
    - Derecognition of hire purchase assets on sale
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business and preliminary and final analytical review to identify any unusual or unexpected relationships.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

M Ling

Mark Ling (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 8 April 2022

Statement of Comprehensive Income

	Note	31 December 2021 £k	31 December 2020 £k
Revenue	3	65,604	50,568
Other Income	4	848	1,224
Impairments	5	(319)	(5,580)
Operating and administrative expenses	6	(21,092)	(22,104)
Operating profit		**45,041**	**24,109**
Finance Expenses	7	(43,871)	(48,245)
Profit/(loss) before taxation		**1,170**	**(24,136)**
Taxation	11	-	-
Profit/(loss) for the year attributable to owners of the parent		**1,170**	**(24,136)**

There are no items of other comprehensive income other than those recognised in the statement of comprehensive income. Therefore, a statement of other comprehensive income has not been prepared. All of the amounts above relate to continuing operations and are attributable to equity holders.

The notes on pages 22 to 44 form an integral part of these financial statements.

Statement of Financial Position

	Note	31 December 2021 £k	31 December 2020 £k
Fixed assets			
Intangible assets	12	116	205
Tangible assets	13	352	385
		468	**590**
Current assets			
Cash and cash equivalents		13,115	34,852
Hire purchase receivables			
- amounts falling due within one year	14	104,724	93,838
- amounts falling due after more than one year	14	186,585	184,675
Finance loan receivables	15	3,167	226
Debtors			
- amounts falling due within one year	16	17,796	15,733
- amounts falling due after more than one year	16	30,309	39,643
		355,696	**368,967**
Current liabilities			
Creditors: amounts falling due within one year	17	(11,339)	(35,214)
Loans from subsidiaries			
- amounts falling due within one year		(73,196)	(91,602)
- amounts falling due after more than one year		(191,545)	(172,126)
Provision for other liabilities		(207)	(133)
		(276,287)	**(299,075)**
Total assets less current liabilities		**79,877**	**70,482**
Non-current liabilities			
Creditors: amounts falling due after more than one year	18	(33,413)	(31,740)
Subordinated loan	19	(11,128)	(59,890)
Net assets/(liabilities)		**35,336**	**(21,148)**
Capital and reserves			
Share capital	20	59,314	4,000
Retained earnings		(23,978)	(25,148)
Equity attributable to the owners of the parent		**35,336**	**(21,148)**

These financial statements were approved by the board of Directors on 08 April 2022 and were signed on its behalf by

Y K Patel

Mr T Patel
Director
Blue Motor Finance Limited
Registration Number: 02738187 (England and Wales)

The notes on pages 22 to 44 form an integral part of these financial statements

Statement of Changes in Equity

	Note	Share capital	Retained earnings	Total
		£k	£k	£k
Balance at 1 January 2021		4,000	(25,148)	(21,148)
Profit for the year and total comprehensive income		-	1,170	1,170
Transactions with owners recorded directly in equity				
Issue of shares	20	55,314	-	55,314
Balance at 31 December 2021		**59,314**	**(23,979)**	**35,336**

	Note	Share capital	Retained earnings	Total
		£k	£k	£k
Balance at 1 January 2020		4,000	(1,012)	2,988
Loss for the year and total comprehensive income		-	(24,136)	(24,136)
Balance at 31 December 2020		**4,000**	**(25,148)**	**(21,148)**

The notes on pages 22 to 44 form an integral part of these financial statements.

Statement of Cash Flows

	Note	31 December 2021 £k	31 December 2020 £k
Cash flows from operating activities			
- Cash (used)/generated from operating activities	22	(12,536)	20,627
Net cash (used)/generated from operating activities		**(12,536)**	**20,627**
Cash flows from financing activities			
- Net decrease/(increase) in loan from subsidiary		1,013	(24,150)
- Net decrease/(increase) in loan notes		4,127	(7,975)
- Net (decrease)/increase in corporate loan drawn		(15,644)	17,571
- Net(decrease)/ increase in corporate loan interest accrued		(24)	42
- Net increase in subordinated loan from parent drawn		1,500	8,269
Net cash (used) in financing activities		**(9,028)**	**(6,243)**
Cash flows from investing activities			
- Purchase of tangible assets		(142)	(166)
- Purchase of intangible assets		(31)	(52)
Net cash flows used in investing activities		**(173)**	**(218)**
Net movement in cash and cash equivalents - continuing operations		(21,737)	14,166
Cash and cash equivalents at 1 January		34,852	20,686
Cash and cash equivalents at 31 December		**13,115**	**34,852**

The notes on pages 22 to 44 form an integral part of these financial statements.

Notes to the Financial Statements

1) ACCOUNTING POLICIES

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

Company information

Blue Motor Finance Limited is incorporated in England and Wales. The registered address of the Company is Darenth House, 84 Main Road, Sundridge, Sevenoaks, Kent, TN14 6ER.

Basis of preparation

These financial statements have been prepared under the historical cost convention, modified by financial instruments recognised at fair value are presented in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the requirements of the Companies Act 2006. The financial statements are presented in rounded thousands where applicable and in Sterling ("£k"), which is the Company's functional and presentational currency.

The exemption set out in Section 401 of the Companies Act has been taken to not prepare group accounts.

There were no discontinued operations during the year.

Going concern

The financial statements have been prepared on a going concern basis as the Directors of the Company are satisfied that the Company has adequate resources to continue in business for the foreseeable future.

The Company has successfully navigated the Covid-19 crisis and returned to profit. Throughout the pandemic the Company has continued its ordinary course of business. During 2021, the Company have entered into a number of new funding facilities and have extended and reset others. This provides a diverse funding platform for Blue to continue to grow.

Forecasting and stress testing analysis has been completed with various assumptions modelled for a range of scenarios. The stress testing covered funding availability and costs, levels of originations and the impact of arrears and defaults from existing customers.

The Directors of the Company are confident that the business continues to be a going concern under both the base scenario and the stressed scenarios.

Basis of consolidation

There are no subsidiary companies consolidated within these accounts as detailed in the Director's Report. The Company's immediate parent undertaking, controlling party and largest group of which the Company is a member is Blue Auto Holdings Ltd, a company registered in England and Wales. Copies of the Blue Auto Holdings Ltd consolidated group financial statements, are available at Darenth House, 84 Main Road, Sundridge, Kent, TN14 6ER.

Cash and cash equivalents

For the purposes of these financial statements, cash and cash equivalents includes cash in-hand and at bank with a maturity of less than three months.

Non-current assets

Non-current assets are debtors that are not expected to be recovered within twelve months of the reporting date. HP receivables falling due after more than one year are presented within current assets.

Principal accounting policies

Revenue

Revenue is derived from principal activities of the Company and these activities are wholly undertaken within the United Kingdom, as such no further country-by-country reporting is required.

Interest Receivable and similar charges

Revenue represents income derived from HP agreements to customers inclusive of any fees earned or commissions paid. The interest rate implicit in the HP agreements is the discount rate that, at inception of the HP agreement, causes the aggregate present value of the HP receipts to equal the fair value of the asset plus any directly attributable costs.

Income and charges relating to HP agreements are recorded in the income statement in proportion to the net funds invested in the HP agreements so as to arrive at a constant periodic rate of return. The assumed interest rate used in calculating the rate of return represents the anticipated cost of financing the net investment in the HP agreements, taking account of all relevant cash flows including taxation.

Premiums received on assets

Premiums received on assets are amortised over the life of the assets. Premiums received on assets sold to companies outside the Company have been recognised fully on sale date. Servicing income is earned on portfolios, including several which were sold by the Company, but which the Company continues to service and is recognised by the Company in the month it is due.

Fee and commission

Fee and commission income is released, and expense is recognised, on the same accounting basis as interest receivable and similar income for on-balance sheet assets.

Other income'

Alongside the main Company income streams, the Company receives brokering, treasury and other income. Brokering income consists of commission earned from brokering motor finance loans outside of the Company's credit criteria, which is recognised in the period in which the loans are brokered.

Finance expenses

The Company accounts for interest income and expense on an accruals basis. Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities is determined using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial asset or financial liability by allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

Taxation

Tax on the profit or loss for the year comprises of current tax. Tax is recognised in the income statement except to the extent that it relates to items directly in equity, in which case it is recognised in equity. Deferred prior-year tax losses are not held on the balance sheet but are utilised when applicable.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment in relation to the tax payable in respect of previous years.

Operating lease expenses

Operating lease expenses are recognised in the Statement of Comprehensive Income in the period over the lease term on a straight-line basis unless another systematic basis is a more representative of the time pattern of the user's benefit which the costs are incurred. Any lease incentives are recognised in the period they are received.

Intangible Assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These software licences are held at cost less accumulated amortisation and any accumulated impairment.

Other intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may be impaired.

Intangible assets are amortised on a straight-line basis over their estimated useful economic lives:

- Computer software 3 to 10 years
- Domain names 10 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Tangible Assets

Property, plant and equipment is stated in the statement of financial position at historic cost, less any subsequent accumulated depreciation and/or subsequent accumulated impairment losses. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each significant class of plant and equipment.

- Office equipment 3 to 5 years
- Fixtures and fittings 5 years
- Motor vehicles 4 years

Depreciation methods, useful lives and residual balances are reviewed at each balance sheet date.

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates the recoverable amount of the asset. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss. An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

No assets were deemed to be impaired at the balance sheet date.

Hire purchase receivables

HP receivables consist of financial leases issued to customers. These are measured initially at fair value plus the transaction costs that are directly attributable to its acquisition.

Financial leases are recognised as receivables at an amount equal to the Company's investment in the leases. The investment is equal to the present value of the future minimum lease payments receivable to the Company after any accumulated impairment losses.

HP receivables are in relation to finance agreements for motor vehicles. The receivables are secured over the motor vehicle leased.

Most HP lease contracts are for multiple years, to aid the user of the financial statements, the presentation on the face of the Statement of Financial position was enhanced to split the portion due in less than one year and the portion due in more than one year within the current assets designation.

Provision on HP receivables

On an ongoing basis, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence is the occurrence of a loss event, after the initial recognition of the asset, that impacts on the future cash flows of the financial asset or group of financial assets, and can be reliably estimated.

The criteria that the Company uses to determine that there has been a significant increase in credit risk since initial recognition include, but is not limited to, the following:

- Delinquency in contractual payments of principal and/or interest
- Breach of financial covenants or contractual obligations
- Cash flow difficulties experienced by the borrower; and
- Initiation of bankruptcy proceedings.

If there is objective evidence that an impairment loss on an individual financial asset has occurred, the amount of the loss is measured as the difference between the asset carrying value and the present value of estimated future cash flows discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account and the amount of loss is recognised in the Income Statement.

The Company considers evidence of impairment for loans and advances at both a specific asset and a collective level. All individually significant loans and advances are assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment the Company uses historical trends of the probability of default, emergence period, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic or credit conditions are such that the actual losses are likely to be significantly different to historic trends.

Write-off policy

When a HP receivable is uncollectable, it is written-off against the related provision for loan impairment. Such receivables are written-off after all the necessary procedures have been completed and the amount of loss has been determined.

Financial instruments

In accordance with Section 11 of Financial Reporting Standard 102, the provisions of IAS 39 have been adopted in full with respect to the recognition and measurement of financial instruments.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities, or as equity instruments, in accordance with the substance of contractual transaction and arrangements, and the accounting requirements for classification to either category.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issuance costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial assets

Financial assets include HP receivables and finance loan receivables. HP agreements are where the Company transfers substantially all the risks and rewards of ownership of the underlying asset. A HP receivable equal to the net investment (representing the future payments less profit and costs allocated to future periods) is recognised and presented within HP receivables. HP receipts are apportioned between interest income and a reduction in the principal of the HP receivable to achieve a constant rate of interest on the remaining balance of the receivable.

Finance loan receivables are loans lent to the Company's dealers secured by vehicles. These are loans bearing interest-only payments on a monthly-basis, with the principal amounts only settled once all vehicles which it relates to are sold.

Classification and measurement of financial assets

Financial assets are initially recognised at fair value plus transaction costs directly attributable to its acquisition. Subsequent measurement depends on the classification, determined by cash flow characteristics and the business model in which the asset is held. Financial assets may be classified and measured at amortised cost, Fair Value through OCI (FVOCI), or Fair Value through Profit or Loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business Model

The business model reflects how the Company manages the assets in order to generate cash flows. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Contractual cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial instrument's cash flows represent solely payments of principal and interest (the "SPPI" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement: i.e. interest includes only consideration for the time value of money, credit risk and other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risks or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Financial assets measured at amortised cost

Financial assets measured at amortised costs are measured after initial recognition at fair value and subsequently measured at amortised cost using the effective interest method less any impairment losses.

The following balance sheet items are classified at amortised cost: hire purchase receivables, finance loan receivables, intercompany loans and other debtors.

The Company has no financial instruments classified as FVOCI.

Financial liabilities

The Company classifies financial liabilities as measured at amortised cost. Such financial liabilities are recognised when cash is received from the sale of loan notes and carried at amortised cost using the effective interest method. The fair value of liabilities repayable on demand is assumed to be the amount payable on demand at the statement of financial position date.

Subordinated debt

The Subordinated loans are classified as other financial liabilities and are recognised at fair value at the date of issuance of the liability and are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership. Where the Company has retained significant risks and rewards of ownership of a transferred asset, it continues to recognise the transferred asset in its entirety and recognises a liability for the consideration receive. In transactions where the Company neither retains nor transfers substantially all the risks and rewards of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

There are no partially recognised assets on the balance sheet. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Modifications of financial assets and financial liabilities

The Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired.

The Company derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different.

No such modifications have been made.

Derivative Financial Instruments

HP receivables and interest rate caps are two types of financial instruments in the Company.

The Company's exposure to risks on its financial instruments and the management of such risks are largely determined from the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction. Following initial set-up, the Directors monitor the Company's performance, reviewing reports on the performance of the receivables. Such review is designed to ensure that the terms of the documentation have been met, that no unforeseen risks have arisen and that the noteholders have been paid on a timely basis.

Interest rate caps have been entered into as part of the securitisation transactions to limit interest rate risk arising in the transaction including the obligations under the Notes. The derivative counterparties are selected as regulated financial institutions which reduces the risk of default and loss for the Company. Additional credit protection is afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to a counterparty's credit rating.

Fair value of Financial Instruments

The valuation of the loan notes held at fair value which represent revenue due to a note holder that is not part of the group requires estimates of a number of variables. These loan notes are notes that are not secured against any of the principal balance of the finance agreement and just receive a right to future revenue cash flows from the assets. The variables which are considered to have the largest impact on the value of the loan notes are the prepayment rate, the default rate and the loss given default.

Related party transactions

Related parties of the Company include key Management personnel, close family members of key management personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by key Management personnel or their close family members. Key Management personnel are defined as the Directors of the Company and compensation details are included within the Directors' Remuneration.

2) CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

The management has considered new standards and concluded that the future changes are unlikely to have material impact on the Company.

Critical accounting judgements

Recognition of financial assets

The primary management judgement around the recognition of financial assets is in determining the extent to which the Company retains risks and rewards in relation to the residual cash flows after all payments due to the note purchasers have been settled.

Critical accounting estimates

Provision for debtors

Provisions are made relating to the usual recoverability of debtor balances, which reflect the historic and predicted levels for unrecoverable amounts across the debtors. These are both known and expected defaults incurred, or likely to be incurred. The final provisions are derived from the best estimation of the management allowing for the prevalent economic climate and the knowledge of specific debtors in part impacted by the Covid-19 pandemic related restrictions.

Impairment provision on HP receivables

Individual impairment losses on HP receivables are calculated based on the assessment of the expected cash flows and the underlying collateral. For the purposes of collective impairment, financial assets are grouped on the basis of similar risk characteristics. Collective provisions are calculated using roll rates on different segments of the loan book not subject to individual provision (note 5).

The key assumptions, being the emergence period, cost of risk and roll rates, are monitored regularly to ensure the impairment allowance is entirely reflective of the current portfolio. The accuracy of the impairment calculation would therefore, be affected by unanticipated changes to the economic situations and assumptions which differ from actual outcomes. For HP receivables to the extent that:

- there is an increase of one month in emergence period this would increase the collective provision by 2%;
- there is a decrease of one month in emergence period this would decrease the collective provision by 1%;
- the recovery rate on securities falls by 10% would increase the provision by 3%; and
- the propensity to default increases by 10% would increase the provision by 2%.

Loan Notes held at fair value

IAS39 requires interest earned from loans and advances to be measured under the effective interest rate (EIR) method. Directors typically use historically observed performance to estimate the expected life of each asset and the future cash flows relating to it. Directors' review expected lives by grouping loans of a similar nature into cohorts that represent similar behavioural attributes.

The key assumptions applied by the Directors in calculating and estimating the EIR is the behavioural life of the assets. The expected behavioural life can be impacted by internal and external factors and may result in adjustments to the carrying value of the Loan Notes which must be recognised in the Income Statement. Models have been developed using historical performance, Directors' experience and market trends. The actual behaviour of the portfolio is compared to the modelled behaviour on a quarterly basis and modelled behaviours are adjusted if they materially deviate from the actual behaviour, with the adjustment recognised in the income statement.

The fair value of the day one Loan Notes represents the Directors' assessment of the total excess spread that will flow back to the Company over the life of the transaction, discounted back to a present value using an appropriate discount rate. The discount rate used is an estimate of the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those the Company expects to derive from the asset.

The value of the Loan Notes is included within debtors on the Company's balance sheet (note 16).

The fair value makes use of significant inputs, default rates and prepayment rates based on the historic portfolio, that are not based on observable market data. While the Directors believe that these fair values are appropriate, they could be sensitive to changes in the assumptions used to derive the inputs. The significant market unobservable inputs that are used in the fair value measurement of the Loan Notes asset are the prepayment rates and default rates. Actual prepayment and default rates are actively monitored and reviewed against fair value inputs for appropriateness.

Significant increases in either of those inputs in isolation would result in lower fair value measurement.

3) REVENUE

	31 December 2021 £k	31 December 2020 £k
Interest income from hire purchase receivables	35,913	41,448
Interest income from loan notes to subsidiaries	20,931	9,183
Interest income from finance loan receivables	95	32
Interest income	**56,399**	**50,663**
Fee and commission expense	(22,499)	(15,950)
Gross revenue	**33,900**	**34,713**
Premium received on the sale of hire purchase receivables	31,704	15,855
Revenue	**65,604**	**50,568**

4) OTHER INCOME

	31 December 2021 £k	31 December 2020 £k
Income from Broking activities	826	1,183
Treasury income	1	41
Other Operating Income	21	1
Other Income	**848**	**1,225**

5) IMPAIRMENTS

	31 December 2021 £k	31 December 2020 £k
Net impairment losses on hire purchase receivables	(313)	(5,588)
Net impairment (loss)/gain on finance loan receivables	(6)	8
Impairments	**(319)**	**(5,580)**

6) OPERATING AND ADMINISTRATIVE EXPENSES

	Note	31 December 2021 £k	31 December 2020 £k
Staff Costs	8	(13,943)	(13,580)
Other administrative expenses*		(6,128)	(7,373)
Amortisation of intangible assets	12	(120)	(235)
Depreciation	13	(174)	(189)
Operating lease rentals - charges		(619)	(570)
Audit of financial statements	10	(108)	(157)
Operating and Administrative Expenses		**(21,092)**	**(22,104)**

* Other administrative expenses include corporate services and regulatory fees, postage, bank and card charges.

7) FINANCE EXPENSE

The finance expense within the Company included:

	31 December 2021 £k	31 December 2020 £k
Interest expense paid to subsidiaries	(35,913)	(41,448)
Subordinated loan interest	(5,052)	(3,904)
Corporate loan interest	(2,906)	(2,893)
Finance Expenses	**(43,871)**	**(48,245)**

8) PAYROLL COSTS

The aggregate payroll costs (including Directors' remuneration) included:

	31 December 2021 £k	31 December 2020 £k
Wages and salaries	(11,173)	(10,605)
Social security costs	(1,312)	(1,386)
Pension costs, defined contribution scheme	(462)	(475)

The monthly average number of persons employed by the Company (including Directors) during the year were as follows:

	31 December 2021 No.	31 December 2020 No.
Administration and support	159	170
Sales	53	56
Total	**212**	**226**

Retirement Obligations

The Company does not operate its own pension scheme. Pension contributions are paid to Directors' personal pension schemes and an employee scheme is in place. The scheme is a workplace pension scheme and is a defined contribution scheme. The cost of the Company's contributions are recognised as an employee benefit expenses when they are due.

The Company made contributions of £462k (2020: £475k) during the year.

9) DIRECTORS' REMUNERATION

The Directors of the Company received no remuneration in respect of qualifying services rendered during the current year. The Directors' remuneration for the year was as follows:

	31 December 2021 £k	31 December 2020 £k
Remuneration	(1,372)	(1,502)
Contributions paid to money purchase schemes	(76)	(101)
Total	**(1,448)**	**(1,603)**

During the year the number of Directors who were receiving benefits were as follows:

	31 December 2021 No.	31 December 2020 No.
Accruing benefits under money purchase pension scheme	**5**	**5**

The highest paid Director's emoluments were:

	31 December 2021 £k	31 December 2020 £k
Remuneration	(355)	(347)
Contributions paid to money purchase schemes	-	-
Total	**(355)**	**(347)**

10) AUDITOR'S REMUNERATION

	31 December 2021 £k	31 December 2020 £k
Audit of the financial statements	(108)	(157)
Audit	**(108)**	**(157)**

The audit expense of the Blue Group is fully borne the Company. No other fees were paid to the Auditor during current or comparative years.

11) TAXATION

Analysis of tax expense for the year:

	31 December 2021 £k	31 December 2020 £k
Current Tax		
UK corporation tax expense	-	-
Tax expense	-	-

The income tax charged is lower than the standard UK rate of 19% (2020: 19%).

Reconciliation of tax charge:

	31 December 2021 £k	31 December 2020 £k
Profit/(loss) on ordinary activities before tax	1,170	(24,136)
Tax on ordinary activities at standard CT rate of 19% (2020: 19%)	222	(4,586)
Effect of disallowable expenses	1	275
Adjustments to brought forward values	-	(1,724)
Tax increase from the effect of capital allowances and depreciation	-	1
Effect of Group Loss relief	922	735
Movement in un-provided deferred tax	-	5,450
Rate adjustments	-	(151)
Utilisation of losses not previously recognised	(1,145)	-
Income tax expense for the year	-	-

The corporation tax rate for the year ended 31st December 2021 was 19%. The rate of 19% was enacted with effect from 1 April 2017. The Finance Act 2020 repealed the planned reduction to 17% which had been expected to take effect from 1 April 2020, and re-enacted the 19% rate. The Finance Bill published on 11 March 2021 proposes to continue the 19% corporation tax rate to 31 March 2023 and to enact a 23% rate from 1 April 2023. However this change was not substantively enacted at the reporting date of 31 December 2021.

12) INTANGIBLE ASSETS

	Computer Software	Other intangible assets	Total
	£k	£k	£k
Cost			
At 1 January 2021	1,162	60	1,222
Additions	31	-	31
At 31 December 2021	**1,193**	**60**	**1,253**
At 1 January 2020	1,111	60	1,171
Additions	51	-	51
At 31 December 2020	**1,162**	**60**	**1,222**
Accumulated amortisation			
At 1 January 2021	(1,004)	(13)	(1,017)
Amortisation charge	(114)	(6)	(120)
At 31 December 2021	**(1,118)**	**(19)**	**(1,137)**
At 1 January 2020	(775)	(7)	(782)
Amortisation charge	(229)	(6)	(235)
At 31 December 2020	**(1,004)**	**(13)**	**(1,017)**
Net book amount			
At 31 December 2021	**75**	**41**	**116**
At 31 December 2020	**158**	**47**	**205**

13) TANGIBLE ASSETS

	Office Equipment	Fixtures and Fittings	Total
	£k	£k	£k
Cost			
At 1 January 2021	899	254	1,153
Additions	102	40	142
At 31 December 2021	**1,001**	**294**	**1,295**
At 1 January 2020	743	244	987
Additions	156	10	166
At 31 December 2020	**899**	**254**	**1,153**
Depreciation			
At 1 January 2021	(566)	(202)	(768)
Charge for the year	(138)	(37)	(175)
At 31 December 2021	**(704)**	**(239)**	**(943)**
At 1 January 2020	(423)	(157)	(580)
Charge for the year	(143)	(45)	(188)
At 31 December 2020	**(566)**	**(202)**	**(768)**
Net book amount			
At 31 December 2021	**297**	**55**	**352**
At 31 December 2020	**333**	**52**	**385**

14) HIRE PURCHASE RECEIVABLES

Reconciliation of Gross hire purchase receivables to hire purchase receivables:

	Note	31 December 2021 £k	31 December 2020 £k
Gross hire purchase receivables	14.a	371,860	358,234
Unearned finance income		(77,392)	(73,668)
Gross hire purchase receivables net of unearned finance income	14.b,c	294,468	284,566
Provision	14.d	(22,446)	(22,133)
Unamortised commission		16,688	14,957
Deferred income		2,599	1,123
Hire purchase receivables	14.e	**291,309**	**278,513**

a. Ageing of gross hire purchase receivables:

	31 December 2021 £k	31 December 2020 £k
Amounts falling due:		
within one year	138,644	129,178
in more than one year, and less than five years	229,492	225,020
in more than five years	3,724	4,036
Gross hire purchase receivables	**371,860**	**358,234**
Less: unearned finance income	(77,392)	(73,668)
Less: provision	(22,446)	(22,133)
Gross hire purchase receivables net of provision *	**272,022**	**262,433**

* shown net of unearned finance income.

b. Ageing of gross hire purchase receivables net of unearned finance income:

	31 December 2021 £k	31 December 2020 £k
Amounts falling due:		
within one year	105,860	95,877
in more than one year, and less than five years	185,295	185,035
in more than five years	3,313	3,654
Gross hire purchase receivables *	**294,468**	**284,566**

* shown net of unearned finance income.

c. Analysis of gross hire purchase receivables net of unearned finance income:

	31 December 2021 £k	31 December 2020 £k
Not overdue	255,598	243,193
up to 1 month overdue	11,236	11,954
1 to 2 months overdue	3,334	4,099
2 to 3 months overdue	1,821	2,436
Over 3 months overdue	22,479	22,884
Gross hire purchase receivables *	**294,468**	**284,566**

* shown net of unearned finance income.

d. Change in hire purchase provision:

	31 December 2021 £k	31 December 2020 £k
At 1 January	(22,133)	(16,545)
Provision for the year	(313)	(5,588)
As at 31 December	**(22,446)**	**(22,133)**

e. Ageing of hire purchase receivables:

	31 December 2021 £k	31 December 2020 £k
Amounts falling due:		
within one year	104,724	93,838
in more than one year	186,585	184,675
Hire purchase receivables	**291,309**	**278,513**

In October 2021, a £63.3m loan portfolio was sold by BMF DD Limited to BMF DD 3 Limited. In November 2021 a further loan portfolio of £44.7m was sold by Azure Finance No.1 Plc to BMF DD 3 Limited. Neither of these transfers resulted in de-recognition as the Company retained significant risks and rewards of ownership of the transferred assets.

15) FINANCE LOAN RECEIVABLES

	31 December 2021 £k	31 December 2020 £k
Gross finance loan receivables	3,173	226
Provision	(6)	-
Net finance loan receivables	**3,167**	**226**

The Group's product line SME Lending, which originates finance loans to car dealerships, launched in 2019. In January 2022 these assets were sold into a new SPV, BMF SME Finance Limited. The sale will not result in de-recognition of the assets as the Company retained significant risks and rewards of ownership of the transferred assets.

16) DEBTORS

	31 December 2021 £k	31 December 2020 £k
Loan Notes held at fair value	7,614	11,256
Prepayments	1,937	2,279
Loan notes in subsidiaries	29,841	41,266
Other debtors	8,713	575
Debtors	**48,105**	**55,376**

Ageing of debtors:

	31 December 2021 £k	31 December 2020 £k
Amounts falling due:		
within one year	17,796	15,733
in more than one year	30,309	39,643
Debtors	**48,105**	**55,376**

The Company recognises its share of future excess spread and allocates income to the appropriate accounting periods from the past whole loan sales as Loan Notes held at fair value as the asset is unwound.

Other debtors

Other debtors primarily relates to investments in loan notes. It also includes loan notes and originations which have been sold, but are awaiting payment and excess note funding received to purchase newly originated assets.

17) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2021 £k	31 December 2020 £k
Corporate loan principal and interest *	(1,462)	(22,711)
Accrued expenses	(2,441)	(2,346)
Deferred consideration	(3,909)	(8,867)
Other creditors	(2,887)	(947)
Social security and other taxes	(640)	(343)
Creditors: amounts falling due within one year	**(11,339)**	**(35,214)**

*£20.2m of the corporate loan principal as at 31 December 2020 was repaid during 2021.

18) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2021 £k	31 December 2020 £k
Corporate loan principal	(30,581)	(25,000)
Deferred consideration	(2,832)	(6,740)
Creditors: amounts falling due after more than one year	**(33,413)**	**(31,740)**

19) SUBORDINATED LOAN

	31 December 2021 £k	31 December 2020 £k
Principal	(10,000)	(42,908)
Interest	(1,128)	(16,982)
Subordinated loan	**(11,128)**	**(59,890)**

20) SHARE CAPITAL

	31 December 2021		31 December 2020	
Called up, allotted and issued	**No**	**£k**	**No**	**£k**
Ordinary of £1 each	**59,314,433**	**59,314**	**4,000,000**	**4,000**

On 16th December 2021 the Company issued £55,314k of share capital in exchange for £34,408k principal and £20,906k accrued interest of the Subordinated Loan balance with Blue Auto Finance Limited. No cash was paid as part of this transaction.

21) OPERATING LEASES

Non-cancellable operating lease rentals on land, buildings and vehicles are payable on the one significant contract related to head office buildings of operations, as follows:

	31 December 2021 £k	31 December 2020 £k
within one year	599	486
in more than one year, and less than five years	741	1,167
Total	**1,340**	**1,653**

22) NOTES TO THE CASHFLOW STATEMENT

	31 December 2021 £k	31 December 2020 £k
Cash flows from operating activities		
Profit/(loss) for the year	1,170	(24,136)
Adjustments for:		
Depreciation and amortisation	295	424
Net impairment on hire purchase receivables	313	5,580
Net impairment on finance loan receivables	6	(9)
Increase/(decrease) in provision for other liabilities	74	(158)
Net increase in accrued subordinated loan interest	5,052	3,904
Cash flows from operating activities before changes in operating assets and liabilities	6,910	(14,395)
Changes in operating asset and liabilities:		
- Net (increase)/decrease in hire purchase receivables	(13,109)	21,644
- Net (increase)/decrease in finance loan receivables	(2,947)	384
- Net decrease in debtors	3,144	7,500
- Net (decrease)/increase in creditors	(6,534)	5,494
- Income tax paid	-	-
Net cash (outflow)/inflow from operating activities	**(12,536)**	**20,627**

23) FINANCIAL INSTRUMENTS

The Company holds the following financial instruments:

Financial assets	Note	Total carrying value £k	Total fair value £k
Financial assets at amortised cost:			
Cash and cash equivalents		13,115	13,115
Gross hire purchase receivables net of unearned finance income	14	294,468	282,776
Finance loan receivables	15	3,167	3,167
Loan to group companies	16	29,841	29,841
Other debtors	16	8,713	8,713
Financial assets as at 31 December 2021		**349,304**	**337,612**

Financial liabilities	Note	Total carrying value £k	Total fair value £k
Financial liabilities at amortised costs:			
Loan notes		(264,741)	(264,741)
Corporate loan	17,18	(32,043)	(32,042)
Subordinated Debt	19	(11,128)	(11,128)
Financial liabilities as at 31 December 2021		**(307,912)**	**(307,911)**

Financial assets	Note	Total carrying value £k	Total fair value £k
Financial assets at amortised cost:			
Cash and cash equivalents		34,852	34,852
Gross hire purchase receivables net of unearned finance income	14	284,566	293,771
Finance loan receivables	15	226	226
Loan to group companies		41,266	41,266
Other debtors		575	575
Financial assets as at 31 December 2020		**361,485**	**370,690**

Financial liabilities	Note	Total carrying value £k	Total fair value £k
Financial liabilities at amortised costs:			
Loan notes		(263,728)	(263,728)
Corporate loan	17,18	(47,711)	(47,711)
Subordinated Debt	19	(59,890)	(59,890)
Financial liabilities as at 31 December 2020		**(371,329)**	**(371,329)**

Fair value classification of financial instruments

A summary of the Company's valuation methods used to calculate the fair values of its financial assets and financial liabilities is as follows:

- **Gross hire purchase receivables:** fair value is calculated based in the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date, and adjusted for future credit losses if considered material.
- **Derivative financial instruments:** fair values of derivatives are obtained from quoted market prices in active markets and, where these are not available, from valuation techniques including discounted cash flows.
- **Loan notes:** The fair value of loan notes was calculated based upon the present value of the expected future principal and interest cash flows. The rate used to discount the cash flows was the rate as at the balance sheet date.
- **Loan notes held at fair value:** The fair value of the loan notes held at fair value was based upon the market rate for these notes less any repayments where available. Where a market rate was not available the fair value was calculated using the expected principal and interest cash flows due to the note holders, discounted at a market rate of interest.

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below.

	Note	31 December 2021 £k	31 December 2020 £k
Cash and cash equivalents		13,115	34,852
Hire purchase receivables net of provisions	14	272,023	262,433
Finance loan receivables net of provisions	15	3,167	226
Other debtors	16	8,713	575
Total		**297,018**	**298,086**

Liquidity risk

	Carrying Amount £k	Gross nominal inflow/ (outflow) £k	Less than 1 month £k	1 to 3 months £k	3 months to 1 year £k	1 to 5 years £k	More than 5 years £k
At 31 December 2021							
Assets							
Cash and cash equivalents	13,115	13,115	13,115	-	-	-	-
Hire purchase receivables	291,309	368,701	10,575	20,890	87,460	245,760	4,015
Finance loan receivables	3,167	3,167	3,167	-	-	-	-
Loan to group companies	29,841	29,841	-	-	-	-	29,841
	337,433	**414,824**	**26,857**	**20,890**	**87,460**	**245,760**	**33,856**
Liabilities							
Corporate loan	32,043	32,043	-	-	32,043	-	-
Loan from group companies	264,748	278,513	7,872	15,737	70,228	181,098	3,576
Subordinated debt	11,128	11,128	-	-	-	11,128	-
Other Liabilities	207	207	-	-	-	207	-
	308,126	**321,891**	**7,872**	**15,737**	**102,271**	**192,433**	**3,576**

	Carrying Amount £k	Gross nominal inflow/ (outflow) £k	Less than 1 month £k	1 to 3 months £k	3 months to 1 year £k	1 to 5 years £k	More than 5 years £k
At 31 December 2020							
Assets							
Cash and cash equivalents	34,852	34,852	34,852	-	-	-	-
Hire purchase receivables	278,513	352,181	11,100	21,979	94,060	221,084	3,959
Finance loan receivables	226	227	114	91	23	-	-
Loan to group companies	41,266	41,266	-	-	-	-	41,266
	354,857	**428,526**	**46,066**	**22,070**	**94,083**	**221,084**	**45,225**
Liabilities							
Corporate loan	47,711	47,711	-	-	47,711	-	-
Loan from group companies	263,728	278,513	7,872	15,737	70,228	181,098	3,576
Subordinated debt	59,890	59,890	-	-	-	59,890	-
Other Liabilities	133	133	-	-	-	133	-
	371,462	**386,247**	**7,872**	**15,737**	**117,939**	**241,121**	**3,576**

Changes in liabilities from financing activities	1 January 2021 £k	Financing cash flows £k	Financing non-cash £k	31 December 2021 £k
Corporate Loan	47,711	(15,668)	-	32,043
Loan from group companies	263,728	1,013	-	264,741
Subordinated loan principal	42,908	1,500	(34,408)	10,000
Interest on Subordinated Debt	16,982	-	(15,854)	1,128
	371,329	**(13,155)**	**(50,262)**	**301,911**

24) SUBSIDIARIES

Subsidiaries are entities controlled by the Group but although not consolidated by the Company do have significant interactions with the Company. These subsidiaries have been detailed below to aid the understanding of the group funding structure. The financial statements of subsidiaries are not consolidated into Blue Motor Finance Limited.

Subsidiary Company	Principal Activity	Immediate Parent	Registered Office	Country	Class of Shares	Direct ownership interest
Azure Finance No.1 Plc	Public Securitisation	Blue Motor Finance Limited	1 Bartholomew Lane, London EC2N 2AX	United Kingdom	Ordinary	0%
Azure Finance No.2 Plc	Public Securitisation	Blue Motor Finance Limited	1 Bartholomew Lane, London EC2N 2AX	United Kingdom	Ordinary	0%
Blue Motor Finance DD Limited	Securitisation vehicle	Blue Motor Finance Limited	1 Bartholomew Lane, London EC2N 2AX	United Kingdom	Ordinary	0%
Blue Motor Finance DD 2 Limited	Securitisation vehicle	Blue Motor Finance Limited	1 Bartholomew Lane, London EC2N 2AX	United Kingdom	Ordinary	0%
Blue Motor Finance DD 3 Limited	Securitisation vehicle	Blue Motor Finance Limited	1 Kings Arm Yard, London EC2R 7AF	United Kingdom	Ordinary	0%
BMF SME Finance Limited	Securitisation Vehicle	Blue Motor Finance Limited	1 Kings Arm Yard, London EC2R 7AF	United Kingdom	Ordinary	0%

The entire issued share capital of Blue Motor Finance DD Limited, Blue Motor Finance DD 2 Limited, Azure Finance No.1 Plc and Azure Finance No.2 Plc is held on a discretionary trust basis under a share trust deed by the legal parent, Intertrust Corporate Services Limited, a company registered in England and a wholly-owned subsidiary of Intertrust Management Limited. Copies of the financial statements of all companies may be obtained from 1 Bartholomew Lane, London EC2N 2AX.

The entire issued share capital of Blue Motor Finance DD3 Limited and BMF SME Finance Limited are held on a discretionary trust basis under a share trust deed by the legal parent, Wilmington Trust SP Services (London) Limited, a company registered in England and a wholly-owned subsidiary of Wilmington Trust (UK) Limited. Copies of the financial statements of all companies may be obtained from 1 Kings Arm Yard, London EC2R 7AF.

The remaining HP receivable assets held in Blue Motor Finance DD Limited and Azure Finance No.1 Plc were sold to Blue Motor Finance DD 3 Limited during the latter half of the year and the two entities then effectively ceased trading.

25) RELATED PARTY TRANSACTIONS

During the year the Company entered into certain transactions with related parties, in the normal course of business and on an arm's length basis.

CS Capital Partners IV LP: Up to 31 December 2020, the Company had subordinated loans totalling £500k of £1 zero coupon notes. These were repaid in full in February 2021.

Blue Auto Finance Limited: On 22 October 2014 Blue Auto Finance Limited entered into a £33m Subordinated Loan agreement with the Company, which was subsequently extended to £45m on 15 July 2016. On 16th December 2021 the Company issued £55,314,000 of share capital in exchange for part of the outstanding Subordinated Loan balance, along with accrued interest. No cash was paid as part of this transaction.

As of 31 December 2021 the loan balance was £10,000k (2020: £42,908k) with accrued interest of £1,128k (2020: £16,982k).

Azure Finance No.1. Plc: On 4 May 2018, the Group provided by way of a share capital loan agreement £12.5k to Azure Finance No.1 Holdings Limited, at a rate of 6% with capital interest to be paid at maturity being 3 months after the Azure notes have been redeemed in full. The balance is still outstanding as of 31 December 2021.

Azure Finance No.2. Plc: On 8 July 2020, the Group provided by way of a share capital loan agreement £12.5k to Azure Finance No.2 Holdings Limited, at a rate of 6% with capital interest to be paid at maturity being 3 months after the Azure 2 notes have been redeemed in full. The balance is still outstanding as of 31 December 2021.

Blue Motor Finance DD 2 Limited: A £1m expense loan from the Company commenced from 20 February 2020 .The outstanding loan balance was repaid on 8th June 2021.

Blue Motor Finance DD 3 Limited: A £1m expense loan facility from Blue Motor Finance Limited commenced on 7 October 2021. £158k was drawn down under this facility on 24th November 2021 and was fully repaid on 7th December 2021.

26) PARENT UNDERTAKING AND CONTROL

The Company's immediate parent undertaking, controlling party and largest group of which the Company is a member is Blue Auto Holdings Ltd, a company registered in England and Wales

The ultimate controlling entity is CS Capital Partners IV LP of registered address One, Connaught Place, London, W2 2ET.

27) EVENTS AFTER THE REPORTING PERIOD

In January 2022 the Company's finance loan receivable assets were sold into a new SPV, BMF SME Limited. The sale will not result in de-recognition of the assets as the Company retained significant risks and rewards of ownership of the transferred assets.