Company Registration Number: 13468075

# BAVARIAN SKY UK 4 PLC

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2022

**BAVARIAN SKY UK 4 PLC**

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**CONTENTS**

**BAVARIAN SKY UK 4 PLC**

**COMPANY INFORMATION AND INDEPENDENT AUDITORS**

| | |
|---|---|
| **Directors** | Mr D J Wynne<br>Wilmington Trust SP Services (London) Limited |
| **Company secretary** | Wilmington Trust SP Services (London) Limited |
| **Company registered number** | 13468075 |
| **Registered office** | C/O Wilmington Trust SP Services (London) Limited<br>Third Floor<br>1 King's Arms Yard<br>London<br>EC2R 7AF |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>7 More London Riverside<br>London<br>SE1 2RT |

**BAVARIAN SKY UK 4 PLC**

**STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their Strategic report of Bavarian Sky UK 4 PLC (the "Company") for the year ended 31 December 2022.

**BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of a special purpose company incorporated for the securitisation of auto loans (the "Reference Portfolio"), originated by BMW Financial Services (GB) Limited (the "Originator", the "Servicer" and the "Issuer"). The transaction documents dated 18 August 2021 set out the details of the transaction.

The auto loans within the Reference Portfolio arise under fixed interest rate (personal contract plan) hire-purchase agreements under which the customer has the right to purchase the financed vehicle after making all payments under the underlying agreements. The customer also has the option of returning the financed vehicle to the Originator instead of making the final payment. Legal title in the financed vehicle is retained by the Originator until all instalments have been made.

On 18 August 2021 the Company issued £400,000,000 Class A Notes due August 2029 (the "Class A Notes"), £70,200,000 Class B Notes due August 2029 (the "Class B Notes") and £54,000,000 Class C Notes due August 2029 (the "Class C Notes" and, together with the Class A Notes and the Class B Notes, the "Notes"). On the same date, the Company issued a £4,230,000 Subordinated loan. The Class A Notes are listed on the Luxembourg Stock Exchange, the Class B Notes and Class C Notes are held by the Originator, who is also considered to be the Company's controlling party.

The portfolio purchase price of the Reference Portfolio is the sum of the initial portfolio purchase price and the deferred purchase price. The initial portfolio purchase price represents the aggregate discounted receivables balance of the Reference Portfolio, being the sum of the scheduled cash flows of the purchased receivables, discounted at the higher of 5% and the annual percentage rate (the "APR") of the purchased receivable. The deferred purchase price ("Deferred Purchase Price") represents the excess of the cashflows received by the Company from the Reference Portfolio above the Company's payments and issuer profit as determined by the transaction documents, is netted off to arrive at the Deemed loan to the Originator.

The entire proceeds of the Notes were used to fund the payment of the initial portfolio purchase price of the Reference Portfolio and the Subordinated loan was used to fund a Cash Reserve Ledger (operating account). The Class B Notes, Class C Notes and the Subordinated loan were funded by the Originator. Concurrently, the Company entered into an interest rate swap to manage the interest rate mismatch between the fixed and floating rate notes within a tolerable range.

Where a customer is not in default but either terminates their agreement early or exercises their option to return the vehicle at the end of the lease term, the Originator is required to repurchase the relevant receivable for its Discounted Receivables Balance, as defined in the transaction documents.

During the Revolving Period – being the period from 18 August 2021 to the interest payment date ending in September 2022 – principal receipts on the underlying purchased receivables were used to purchase additional receivables from the Originator (again, for the aggregate of the initial portfolio purchase price and the deferred purchase price). Where the Revolving Period has ended, principal repayments on the Loan Notes commence.

The Company's Notes are not due to be fully repaid until August 2029 and an early repayment is not expected within twelve months of signing these financial statements. Even in the case that the Originator exercised this option to early terminate the transaction through the repurchase of the receivables, according to the terms of the transaction documents, the Reference Portfolio would be repurchased at gross amounts and therefore sufficient resources would be available to the Company to repay the Notes outstanding.

The sale of the Reference Portfolio to the Company is considered, in the financial statements of the Originator, to fail the derecognition criteria of IFRS 9 Financial instruments: Recognition and Measurement, due to the credit enhancement provided to the Class A Notes by the Originator (the Class B Notes, the Class C Notes, the Subordinated loan, the discounted initial portfolio purchase price and the entitlement to the deferred purchase price). As a result, because the Originator has not derecognised the Reference Portfolio from its Statement of financial position, the Company does not recognise the Reference Portfolio on its own Statement of financial position and instead accounts for the transaction as a funding transaction. As a result, in its Statement of financial position the Company has recognised a receivable from the Originator (the "Deemed loan to the Originator"), rather than the Reference Portfolio it has legally purchased (which in substance represents the collateral held against the Deemed loan to the Originator).

**BUSINESS REVIEW AND PRINCIPAL ACTIVITIES (continued)**

The day 1 value of the Deemed loan to the Originator represented the net cash flow paid to the Originator by the Company, in relation to the initial portfolio purchase price less the amount paid by the Originator to fund the Subordinated loan. Over time, the Deemed loan to the Originator balance moves as a result of the purchase of additional receivables and principal repayments on existing receivables.

The Company's only sources of funds for the payment of principal and interest due on the Notes are the principal and interest collections which the Company is entitled to receive from the Reference Portfolio, combined with receipts under the interest rate swap.

The directors have reviewed data and information relating to the credit quality of the Reference Portfolio underlying the Deemed loan to the Originator up to the date of approval of the financial statements and are satisfied that the level of impairment of the underlying assets does not exceed the amount of credit enhancement supplied to the Company by the Originator as defined in note 7.

**RESULTS AND DIVIDENDS**

The results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The prior period (the 'PP') is the period from incorporation on 21 June 2021 to 31 December 2021. The Company is required under the transaction documents to operate on the basis that any returns on the Reference Portfolio underlying the Deemed loan to the Originator will be returned to the Originator as Deferred Purchase Price after all required payments have been made to the noteholders, to cover operating expenses and to retain the required issuer profit in the Company. The profit for the year was £6,011,969 (PP: £4,167,223) and primarily due to a gain in the fair value movement of the derivative. At the year end, the Company had net assets of £10,191,693 (PP: £4,179,724). The directors have not recommended the payment of a dividend for the year (PP: £nil).

**FUTURE DEVELOPMENTS**

The UK currently faces significant economic uncertainty. This uncertainty is greater than historical levels of uncertainty, due to COVID-19, Brexit and geopolitical tensions (heightened following the Russian military invasion of Ukraine).

This has resulted in significant cost inflation (10.1%, based on the CPI for March 2023) and therefore increased pressure for the Bank of England to continue to increase the base rate from an unprecedented low level (with the first increase being from 0.5% to 0.75% in March 2022, 1.25% in June 2022, 1.75% in August 2022, 2.25% in September 2022, 3% in November 2022, 3.5% in December 2022 and 4% in February 2023 and 4.25% in March 2023). All of these factors result in increased pressure on affordability and a heightened risk that borrowers may ultimately default on their loan.

In November 2020, the UK government announced their intention to accelerate initial plans to phase out the sale of diesel and petrol cars by 2030 with the manufacturing of new cars and bans to be fully zero emissions by 2035. It is uncertain as to measure what extent this would have on the performance of the Reference Portfolio; however, it is expected to have a limited impact on the Company due to the life of underlying contracts being fixed contracts over a period of time in which the Reference Portfolio is expected to have been repaid in full by August 2029.

As at the report date there has been no material impact from these macroeconomic factors on the Company's financial performance or cash flows. While the extent and duration of the effect of this economic uncertainty remains unclear, there is a risk of financial instability for the Company. A detrimental effect on the UK economy may ultimately impact the borrowers' ability to repay the loans, or on the Servicer's ability to continue to effectively service the Reference Portfolio. However, in the worst-case scenario the Notes are a limited recourse obligation of the Company, therefore payment of them is limited to the application of receipts from the underlying auto loans and the Company is not ultimately exposed if the borrowers are unable to repay the loans.

**KEY PERFORMANCE INDICATORS**

The key financial performance indicators of the Company are considered by the directors to be the performance of the Reference Portfolio (see Note 7) and the rating of the Class A notes due to being held externally, which have continued to be rated AAA by S&P and Fitch. The principal balance of the Reference Portfolio, a key performance indicator, held by the Company decreased from £499,722,228 at the start of the year to £409,387,757 as at 31 December 2022, due to the net effect of scheduled and unscheduled repayments of the Reference Portfolio. There has been no material deterioration in the performance of the Reference Portfolio since the year end date.

As at the reporting date, 1,256 (2021: 174) auto loans were in arrears. However, as at the signing date 2,591 auto loans were in arrears.

**Early amortisation triggers**

The terms of the securitisation transaction include early amortisation triggers which are reported in the Offering Circular. None of these triggers were either during or on the period up to the signing of the Annual Report.

**SECTION 172 STATEMENT**

Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of stakeholders in their decision making. The directors continue to have regard to the interests of the Company's stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions.

As a securitisation vehicle, the governance structure of the Company is such that the key policies have been predetermined at the time of issuance. The directors consider what is most likely to promote the success of the Company in the long term. The directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- with reference to subsection (a) concerning the likely consequences of any decision in the long term: transaction documentation has been set up to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and as disclosed under basis of preparation in Note 1 and in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit.
- Due to the nature of the entity it has no employees therefore subsection (b) is not relevant.
- (c) the Company is a securitisation vehicle and fosters its relationships with suppliers and others via professional third parties who have been assigned operational roles with their roles strictly governed by the transaction documents and fee arrangements agreed in advance. The Company has no customers other than the borrowers under the auto loans.
- (d) as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
- (e) the Company maintains a reputation for high standards of business conduct via professional third parties who have been assigned operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the transaction documents including a priority of payments, if applicable; and

  (f) the Company has a sole member with the issued shares all held on a discretionary trust basis for charitable purposes.

BAVARIAN SKY UK 4 PLC

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks affecting the Company and its management are set out in Note 14 to the financial statements which includes interest rate risk. The Company's exposure to risk is largely mitigated by the structure of the transaction and the financial instruments that are put in place as a consequence. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction. The Originator continues to administer the Reference Portfolio under a service agreement. In administering the Reference Portfolio, the Originator applies its formal structure for managing risk and other controls procedures.

A detailed consideration of the risk factors relevant to the securitisation transaction is included in the section "Risk Factors" of the offering circular which is available at www.euroabs.com/IH.aspx?d=16026.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Signed on behalf of the Board

Mr D J Wynne
Director
9 June 2023

**BAVARIAN SKY UK 4 PLC**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their Annual Report and the financial statements of the Company for the year ended 31 December 2022. Wilmington Trust SP Services (London) Limited, a private limited company incorporated in England and Wales, holds the shares of Bavarian Sky UK Holdings Limited, the immediate parent of the Company, under Declarations of Trust for charitable purposes. For accounting purposes, the Company's controlling party is considered to be BMW Financial Services (GB) Limited, a private limited company incorporated in England and Wales, on the basis that this entity holds the majority of the exposure to variability associated with the Reference Portfolio through holding the Class B Notes, Class C Notes and Subordinated loan. BMW AG, a public limited company incorporated in Munich, Germany, is considered to be the ultimate parent of the Company but has no direct ownership interest in the Company. In addition to the information in the Strategic report regarding the securitisation transaction, the directors manage the Company's affairs in accordance with the transaction documents.

The Business Review and Principal Activities of the Company, Results and Dividends, Future Developments, Key Performance Indicators and Principal Risks and Uncertainties are detailed in the Strategic Report.

**GOING CONCERN**
The financial statements comprise the results of the Company and have been prepared on the going concern basis.

As at 31 December 2022, the net assets of the Company were £10,191,693 (PP: £4,179,724). The directors are of the opinion that the Company will continue as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

As explained in more detail in Note 1 to the financial statements, the directors have undertaken assessment of the Company's on-going business model and have made enquiries of the management of the Originator. The directors note the current level of market volatility arising from events in the global banking market. The directors have considered this along with the details set out in Note 1 and have concluded that it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future.

**CORPORATE GOVERNANCE STATEMENT**
Due to the nature of the securities which have been issued on the Luxembourg Stock Exchange, the Company is exempt from Disclosure and Transparency Rules (DTR) 7.1 audit committees and 7.2 corporate governance statements with the exception of DTR 7.2.5 set out below. The directors are therefore satisfied that there is no requirement for an audit committee, or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement. An audit committee would not be appropriate for the Company because the Company is an issuer of asset-backed securities, and all activities of the Company are governed by the transaction documents which were predetermined at the time of issuance.

DTR 7.2.5 requires a description of the main features of the issuer's internal control and risk management systems in relation to the financial reporting process. The directors are responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process.

The Directors are responsible for internal control at the Company and for reviewing the effectiveness of the controls in place.

Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The procedures enable the Company to comply with the regulatory obligations. For further details, refer to Notes to the financial statements particularly Note 14 on financial risk management.

**DIRECTORS**
The directors who served the Company during the year and up to the date of signing the financial statements were as follows:

Wilmington Trust SP Services (London) Limited
Mr D J Wynne

**THIRD PARTY INDEMNITIES**
The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remained in force during the year and also at the date of approval of the Directors' report and financial statements.

**DIVIDENDS**
The directors have not recommended a dividend (PP: £nil).

**FINANCIAL RISK MANAGEMENT**
Information on financial risk management is included in the "Principal Risks and Uncertainties" section of the Strategic report and note 14.

**FUTURE DEVELOPMENTS**
Information on future developments is included in the "Future Developments" section of the Strategic report.

**STREAMLINED ENERGY AND CARBON REPORTING**
The Company is out of the scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

**INDEPENDENT AUDITORS' APPOINTMENT**
The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. Subject to any resolution to the contrary, under Section 485 of the Companies Act, PricewaterhouseCoopers LLP are deemed to have been re-appointed as auditors of the Company.

**Statement of directors' responsibilities in respect of the financial statements**

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 prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

**Directors' confirmations**

In the case of each director in office at the date the directors' report is approved:

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

Signed on behalf of the Board

Mr D J Wynne
Director
9 June 2023

# Independent auditors' report to the members of Bavarian Sky UK 4 PLC

## Report on the audit of the financial statements

### Opinion

In our opinion, Bavarian Sky UK 4 PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Context

The Company is a special purpose vehicle that forms part of a securitisation structure to issue auto loan backed debt securities, established primarily as a means of creating liquidity for BMW Financial Services (GB) Limited (the "Originator"). The Company's operations are governed by underlying legal and transaction documents.

#### Overview

Audit scope

- The scope of our audit and the nature, timing and extent of our audit procedures performed were determined by our risk assessment and other qualitative factors.
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the financial statements.
- We identified all material financial statement line items and disclosures, including those that were considered qualitatively material, and conducted our work over those accordingly

Key audit matters

- Accounting for the cash flows associated with the auto loans

Materiality

- Overall materiality: £4,440,750 (2021: £5,285,620) based on 1% of Total assets.

- Performance materiality: £3,330,563 (2021: £3,964,215).

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit. The key audit matter below is consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Accounting for the cash flows associated with the auto loans*<br>The Originator has retained substantially all the risks and rewards in respect of the pool of the auto loans as they hold the Class B Notes and the Class C Notes and have provided the Company with the Subordinated loan.<br>As a result, the Company does not recognise the auto loans on its Statement of financial position and instead recognises a Deemed loan to the Originator. The Deemed loan to the Originator is then repaid in line with receipts from the auto loans, providing cash flows which are then used by the Company to settle its liabilities and to repay Notes principal. Both the Deemed loan to the Originator asset and the Notes liabilities are measured at amortised cost using the effective interest rate method.<br>As a special purpose entity, the Company is required on each interest payment date to make payments in accordance with the priority of payments, set out in the underlying transaction documents. This ensures that creditors, including noteholders, receive payments in accordance with their seniority in the priority of payments.<br>The correct sequencing of payments at each interest payment date, as well as the appropriate use of cash flows to fund the Cash Reserve Ledger, is therefore critical, given the limited recourse nature of the Notes.<br><br>Related disclosures in the financial statements:<br>Note 1: Principal accounting policies<br>Note 3: Interest income<br>Note 7: Deemed loan to the Originator<br>Note 11: Notes issued<br>Note 14: Financial risk management. | We undertook the following procedures:<br>• Reviewed the terms of the securitisation, as set out in the transaction documents, against the derecognition and classification criteria of IFRS 9, in order to validate the appropriateness of the director's conclusions regarding the accounting for the legal sale of the Reference Portfolio;<br>• Tested a sample of auto loans acquired by the Company and agreed them back to the Originator's loan system to ensure that they were flagged as being owned by the Company;<br>• Agreed the Deemed loan to the Originator balance in note 7 to supporting breakdown. We have tested the reconciliation of opening balance, movements (additions, collections and repurchases), and the Subordinated loan to the closing balance;<br>• Validated the data associated with a sample of auto loans back to signed contracts and, for a sample of collections, matched the total amounts recorded in the Originator's loan system to that received by the Company to provide evidence over the distributable amounts; and<br>• For a sample of interest payment dates occurring during the period, we compared the available amounts for distribution to the amounts received in respect of the auto loans; and the prevailing priority of payments to that stated within the transaction documents.<br><br>We have no material matters to note in relation to the above procedures. |

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The purpose of the Company as a securitisation vehicle is to raise and repay funds as dictated by the underlying legal documentation. We identified all material financial statement line items and disclosures, including those that were considered qualitatively material. The procedures performed provided sufficient evidence over all material classes of transactions, account balances and disclosures in the financial statements.

### The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| *Overall company materiality* | £4,440,750 (2021: £5,285,620). |
| *How we determined it* | 1% of Total assets |
| *Rationale for benchmark applied* | The Company is a not for profit special purpose vehicle, whose main priority is to remit the cash received in respect of its assets so as to repay its liabilities. |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 25% (2021: 75%) of overall materiality, amounting to £3,330,563 (2021: £3,964,215) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £222,038 (2021: £264,280) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Directors' going concern assessment;
- Inspecting the transaction documents to verify that the Notes are limited recourse instruments and that certain expenses can be deferred if there are insufficient funds;
- Reviewing historical levels of non-deferrable expenses and payments and comparing them to the year-end cash at bank balance with a view to its sufficiency to cover such expenses and assessing sensitivity to potential reductions in future cash receipts from the underlying loans;
- Inspecting post year-end investor reports for pertinent changes in cash flows, such as deterioration in the performance of the underlying loans; and
- Reviewing the events of default in the transaction, as set out in the transaction documents and checking that no trigger breaches had occurred that would impact the going concern assertion directly.

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### Auditors' 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 auditors' 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to any breach of the listing requirements of the Luxembourg Stock Exchange under which the Offering Circular dated 18 August 2021 was issued or of the underlying transaction documents, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Making inquiries with those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Testing, on a sample basis, that the priority of payments has been applied in accordance with the underlying transaction documents;
- Testing of the reconciliation of the financial statements to the period end servicer's reports and to the bank statements of the Company; and
- Testing journals using a risk-based approach and evaluating whether there was evidence of bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 June 2023

**BAVARIAN SKY UK 4 PLC**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

| CONTINUING OPERATIONS | Note | For the year ended 31 December 2022 £ | For the period from 21 June 2021 to 31 December 2021 £ |
|---|---|---|---|
| Interest income | 3 | **8,601,272** | 1,769,466 |
| Interest expense | 4 | **(8,488,303)** | (1,692,236) |
| **Net interest income** | | **112,969** | 77,230 |
| Fair value movement of derivatives | 8 | **6,006,299** | 4,155,073 |
| Administrative expenses | 5 | **(105,969)** | (62,230) |
| **Profit before tax** | | **6,013,299** | 4,170,073 |
| Income tax charge | 6 | **(1,330)** | (2,850) |
| **Profit for the year / period and total comprehensive income** | | **6,011,969** | 4,167,223 |

The profit for the year / period was derived from continuing operations.

The notes on pages 18 to 30 form part of these financial statements.

**BAVARIAN SKY UK 4 PLC**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Note | Share Capital £ | Retained Earnings £ | Total Equity £ |
|---|---|---|---|---|
| Balance as at 21 June 2021 | | - | - | - |
| Issuance of shares | 10 | 12,501 | - | 12,501 |
| Profit for the period and total comprehensive income | | - | 4,167,223 | 4,167,223 |
| Balance as at 31 December 2021 | | 12,501 | 4,167,223 | 4,179,724 |
| **Balance as at 1 January 2022** | | **12,501** | **4,167,223** | **4,179,724** |
| **Profit for the year and total comprehensive income** | | **-** | **6,011,969** | **6,011,969** |
| **Balance as at 31 December 2022** | | **12,501** | **10,179,192** | **10,191,693** |

The notes on pages 18 to 30 form part of these financial statements.

BAVARIAN SKY UK 4 PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

| | Note | 2022 £ | 2021 £ |
|---|---|---|---|
| **Assets** | | | |
| Deemed loan to the Originator | 7 | **409,387,757** | 499,722,228 |
| Other assets | 8 | **28,169,349** | 24,585,256 |
| Cash and cash equivalents (restricted) | 9 | **6,517,903** | 4,254,500 |
| **Total assets** | | **444,075,009** | 528,561,984 |
| **Equity** | | | |
| Share capital | 10 | **12,501** | 12,501 |
| Retained earnings | | **10,179,192** | 4,167,223 |
| **Total equity** | | **10,191,693** | 4,179,724 |
| **Liabilities** | | | |
| Notes issued | 11 | **431,137,040** | 524,200,000 |
| Other liabilities | 12 | **2,742,096** | 179,410 |
| Tax payable | 6 | **4,180** | 2,850 |
| **Total liabilities** | | **433,883,316** | 524,382,260 |
| **Total equity and liabilities** | | **444,075,009** | 528,561,984 |

These financial statements of Bavarian Sky UK 4 PLC, Company registration number 13468075, on pages 14 to 30 were approved by the Board of directors on 9 June 2023 and are signed on its behalf by:

Mr D J Wynne
Director

The notes on pages 18 to 30 form part of these financial statements.

**BAVARIAN SKY UK 4 PLC**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Note | For the year ended to 31 December 2022 £ | For the period From 21 June 2021 to 31 December 2021 £ |
|---|---|---|---|
| **Cash flows generated from / (used in) operating activities** | | | |
| Profit before tax | | 6,013,299 | 4,170,073 |
| *Adjustments for:* | | | |
| Interest income | 3 | (8,601,272) | (1,769,466) |
| Interest expense | 4 | 8,488,303 | 1,692,236 |
| Movement in derivative financial instrument | 8 | (6,006,299) | (4,155,073) |
| Movement in other assets | 8 | 10,001 | (24,239) |
| Movement in other liabilities | | 2,377,930 | 111,087 |
| **Net cash generated from operating activities** | | 2,281,962 | 24,618 |
| **Cash flows generated from / (used in) investing activities** | | | |
| Purchase of receivables, net of Subordinated loan | 7 | (159,119,774) | (591,024,853) |
| Collections on or repurchase of underlying receivables | 7 | 273,386,206 | 81,579,909 |
| Deferred Purchase Price | | (21,519,756) | (10,683,228) |
| Interest received on Deemed loan to the Originator | | 8,601,272 | 1,769,466 |
| **Net cash generated from / (used in) investing activities** | | 101,347,948 | (518,358,706) |
| **Cash flows (used in) / generated from financing activities** | | | |
| Share capital issued | 10 | - | 12,501 |
| Interest paid | | (8,303,547) | (1,623,913) |
| Notes (repaid) / issued | 11 | (93,062,960) | 524,200,000 |
| **Net cash (used in) / generated from financing activities** | | (101,366,507) | 522,588,588 |
| ***Net increase in cash and cash equivalents*** | 9 | 2,263,403 | 4,254,500 |
| Cash and cash equivalents at start of the year / period | | 4,254,500 | - |
| Cash and cash equivalents at end of the year / period | 9 | 6,517,903 | 4,254,500 |

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the transaction documents.

The notes on pages 18 to 30 form part of these financial statements.

## 1. PRINCIPAL ACCOUNTING POLICIES

**General information**
Bavarian Sky UK 4 PLC is a Public company, limited by shares, incorporated and domiciled in England, United Kingdom with registered number 13468075 and registered office at C/O Wilmington Trust SPP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF, UK.

The principal activity of the Company is that of a special purpose company incorporated for the securitisation of a portfolio of auto loans. The Class A Notes, Class B Notes and the Class C Notes (each such class, a "Class", and the Classes collectively, the "Notes") of the Issuer are backed by a portfolio of auto loans (the "Reference Portfolio") originated pursuant to Personal Contract Purchase ("PCP" or "loans") agreements in relation to certain passenger cars, light commercial vehicles or motorcycles (the "Financed Vehicles").

The Company operates on the basis that any returns on the Reference Portfolio will be returned to the Originator net of interest and operating expenses and an issuer margin of £3,000 on each payment date up to and including the payment date in February 2022 and £100 and on each payment date thereafter.

***Basis of preparation***
These financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements have been prepared under the modified historical cost convention with derivative assets held at fair value through profit & loss.

The preparation of financial statements in conformity with the requirements of the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The Company mainly transacts in Great British Pound ("£"), therefore, the Great British Pound is its functional and presentational currency.

The UK faces significant economic uncertainty. This uncertainty is greater than historical levels of uncertainty, due to geopolitical tensions (heightened following the Russian military invasion of Ukraine) and the significant cost inflation subsequently leading to a potential inherent risk in the customers' ability to repay their PCP agreement.

In assessing this risk, the directors considered the Company's ability to defer certain interest payments on the Notes whilst only being required to make principal payments to the extent there are available principal funds received from the Reference Portfolio. Furthermore, held within cash there is a reserve fund that can be used to mitigate the effect of economic downturns and allow settlement of the Company's non-deferrable liabilities as they fall due. The directors therefore believe that the current economic uncertainty does not question the Company's adoption of the going concern basis of preparation and have prepared the financial statements on this basis.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

**Early adoption of standards**
The directors consider that there are no standards relevant to the Company which should be adopted early.

**Financial assets**
The Deemed loan to the Originator, other receivables and cash and cash equivalents (restricted) are carried at amortised cost using the effective interest method as explained below.

**Deemed loan to the Originator**
Under IFRS 9, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have concluded (as a result of the credit enhancement provided to the Class A Notes) that the Originator has retained substantially all the risks and rewards of the Reference Portfolio and as a consequence, the Company does not recognise the loans on its Statement of financial position but rather a Deemed loan to the Originator.

The Deemed loan to the Originator initially represents the consideration paid by the Company in respect of the acquisition of an interest in the Reference Portfolio net of the amount paid by the Originator to fund the Subordinated loan as, although having separate legal form, both transactions were entered into at the same time in contemplation of each other, they relate to the same risk and there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not have been accomplished as a single transaction. It is subsequently adjusted to the Deferred Purchase Price as determined by the transaction documents and additional receivables purchased during the revolving period. The Deemed loan to the Originator is carried at amortised cost using the effective interest method.

Deferred Purchase Price payable to the Originator, representing the excess of the cashflows received by the Company from the Reference Portfolio above the Company's expenses and issuer profit as determined by the transaction documents, is incorporated within the Deemed loan to the Originator.

On the basis that the Deemed loan to the Originator is to be held for collection of the underlying contractual cash flows and the cash flows are deemed to represent solely payments of principal and interest ("SPPI"), it is measured initially at fair value and then subsequently at amortised cost using the effective interest rate method.

The Company regularly reviews the underlying collateral in relation to the Deemed loan to the Originator and the credit enhancement incorporated into the Deemed loan to the Originator in order to assess for impairment of the Deemed loan to the Originator. In arriving at the Expected Credit Losses ("ECL") associated in respect of the underlying loans, a three-stage model is adopted:

- Stage 1: 12 month ECL calculated at initial recognition covering expected defaults over the next 12 months;
- Stage 2: Lifetime ECL (not credit impaired) calculated following a significant deterioration in credit quality relative to initial recognition; and
- Stage 3: Lifetime ECL (credit impaired) calculated once deemed to be credit impaired and interest revenue recognised on the revised receivable balance, net of the lifetime loss allowance (as opposed to gross).

The ECL allowance on the underlying loans is calculated using probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") and utilises a variety of measurement models and other relevant judgements exercised by the Originator. These models incorporate the Originator's historical experience of credit losses and recoveries, the specific composition of the underlying Reference Portfolio, risk evaluation at the time of origination and a forecast of future economic conditions.

The Deemed loan to the Originator would be considered impaired if the expected cash flows in respect of the securitised assets (taking into account corresponding ECLs) were considered lower than the expected over-collateralisation and excess income to be returned to the Originator over the life of the securitisation arrangement. As at 31 December 2022, this was not the case and no impairment (PP: £nil) was recognised in respect of the Deemed loan to the Originator.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

**Notes held at amortised cost**
The Notes were initially recognised at the fair value of the issue proceeds incurred and are subsequently stated at amortised cost using the effective interest method. In the event that impairment losses exceed the credit enhancement provided by the Originator, any outstanding loss will be borne by the Noteholders.

**Derivative financial instruments**
The Company uses derivative financial instruments to economically hedge its exposure to interest rate risk arising from its activities. In accordance with its policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised in the Statement of financial position at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value with gains and losses recognised in the Statement of comprehensive income. The fair values of interest rate swap contracts have been determined through modelling by reference to observable data. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

**Cash and cash equivalents (restricted)**
Cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition. All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the transaction documents.

**Share capital**
Ordinary shares are classified as equity.

**Interest income and interest expense**
Interest income and expense for all interest-bearing financial instruments are recognised on accruals basis within 'interest income' and 'interest expense' in the Statement of comprehensive income using the effective interest rate method.

**Effective interest rates**
The effective interest rate method calculates the amortised cost of a financial asset or financial liability (or a group of financial assets or liabilities) and allocates 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 payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Calculation of the effective interest rate takes into account early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

In order to determine the effective interest rate applicable to loans an estimate must be made of the expected life of the loans and hence the cash flows relating to them. These estimates are based on historical data from historical patterns and are updated regularly. The accuracy of the effective interest rate would therefore be affected by any differences between the actual borrower behaviour and that predicted.

**Taxation**
Current tax is recognised at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the year end date. The Company is taxed under The Taxation of Securitisation Companies Regulations 2006 (the "Permanent Tax Regime") under which the Company is taxed by reference to its retained profit as defined by the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)".

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors, in particular the fair value of the interest rate swap. Fair values are used in these financial statements for recognition measurement and disclosure purposes. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The existence of a quoted price in an active market or a recent transaction price is the best evidence of fair value and when they are available, they are used. If the market for a financial instrument is not active, fair value is established using a valuation technique. Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

The only financial instruments included in the Company's balance sheet that are measured at fair value is the derivative contract. Whilst the run-off of the Reference Portfolio is not market observable, it can be derived from historic data and therefore the directors consider that the interest rate swap derivative should be regarded as Level 3 in the fair value hierarchy. The external valuations are obtained from the counterparty (RBC Capital Markets). All gains and losses in relation to the level 3 instruments have been recognised in the Statement of comprehensive income for the year and are fully attributable to the level 3 instruments held at year end.

There are no other significant estimates involved in the preparation of these financial statements.

The most significant judgements made by the directors in preparing the financial statements are as follows:

**Measurement of the Deemed loan to the Originator**
It has been concluded that the Deemed loan to the Originator should be measured at amortised cost under IFRS 9 having assessed the business model and underlying cash flows against the relevant criteria below.

Given the nature of the Company's activities, the applicable business model was identified as being one that holds to collect the cash flows of the Deemed loan to the Originator. It was then necessary to confirm that cash flows received in respect of the Deemed loan to the Originator represent payments of solely principal and interest ("SPPI").

IFRS 9 does not provide specific guidance on assessing the SPPI criterion for deemed loan assets. Furthermore, a deemed loan does not have a single contract which sets out its contractual terms, but instead is formed from elements of different contracts that give rise to the deemed loan. It is therefore necessary to determine what the contractual terms of the Deemed loan to the Originator are by considering the various contractual rights and obligations that the Deemed loan to the Originator represents. This requires consideration of the terms of the underlying assets and Subordinated loans provided by the Originator, as well as any associated instruments to determine which of the cash flows of the underlying assets are incorporated into the Deemed loan to the Originator.

In assessing SPPI and possible non-compliance, the following features of the Deemed loan to the Originator were identified:

- Given the level of overcollateralisation inherent in the Deemed loan to the Originator, the Company is not deemed to be materially exposed to external risks other than credit risk associated with the loans, despite some of these receivables having optional balloon payments at the end of the term that are at the borrowers' discretion.

- Additionally, a clean-up call option exists whereby the Originator can repurchase the loans on any interest payment date when the Aggregate Discounted Receivables Balance (as defined in the Receivables Purchase Agreement) has reduced to less than 10% of the initial Aggregate Discounted Receivables Balance or, if sooner, when the Class A Notes have been repaid in full. This call can only be exercised to the extent the consideration is sufficient to redeem all outstanding Class A Notes, Class B Notes and Class C Notes and as such, would be expected to reduce the Deemed loan to the Originator to nil in such a scenario with no resultant exposure to additional upside or downside for the Company.

Based on the above, the directors have concluded that the Deemed loan to the Originator does not violate the SPPI test and therefore should be measured at amortised cost under IFRS 9.

**Assessment of impairment losses on Deemed loan to the Originator**
The recoverability of the Deemed loan to the Originator is dependent on the collections from the underlying Reference Portfolio. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

**Assessment of impairment losses on Deemed loan to the Originator (continued)**
In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current economic and market conditions. The accuracy of impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes. However, impairment of the underlying Reference Portfolio does not result in impairment of the Deemed loan to the Originator, due to the credit enhancement incorporated into the Deemed loan to the Originator.

The income from the Reference Portfolio is expected to exceed the interest payable on the Notes issued by the Company. This excess income is available to top up the Cash Reserve Ledger as required to make good any reductions in the principal balance of the Reference Portfolio as a result of defaults by borrowers prior to repayment if any residual to the Originator as interest on the Subordinated loan or as Deferred Purchase Price.

As explained in Note 7 the Deemed loan to the Originator was not impaired as at 31 December 2022 as the balance of the Reference Portfolio after impairment losses was higher than the balance of the Deemed loan to the Originator.

## 3. INTEREST INCOME

Interest income represents the interest income on the Deemed loan to the Originator being interest income in the Reference Portfolio net of Subordinated loan interest and Deferred Purchase Price, as analysed below.

| | **For the year ended 31 December 2022** | For the period from 21 June 2021 to 31 December 2021 |
|---|---|---|
| | **£** | £ |
| Interest income on Deemed loan to Originator | **8,601,272** | 1,769,466 |

## 4. INTEREST EXPENSE

| | **For the year ended 31 December 2022** | For the period from 21 June 2021 to 31 December 2021 |
|---|---|---|
| | **£** | £ |
| Interest expense – Class A Notes | **6,347,754** | 581,023 |
| Interest expense – Class B Notes | **1,053,598** | 382,136 |
| Interest expense – Class C Notes | **1,080,569** | 391,921 |
| Swap interest | **6,382** | 337,156 |
| | **8,488,303** | 1,692,236 |

## 5. ADMINISTRATIVE EXPENSES

| | **For the year ended 31 December 2022** | For the period from 21 June 2021 to 31 December 2021 |
|---|---|---|
| Profit before tax is stated after charging: | **£** | £ |
| Legal and professional fees | **22,850** | 13,720 |
| SPV admin and accountancy fees | **26,944** | 7,269 |
| Auditors remuneration – audit services (exclusive of VAT) | **32,545** | 28,350 |
| Security trustee and paying agent fees | **15,175** | 6,351 |
| Miscellaneous fees | **8,455** | 6,540 |
| | **105,969** | 62,230 |

The Company has no employees, with the directors being provided by the Corporate Service Provider, Wilmington Trust SP Services (London) Limited. Other than the related party transactions with Wilmington Trust SP Services (London) Limited as set out in Note 13, the directors received no remuneration directly from the entity during the year.

## 5. ADMINISTRATIVE EXPENSES (continued)

During year ended 31 December 2022 the Company did not receive any non-audit services from the statutory auditors (PP: £nil).

## 6. INCOME TAX CHARGE

(a) Analysis of tax charge in the year

| | **For the year ended 31 December 2022** | For the period from 21 June 2021 to 31 December 2021 |
|---|---|---|
| Current tax: | **£** | £ |
| Corporation tax charge for the year / period | **(1,330)** | (2,850) |
| Total income tax charge in the Statement of comprehensive income | **(1,330)** | (2,850) |

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill on 03 March 2021. These include an increase of the main rate to 25% (2021: 25%) from 01 April 2023. The small profits rate will remain at 19% (2021: 19%) for the financial year beginning 01 April 2023.

The tax on the Company's profit before tax is lower to the theoretical amount that would arise using the Standard UK tax rate applicable to profits of the Company as follows:

| | **For the year ended 31 December 2022** | For the period From 21 June 2021 to 31 December 2021 |
|---|---|---|
| | **£** | £ |
| Profit before tax | **6,013,299** | 4,170,073 |
| Profit before tax multiplied by the standard rate of corporation tax of 19% | **(1,142,527)** | (792,314) |
| Accounting profit not taxed in accordance with SI 2006/3296 | **1,142,527** | 792,314 |
| Cash retained profit taxed in accordance with SI 2006/3296 at 19% | **(1,330)** | (2,850) |
| Total income tax charge | **(1,330)** | (2,850) |

(b) Reconciliation of effective tax rate

Under the powers conferred by Finance Act 2005, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement. For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)". Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the Transaction and as defined by the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)".

The directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

## 7. DEEMED LOAN TO THE ORIGINATOR

| | As at 31 December 2022 £ | As at 31 December 2021 £ |
|---|---|---|
| Opening balance | **499,722,228** | - |
| Initial purchase of Deemed loan to the Originator | **-** | 524,200,000 |
| Net collections of underlying loans | **(243,816,008)** | (89,980,644) |
| Repurchase of receivables | **(5,638,237)** | (1,321,981) |
| Subordinated loan received | **-** | (4,230,000) |
| Additional purchases | **159,119,774** | 71,054,853 |
| Closing balance | **409,387,757** | 499,722,228 |

The credit quality of the underlying Reference Portfolio is summarised as follows:

| | As at 31 December 2022 £ | As at 31 December 2021 £ |
|---|---|---|
| Up to date | **403,399,971** | 521,609,879 |
| 1 to 30 days past due | **21,229,728** | 1,717,010 |
| 31 to 60 days past due | **430,231** | 462,713 |
| 61 to 90 days past due | **143,558** | 260,511 |
| 91 days + past due | **454,835** | 153,270 |
| | **425,658,323** | 524,203,383 |

The Deemed loan to the Originator was not impaired as at 31 December 2022 (PP: not impaired) as the balance of the Reference Portfolio after impairment was higher than the balance of the Deemed loan to the Originator.

Since the revolving period ended on 20 September 2022, the cashflows from the underlying Reference Portfolio have been used to repay the Notes issued. Therefore, at the year end the directors estimate the Deemed loan to the Originator to be split into £174,871,915 (PP: £72,518,177) as a current asset and £234,515,842 (PP: £427,204,051) as a non-current asset, based on the underlying Notes issued.

Of the £21,229,728 balance of receivables 1 to 30 days past due at 31 December 2022, £17,993,739 related to payments received prior to 31 December 2022 (a Saturday) but which did not clear until 3 January 2023, being the first business day post year end.

## 8. OTHER ASSETS

| | As at 31 December 2022 £ | As at 31 December 2021 £ |
|---|---|---|
| Prepaid expenses | **14,238** | 24,239 |
| Other receivables* | **17,993,739** | 20,405,944 |
| Derivative asset | **10,161,372** | 4,155,073 |
| | **28,169,349** | 24,585,256 |

The derivative asset is repayable more than 12 month from the signing date of these financial statements and therefore have been classified as a non-current asset. All other assets have been classified as current assets.

* Other receivables comprise of cash collections on the Reference Portfolio received by the Originator prior to the year-end which have been applied as part of the priority of payments on the first interest payment date post year-end.

## 9. CASH AND CASH EQUIVALENTS (restricted)

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the transaction documents.

| | As at 31 December 2022 £ | As at 31 December 2021 £ |
|---|---|---|
| Cash and bank current accounts | 6,517,903 | 4,254,500 |

Cash is held with U.S. Bank Trustees Limited.

## 10. SHARE CAPITAL

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Issued and allotted share capital: | £ | £ |
| 1 share fully paid at £1 each | 1 | 1 |
| 49,999 partly paid shares at £0.25 each | 12,500 | 12,500 |
| | 12,501 | 12,501 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 11. NOTES ISSUED

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| **Non-current liabilities** | £ | £ |
| Class A Notes (compounded daily SONIA plus 0.35% per annum) | 122,774,816 | 323,929,683 |
| Class B Notes (1.5% Fixed rate per annum) | 70,200,000 | 70,200,000 |
| Class C Notes (2% Fixed rate per annum) | 54,000,000 | 54,000,000 |
| | 246,974,816 | 448,129,683 |
| **Current liabilities** | | |
| Class A Notes (compounded daily SONIA plus 0.35% per annum) | 184,162,224 | 76,070,317 |
| | 431,137,040 | 524,200,000 |

The exposure of the Company's borrowings to interest rate changes and contractual re-pricing dates at the reporting date is immaterial, due to the interest rate swap. The revolving period ended in September 2022 and the principal is now being repaid in accordance with the priority of payments.

The Class A Notes, Class B Notes and Class C Notes have a legal final maturity date on the payment date in August 2029. The above maturity is based on expected repayment based on the associated cashflows with the Reference Portfolio.

## 12. OTHER LIABILITIES

| | As at 31 December 2022 £ | As at 31 December 2021 £ |
|---|---|---|
| Other payables | 2,230,929 | - |
| Accruals and deferred income | 511,167 | 179,410 |
| | 2,742,096 | 179,410 |

Other payables relate to amounts owed to the Originator in relation to excess swap receipts received into the Company.

## 13. RELATED PARTY TRANSACTIONS

The Company has identified the following transactions which are required to be disclosed under the terms of IAS 24 "Related Party Disclosures".

During the year, administration and accounting services were provided by Wilmington Trust SP Services (London) Limited to the Company for which Wilmington Trust SP Services (London) Limited earned £26,944 (PP: £7,269) including value added taxes and expenses. Mr D J Wynne, a director of the Company, is also a director of Wilmington Trust SP Services (London) Limited.

During the year, there were net movements of £159,119,774 (PP: £466,824,853) to BMW Financial Services (GB) Limited from the Company in respect of £159,119,774 (PP: £595,254,853) purchase of underlying loans on the Deemed loan to the Originator, less £nil (PP: £70,200,000) Class B Notes, £nil (PP: £54,000,000) Class C Notes and £nil (PP: £4,230,000) Subordinated loan. As at 31 December 2022, other receivables of £17,993,739 (PP: £20,405,944) comprise of cash collections on the Reference Portfolio received by the Originator prior to the year-end which have been applied as part of the waterfall on the first interest payment date post year-end. The interest income earned on the underlying Reference Portfolio for the year was £8,601,272 (PP: £1,769,466).

Under the terms of the sale agreement relating to the acquisition of loans, BMW Financial Services (GB) Limited has a residual interest in the portfolio of loans primarily represented by the Class B Notes, Class C Notes, Subordinated loan and the Deferred Purchase Price. At 31 December 2022, £4,230,000 (PP: £4,230,000) of Subordinated loan, £70,200,000 (PP: £70,200,000) of Class B Notes and £54,000,000 (PP: £54,000,000) of Class C Notes was due to BMW Financial Services (GB) Limited and £21,519,756 (PP: £10,683,228) of Deferred Purchase Price has been paid to BMW Financial Services (GB) Limited during the year, with none accruing at the year end.

## 14. FINANCIAL RISK MANAGEMENT

The Originator considers the Company to be its subsidiary. The Originator manages the Reference Portfolio under the servicer agreement with the Company according to the transaction documents. In managing the receivables, the Originator applies its own formal risk management structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Originator which is charged with the responsibility for managing and controlling the Statement of financial position exposures of the Company.

**Interest rate risk**
After taking into consideration the administered interest rate nature of the Company's Deemed loan to the Originator, the regular re-pricing of the Company's floating rate notes, together with the nature of the Company's other assets and liabilities, the directors do not believe that the Company has any significant interest rate re-pricing exposure. The exposure of the Company's borrowings to interest rate changes and contractual re-pricing dates at the reporting date is immaterial, due to the interest rate swap.

**Interest rate sensitivity**
The sensitivity analysis has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities at the financial reporting date and has been based on management's assessment of the possible changes in interest rates.

The sensitivity of the Company to interest rate changes, and the resulting changes in net assets attributable to equity shareholders, is negligible due to the structuring of the interest rate swaps and the fact that the Company only retains 0.01% of interest collections. If interest rates had been 25 basis points higher and all other variables held constant, net assets attributable to equity shareholders as at 31 December 2022 would have been £114 higher (PP: £125). If interest rates had been 25 basis points lower and all other variables held constant, net assets attributable to equity shareholders as at 31 December 2022 would have been lower by £114 (PP: £125).

**Credit risk**
The maximum exposure to credit risk is considered by the directors to be the carrying value of the Deemed loan to the Originator (see Note 7) and cash and cash equivalents. The Reference Portfolio consist of PCP agreements selected from the total portfolio of agreements entered into by BMW Financial Services (GB) Limited.

**14. FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity risk**

The Company's policy is to manage liquidity risk through its use of its Subordinated loan and excess spread, a reserve fund and an over-collateralisation of the Reference Portfolio underlying the Deemed loan to the Originator. As the length of the Notes is designed to match the length of the Reference Portfolio underlying the Deemed loan to the Originator, following the end of revolving period, there are deemed to be limited liquidity risks facing the Company.

In the event that the Company has insufficient funds available to pay interest and/or principal on the Notes then it is obliged to draw on either the reserve fund or liquidity facility to meet its obligations to the holders of the Notes.

The Notes have a final maturity date in 2029 but can be expected to redeem earlier due to the timing of the redemption of the reference portfolio. The Notes are limited recourse in nature and repayment is restricted to the income received by the Company on the reference portfolio acquired and is subject to a payment waterfall under the securitisation transaction documents.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining years at the Statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| **2022** | **In one year or less** | **Greater than one and less than two years** | **Between two and five years** | **Greater than five years** | **Total** |
|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** |
| **Class A Notes** | **(11,596,695)** | **(14,768,890)** | **(44,062,039)** | **(329,049,212)** | **(399,476,836)** |
| **Class B Notes** | **(1,053,000)** | **(1,053,000)** | **(3,159,000)** | **(71,919,419)** | **(77,184,419)** |
| **Class C Notes** | **(1,080,000)** | **(1,080,000)** | **(3,240,000)** | **(55,763,507)** | **(61,163,507)** |
| **Net outflows** | **(13,729,695)** | **(16,901,890)** | **(50,461,039)** | **(456,732,138)** | **(537,824,762)** |

| 2021 | In one year or less | Greater than one and less than two years | Between two and five years | Greater than five years | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Class A Notes | (2,162,400) | (4,437,200) | (16,868,000) | (414,407,875) | (437,875,475) |
| Class B Notes | (1,053,000) | (1,053,000) | (3,159,000) | (72,972,419) | (78,237,419) |
| Class C Notes | (1,080,000) | (1,080,000) | (3,240,000) | (56,843,507) | (62,243,507) |
| Net outflows | (4,295,400) | (6,570,200) | (23,267,000) | (544,223,801) | (578,356,401) |

The following table analyses the Company's derivative financial instruments on a gross basis into relevant maturity groupings based on the remaining period at the Statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| **2022** | **In one year or less** | **Greater than one and less than two years** | **Between two and five years** | **Greater than five years** | **Total** |
|---|---|---|---|---|---|
| **Interest rate swap** | **£** | **£** | **£** | **£** | **£** |
| **- Inflow** | **10,522,416** | **13,694,610** | **40,839,201** | **20,358,005** | **85,414,232** |
| **- Outflow** | **(859,424)** | **(859,424)** | **(2,578,272)** | **(1,403,333)** | **(5,700,453)** |
| **Net inflows** | **9,662,992** | **12,835,186** | **38,260,929** | **18,954,672** | **79,713,779** |

## 14. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk (continued)

| 2021 | In one year or less | Greater than one and less than two years | Between two and five years | Greater than five years | Total |
|---|---|---|---|---|---|
| Interest rate swap | £ | £ | £ | £ | £ |
| - Inflow | 762,400 | 3,037,200 | 12,668,000 | 10,721,848 | 27,189,448 |
| - Outflow | (1,120,000) | (1,120,000) | (3,360,000) | (2,948,822) | (8,548,822) |
| Net (outflows) / inflows | (357,600) | 1,917,200 | 9,308,000 | 7,773,026 | 18,640,626 |

### Currency risk

All of the Company's assets and liabilities are denominated in GBP ("£"), and therefore currently there is no foreign currency risk.

### Capital management

The Company considers its capital to comprise its ordinary share capital and its retained earnings. The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

### Financial instruments

The Company's financial instruments comprise of a Deemed loan to the Originator, cash and cash equivalents, interest-bearing borrowings and various receivables and payables that arise directly from its operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments is undertaken.

### Fair values

The fair values together with the carrying amounts shown in the Statement of financial position are as follows:

| | Note | **Carrying amount As at 31 December 2022** | **Approximate fair value As at 31 December 2022** | Carrying amount As at 31 December 2021 | Approximate fair value As at 31 December 2021 |
|---|---|---|---|---|---|
| | | **£** | **£** | £ | £ |
| Deemed loan to the Originator | 7 | **409,387,757** | **394,069,953** | 499,722,228 | 535,632,750 |
| Interest receivable | 8 | **17,993,739** | **17,993,739** | 20,405,944 | 20,405,944 |
| Derivative asset | 8 | **10,161,372** | **10,161,372** | 4,155,073 | 4,155,073 |
| Cash and cash equivalents | 9 | **6,517,903** | **6,517,903** | 4,254,500 | 4,254,500 |
| | | **444,060,771** | **428,742,967** | 528,537,745 | 564,448,267 |
| Notes issued | 11 | **431,137,040** | **400,587,856** | 524,200,000 | 539,887,250 |
| | | **431,137,040** | **400,587,856** | 524,200,000 | 539,887,250 |

As at year end, the Company has an interest rate swap contract to hedge the risk of floating interest rates on Class A Notes. The fair value of such interest rate swap contracts is calculated by discounting future cash flows using appropriate and observable rate.

## 14. FINANCIAL RISK MANAGEMENT (continued)

**Notes issued**
The carrying amounts of the Class A, Class B Notes and Class C Notes are linked to the Reference Portfolio to which the Company is exposed. The Company has a legal interest in the Reference Portfolio which carry a fixed interest rate. The fair value of the Notes is determined on a discounted cash flow basis.

**Derivative instruments**
The fair value of the interest rate swap is the estimated amount that the Company would receive or pay to terminate the swap at the date of the Statement of financial position and is calculated by discounting future cash flows using appropriate and observable rate.

**Cash and cash equivalents (restricted) and interest receivable**
Due to the short-term nature of these balances, the carrying amount is assumed to be the same as the fair value.

**Deemed loan to the Originator**
The fair value of the Notes has been estimated based on valuation models, calibrated to ensure that outputs reflect actual data and comparative market prices. The fair value of the Deemed loan to the Originator has been determined based on the estimated fair value of the Notes and cash. Where cash is in excess of the fair value of the Notes the fair value of the Deemed loan to the Originator is calculated to be nil as all such cash flows must, under the transaction documents, be returned to the Originator as Deferred Purchase Price. Determining fair value is dependent on many factors and can only be an estimate of what value may be obtained in the open market at any point in time.

**Fair value hierarchy**
Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability as follows:

Level 1 - valued using quoted prices in active markets for identical assets or liabilities.

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

The Company holds the Interest Rate Swap at Fair Value under the Level 3 category with the fair value being denoted in Note 8 Other Assets. The fair value of such swap contract asset at the year end is £10,161,372 (PP: £4,155,073).

As at 31 December 2022, the notional of this derivative is £306,937,040 (PP: £400,000,000). As the notional of this derivative is directly linked to the outstanding receivables balance calculated by discounting future cash flows using appropriate and where available observable data, this falls within level 3 of the hierarchy.

Amounts payable by the Company, in accordance with the interest rate swap agreement with Royal Bank of Canada, are fixed. The fixed amounts payable at each IPD total 0.28% of the outstanding balance of the Class A Notes. The floating amounts receivable by the Company are determined with reference to compounded daily SONIA rate on the interest determination date of the outstanding balance of the Class A Notes.

All gains and losses in relation to the level 3 instruments have been recognised in the Statement of comprehensive income for the year and are fully attributable to the level 3 instruments held at the year end.

The fair value of the Deemed loan to the Originator is categorised as level 3. The fair value of the Class A Notes are categorised as level 2 , the Class B Notes and Cass C Notes are categorised as level 3.

**FINANCIAL RISK MANAGEMENT (continued)**

**Fair value hierarchy (continued)**

| **As at 31 December 2022** | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| **Financial assets** | **£** | **£** | **£** | **£** |
| Deemed loan to the Originator | **394,069,953** | - | - | **394,069,953** |
| Derivative asset | **10,161,372** | - | - | **10,161,372** |
| | **404,231,325** | - | - | **404,231,325** |

| As at 31 December 2021 | Total | Level 1 | Level 2 | Level 3 | |
|---|---|---|---|---|---|
| Financial assets | £ | £ | £ | £ | **14.** |
| Deemed loan to the Originator | 535,632,750 | - | - | 535,632,750 | |
| Derivative asset | 4,155,073 | - | - | 4,155,073 | |
| | 539,787,823 | - | - | 539,787,823 | |

| **As at 31 December 2022** | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| **Financial liabilities** | **£** | **£** | **£** | **£** |
| Notes issued – Class A | **304,902,801** | - | **304,902,801** | - |
| Notes issued – Class B | **53,273,343** | - | - | **53,273,343** |
| Notes issued – Class C | **42,411,712** | - | - | **42,411,712** |
| | **400,587,856** | - | **304,902,801** | **95,685,055** |

| As at 31 December 2021 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Financial liabilities | £ | £ | £ | £ |
| Notes issued – Class A | 426,340,117 | - | 426,340,117 | - |
| Notes issued – Class B | 63,150,477 | - | - | 63,150,477 |
| Notes issued – Class C | 50,396,656 | - | - | 50,396,656 |
| | 539,887,250 | - | 426,340,117 | 113,547,133 |

## 15. SEGMENTAL REPORTING

Having considered the Company's activities, the directors have not identified any reportable segments.

## 16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Wilmington Trust SP Services (London) Limited, a private limited company incorporated in England and Wales, holds the shares of Bavarian Sky UK Holdings Limited, the immediate parent of the Company, under Declarations of Trust for charitable purposes.

For accounting purposes, the Company's controlling party is considered to be BMW Financial Services (GB) Limited, a private limited company incorporated in England and Wales, on the basis that this entity holds the majority of the exposure to variability associated with the Reference Portfolio.

BMW AG, a public limited company incorporated in Munich, Germany, is considered to be considered to be the ultimate parent of the Company but has no direct ownership interest in the Company. The results of the Company are included in the consolidated financial statements of BMW AG which are available online at www.bmw.de.

## 17. OTHER SIGNIFICANT AND POST BALANCE SHEET EVENTS

There are no other subsequent events requiring disclosure in the financial statements.