

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

COMPANY NUMBER: 08753310

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BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

STRATEGIC REPORT

The Directors present their strategic report on the Bluestone Investment Holdings Limited (the "Company") and the entities it controls (the "Group") for the year ended 30 June 2022.

Review of the business

On 30 June 2022, the Company underwent a change in its classification and became an investment company as defined by IFRS 10. This change was driven by a realignment of the Company's operating model and a shift in its business strategy that had been implemented in the preceding years. As an investment company, the Company's financial statements and reporting now align with the requirements and principles outlined in IFRS 10, which governs the accounting treatment and disclosure of investment companies. This change in classification provides a more accurate representation of the Company's activities and enhances transparency for stakeholders and investors.

The Company currently holds four main investments; a specialist mortgage lender in Bluestone Mortgage Holdings Limited ("BMH"), a Dublin based motor finance provider in Bluestone Motor Finance (Ireland) DAC ("BMFI"), Bluestone Consumer Finance Limited ("BCF"), a credit management provider and Fignum Limited, a Fintech company developing financial technology to support businesses.

It is the Company's strategy to maximise shareholders value, both from regular dividend income and from capital gains from the sale of its investments. The Company focuses on maintaining a diverse portfolio in particular over the maturity of the businesses to ensure a stable and reliable income stream for investors. The Company looks to create high quality liquidity events when the opportunity arises to best recognise the value of the individual investments. It will always look at suitable opportunities to reinvest both through acquisition and from organic growth from within its current investments.

Management will look to gain income on any capital generated and held by the Company at any given time, whether that be from further investment to aid growth in the investee companies or utilisation of short term deposits in order to maximise returns for the shareholders.

Financial Performance

The consolidated group recorded a profit after tax from continuing operations of £12.1m (2021: £8.3m). This includes £3.7m in relation to the gain on investments held at fair value through profit and loss and a loss on the deemed disposal of subsidiaries of £0.3m, both of which are a result of the reclassification to an investment holding company.

Non Financial Performance

The Company is out of 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. The Board monitors compliance with environmental responsibilities and best practise employment policies and procedures of its investee companies as part of the board reporting received and board meetings attended.

Principal risks and uncertainties

The principal areas of uncertainty, with potentially material impact on the financial statements, where the Directors have expressed judgement concern the following:

Investment risk, in that the fair value of the companies in which it invests in can go up as well as down based on the external macro-economic environment and the sensitivity of each business to changes in market conditions, credit risk, interest rates etc.

The Company's investee companies are exposed to a variety of financial risks including market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Boards of each investee company use financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes and not for trading or other speculative purposes.

The Group is committed to maintaining a robust and effective corporate governance framework. Regular board meetings are held and the Company has non-executive directors to represent it at the board meetings of the investee companies. The investee companies also supply the Company with monthly reporting packs that assist with the regular independent valuations of the investee companies, ensuring a true and fair view of the value of the Company's investments.

On behalf of the board

A.J. Jeffery
Chairman



P.T. McGuinness
Director

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

DIRECTORS' REPORT

The Directors present their report on the audited consolidated entity consisting of Bluestone Investment Holdings Limited and the entities it controlled at the end of and during the financial year ended 30 June 2022.

Directors

The names of the Directors of the Company who served during the financial year and up to the date of signing the financial statements are:

Mr. A. Jeffery

Mr. P. McGuinness

Mr. A. Cameron (resigned 21/12/2022)

Mr. A. Cumming

Ms. P. Khroud (resigned 30/09/2021)

Mr J Sandelson (appointed 01/05/2022)

Change of Company name

The Company changed its name on 30 December 2022 from Bluestone Consolidated Holdings Limited to Bluestone Investment Holdings Limited.

Principal Activities

The principal activities of the Company is an investment company seeking to maximise returns from its underlying investments. This will be from dividend income from its holdings in its investee companies and from capital returns from the disposal of investments as and when suitable opportunities materialise. The Company will also look at opportunities to establish new investee companies, either by acquisition or through organic growth linked to activity aligned to the group's areas of expertise.

Future Developments

The Company is actively exploring opportunities to monetise its assets and re-investment opportunities.

Going Concern

The Company had cash balances of £9.36m at 30 June 2022. Subsequent to year end, Bluestone Mortgage Holdings Limited, an entity owned 95% by the Company, has sold its investment in Bluestone Mortgages Limited ("BML") to Shawbrook Bank Limited, receiving £27.3m in cash consideration and £13.7m of shares in Shawbrook's parent, Marlin BidCo Ltd. The sale completed on 31st May 2023, and the Company repaid the working capital facility in full on the same date. At the date of signing, the Company has cash balances of £8.8m and no external debt. Having looked at the cash flow projections, under a number of stressed scenarios, the Directors are confident this is sufficient to cover all cash liabilities over the next twelve months, including any additional working capital requirements from its investee companies. Loans to investee companies are made on an arms length basis. As a result of this assessment, the Directors are satisfied that the Group has adequate resources to continue to operate as a going concern.

Directors and Officers Liability Insurance

During the year and up to the date of signing the financial statements, the Company had arranged Directors' and Officers' liability insurance which covers all the Directors and Officers of the Company and its controlled entities against certain liabilities they may incur in carrying out their duties for the consolidated entity.

Post Balance Sheet Events

On 23 September 2022 the Board resolved to pay a dividend of £1.08m.

The property lease held by the Company's consolidated subsidiary, Bluestone Administrative Services (UK) Limited, for the Sheffield premises was reassigned to BCF on 17 August 2022. The lease for the London premises was reassigned to BML on 12 October 2022. The final lease for the Cambridge office was reassigned to Figum Limited on 9 December 2022. These transfers are aligned to the redefining of the Company as an Investment Holding Company.

On 17th March 2023, the Company board agreed terms with Shawbrook Bank Limited on the sale of BML. The sale was approved by the FCA on 26th May 2023 and completed on 31st May 2023. The proceeds of the sale were a combination of cash and equity in Shawbrook's parent, Marlin BidCo Ltd. The cash consideration, £27.3m was used to repay the working capital facility in full, with the remaining cash being retained to support the rest of the group. Bluestone Mortgage Holdings Limited, a direct subsidiary of the Company now holds 1.8m shares in Marlin BidCo which are valued at £13.7m. The valuation of the shares represents the agreed subscription price and is subject to revaluation risk at 30 June 2023.

On 6 June 2023 the Board resolved to pay an interim dividend of £6.5m.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

DIRECTORS' REPORT (continued)

Employees

The average number of employees during the year was 3 (2021: 3).

Dividends

During the year, the Company paid dividends of £3,361,212 (2021: £2,800,443). The dividends paid have no income tax consequences.

Stakeholder Engagement

Effective stakeholder engagement is central to the formulation and execution of our strategy and is critical to us achieving our purpose and long-term sustainable success. The Company is an investment company and has no external customers. The Company provides advisory and director monitoring services to the investment companies. All of these transactions are on an arm's length basis, with fee invoices settled on a monthly basis. The Company's suppliers are predominantly professional firms supplying finance, tax and audit services, and professional advice. All these relationships are long term ones and there are no aged payables to any of our suppliers.

The Company made no political donations during the year (2021 - nil).

Financial Risk Management

- (a) The Company invests in businesses based both in the UK and in the Republic of Ireland. It is therefore exposed to foreign exchange risk on the Euro dividends it receives on the conversion to GBP of the fair value on its EUR investment in the Irish entity. The Company will make a judgement as to the extent to which it hedges this exposure. The Company would only take an foreign exchange position through derivatives to hedge exposure and would not take on any speculative position.
- (b) Prudent liquidity risk management implies maintaining sufficient cash together with the availability of funding through an adequate amount of committed credit facilities. The Company also monitors forecast and actual cash flows to ensure that sufficient cash resources and/or financing facilities are in place to ensure it can meet its liabilities as and when they fall due, including working capital requirements from the investee companies.
- (c) In order to reduce the market risk of movements in fair value of the investments, the Company focuses on maintaining a diverse portfolio. This ensures a stable and reliable income stream for shareholders despite fluctuations in the external market. The Company obtains quarterly valuations from an independent third party consultancy firm to value each investment. These movements in fair value are reported in Other Comprehensive Income and are only taken to the P&L once a sale has been recognised.

Provision of Information to Auditors

The directors confirm that at the date the Directors' report is signed:

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

On behalf of the board

A.J. Jeffery
Chairman



P.T. McGuinness
Director

Jul 4, 2023

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted International Financial Reporting Standards (IFRSs). 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

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


The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed in accordance with a resolution of the Directors made on 3 July 2023.

On behalf of the board

A.J. Jeffery
Chairman



P.T. McGuinness
Director

Independent auditor's report to the members of Bluestone Investment Holdings Limited

Opinion

We have audited the financial statements of Bluestone Investment Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022, which comprise the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Company and Consolidated Statements of Financial Position, the Company and Consolidated Statements of Changes in Equity, the Company and Consolidated Statements of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in accordance with UK-adopted international accounting standards, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2022 and of the group's profit and the parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the impact of the Russian invasion of Ukraine and rising inflation, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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 group's and the parent 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 group's and the parent 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 group or the parent 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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting accounting frameworks;

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included checking the completeness of journal entries and identifying and testing journal entries, in particular manual journal entries processed at the year-end for financial statement preparation. We also reviewed the financial statement's disclosures and the corresponding supporting documentation;
- Our audit procedures involved:
 - Evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - Journal entry testing, with a focus on material manual journals, including those with unusual account combinations, and those that were considered higher risk given the engagement team's understanding of the Company and group;
 - Challenging assumptions and judgements made by management in its significant accounting estimates;
 - Testing the completeness of the Company's related party transactions through information obtained at the parent entity and testing that these transactions had a valid business purpose; and
 - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the Annual Financial Report with applicable financial reporting requirements:

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - Knowledge of the industry in which the client operates;
 - Understanding of the legal and regulatory requirements specific to the Company including:
 - The provisions of the applicable legislation; and
 - The applicable statutory provisions.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. We corroborated the results of our enquiries to relevant supporting documentation;

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - The Company's operations, including the nature of its revenue and its objectives and strategies, to understand the classes of transactions, account balances, expected financial statement disclosures, and business risks that may result in risks of material misstatement;
 - The applicable statutory provisions; and
 - The Company's control environment, including the policies and procedures implemented to comply with the requirements of applicable accounting standards, the adequacy of procedures for authorisation of transactions, internal review procedures over the Company's compliance with regulatory requirements, the authority of, and, procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

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.



William Pointon
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Jul 4, 2023

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group	
		2022	2021
		£	£
Gain on investments held at fair value through profit and loss	20d	3,677,512	-
Loss on disposal of investment		(377,520)	-
Deemed disposal of subsidiaries	3	(374,994)	-
Total investment income		2,924,998	
Interest income	2	31,057,169	24,019,620
Interest expense and similar charges	4	(17,537,025)	(13,210,499)
Net interest expense		13,520,144	10,809,121
Net fee and commission income	2	6,522,827	3,972,500
Other income	2	23,970,079	19,984,051
		30,492,906	23,956,551
Total income net of interest and other income		46,938,048	34,765,672
Expenses:			
Marketing		(1,048,144)	(533,028)
Depreciation	2	(1,224,533)	(1,329,478)
Employee costs	18	(15,713,502)	(12,848,041)
Professional fees		(4,027,814)	(2,896,215)
General office costs		(7,236,402)	(5,027,716)
Occupancy costs		(1,334,279)	(521,790)
Bad debt expense		(588,324)	(1,136,000)
Travel and Entertainment		(242,709)	(311,635)
Other expenses from ordinary activities		(1,667,173)	-
Total operating expenses		(33,082,880)	(24,603,902)
Profit / (Loss) before income tax		13,855,168	10,161,770
Income tax credit / (expense)	4	(1,123,812)	(1,859,636)
Profit / (Loss) for the year		12,731,356	8,302,134
Profit / (Loss) for the year attributable to:			
- Non controlling interest		622,298	454,711
- Owners of the parent		12,109,058	7,847,423
		12,731,356	8,302,134
(Loss) / Profit for the year		12,731,356	8,302,134
Other comprehensive expense			
Exchange differences on translation of foreign operations		-	623,915
Total other comprehensive (expense)		-	623,915
Total comprehensive income / (expense) for the year		12,731,356	8,926,049
Total comprehensive income / (expense) for the year attributable to:			
- Non controlling interest		622,298	454,711
- Owners of the parent		12,109,058	8,471,338
		12,731,356	8,926,049

The above statement should be read in conjunction with the accompanying notes.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	Group		Company	
		2022	2021	2022	2021
		£	£	£	£
ASSETS					
Cash and cash equivalents (excluding bank overdrafts)	5	9,357,660	69,287,515	9,202,659	559,522
Receivables	6	6,579,234	8,862,427	435,372	73,444
Investments held at fair value through profit or loss	20	27,000,000	-	27,000,000	-
Investment in subsidiaries	20	-	-	5,689,473	29,011,961
Loans held at amortised cost	7	-	358,328,373	-	-
Property, plant and equipment	8	1,418,228	2,791,553	-	-
Deferred tax assets	10	-	2,790,417	-	133,197
Total assets		44,355,122	442,060,285	42,327,504	29,778,124
LIABILITIES					
Payables	11	(2,156,138)	(20,721,245)	(5,783,500)	(862,593)
Interest-bearing liabilities	12	(14,522,010)	(393,969,740)	(14,522,010)	(8,754,487)
Current tax liabilities	13	(135,802)	(1,869,956)	(249,704)	-
Total liabilities		(16,813,950)	(416,560,941)	(20,555,214)	(9,617,080)
NET ASSETS		27,541,172	25,499,344	21,772,290	20,161,044
EQUITY					
Contributed equity	14	157,433	157,433	157,433	157,433
Reserves	15	(10,313,272)	(23,488,140)	(10,313,273)	(10,295,417)
Retained earnings		37,697,011	46,194,393	31,928,130	30,299,028
Equity attributable to owners of the parent		27,541,172	22,863,686	21,772,290	20,161,044
Non controlling interest		-	2,635,658	-	-
Total equity		27,541,172	25,499,344	21,772,290	20,161,044

The statement of financial position above should be read in conjunction with the accompanying notes.

Bluestone Investment Holdings Limited recorded a profit for the year ended 30th June 2022 of £4,990,313 (2021: loss £2,021,307).

The financial statements on pages 18 to 33 were authorised for issue by the board of Directors on 3 July 2023 and were signed on its behalf.

A.J. Jeffery
Chairman Jul 4, 2023
Date:
Company number: 08753310

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

GROUP		Contributed Equity £	Reserves £	Retained earnings £	Controlling Interest £	Total Equity £
	Note					
Balance at 30 June 2020		157,375	(24,108,905)	41,221,020	1,926,262	19,195,752
Profit for the year		-	-	7,847,423	454,711	8,302,134
Other comprehensive expense for the year		-	620,765	-	-	620,765
Total comprehensive (expense) / income for the year		<u>-</u>	<u>620,765</u>	<u>7,847,423</u>	<u>454,711</u>	<u>8,922,899</u>
Transactions with owners in their capacity as owners						
Dividends paid	17	-	-	(2,874,050)	-	(2,874,050)
Dividends received		-	-	-	-	-
Employee share issue		<u>58</u>	<u>-</u>	<u>-</u>	<u>254,685</u>	<u>254,743</u>
		<u>58</u>	<u>-</u>	<u>(2,874,050)</u>	<u>254,685</u>	<u>(2,619,307)</u>
Balance at 30 June 2021		<u>157,433</u>	<u>(23,488,140)</u>	<u>46,194,393</u>	<u>2,635,658</u>	<u>25,499,344</u>
Profit for the year		-	-	12,109,058	622,298	12,731,356
Transfer of reserves upon deemed disposal	3	-	13,192,723	(13,192,723)	-	-
Deemed disposal upon change in status	3	-	-	(4,052,505)	(3,257,956)	(7,310,461)
Total comprehensive (expense) / income for the year		<u>-</u>	<u>13,192,723</u>	<u>(5,136,170)</u>	<u>(2,635,658)</u>	<u>5,420,895</u>
Transactions with owners in their capacity as owners						
Buy back reserve for C2 shares		-	(17,855)	-	-	(17,855)
Dividends paid	17	<u>-</u>	<u>-</u>	<u>(3,361,212)</u>	<u>-</u>	<u>(3,361,212)</u>
		<u>-</u>	<u>(17,855)</u>	<u>(3,361,212)</u>	<u>-</u>	<u>(3,379,067)</u>
Balance at 30 June 2022		<u>157,433</u>	<u>(10,313,272)</u>	<u>37,697,011</u>	<u>-</u>	<u>27,541,172</u>

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

COMPANY

	Note	Contributed Equity £	Reserves £	Retained earnings £	Total Equity £
Balance at 30 June 2020		157,375	(10,292,267)	32,815,839	22,680,947
Loss for the year		-	-	(2,021,307)	(2,021,307)
Other comprehensive expense for the year		-	(3,150)	-	(3,150)
Total comprehensive expense for the year		-	(3,150)	(2,021,307)	(2,024,457)
Transactions with owners in their capacity as owners					
Dividends paid	19	-	-	(2,800,443)	(2,800,443)
Dividends received		-	-	2,304,939	2,304,939
Employee Share Issue		58	-	-	58
		58	-	(495,504)	(495,446)
Balance at 30 June 2021		157,433	(10,295,417)	30,299,028	20,161,044
Profit for the year		-	-	4,990,313	4,990,313
Total comprehensive expense for the year		-	-	4,990,313	4,990,313
Transactions with owners in their capacity as owners					
Buy back reserve for C2 shares		-	(17,855)	-	(17,855)
Dividends paid	19	-	-	(3,361,212)	(3,361,212)
		-	(17,855)	(3,361,212)	(3,379,067)
Balance at 30 June 2022		157,433	(10,313,273)	31,928,130	21,772,290

The above statement of changes in equity should be read in conjunction with the accompanying notes.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group		Company	
		2022	2021	2022	2021
		£	£	£	£
Cash flows from operating activities					
Distribution income		9,132,689	-	-	-
Receipts from customers		13,052,774	10,064,446	207,094	11,226
Payments to suppliers and employees		(14,034,069)	(18,596,504)	(2,011,415)	(1,406,043)
Interest and similar income received		(3,338,327)	49,132,437	564,438	1,503,523
Interest and other finance costs paid		(9,756,250)	(24,695,479)	(1,457,286)	(1,428,506)
Net loan (advances) / repayments		6,134,285	(8,321,637)	-	-
Net mortgage repayments / (advances)		(109,147,698)	33,129,590	-	-
Income tax (paid)/refund		(2,330,758)	(380,306)	-	-
Dividends received		-	-	-	-
Net cash flows generated from / (used by) operating activities		(110,287,354)	40,332,547	(2,697,169)	(1,319,800)
Cash flows from investing activities					
Payments for property, plant and equipment		(3,466,502)	(66,039)	-	-
Investments		(2,627,671)	-	(17,856)	(3,884,652)
Deemed disposal of subsidiaries	3	(57,481,933)	-	-	-
Net proceeds from sale of subsidiary		(120,675)	-	-	-
Proceeds from loans to portfolio companies		-	-	5,976,602	4,873,048
Net cash generated from / (used in) investing activities		(63,696,781)	(66,039)	5,958,746	988,396
Cash flows from financing activities					
Proceeds from issuing shares and options		208,394	254,743	-	-
Mortgage notes issued		258,834,270	-	-	-
Buy back of shares		-	(3,150)	-	(3,150)
(Repayment)/Proceeds from borrowings		(141,889,844)	(2,845,001)	6,000,000	-
(Decrease)/Increase of leasing liabilities		(63,140)	(640,577)	-	-
Dividends paid	19	(3,361,212)	(2,874,049)	(763,356)	(495,581)
Net cash used in financing activities		113,728,468	(6,108,034)	5,236,644	(498,731)
Net increase/(decrease) in cash and cash equivalents		(60,255,667)	34,158,474	8,498,221	(830,135)
Effects of exchange rate changes on cash		325,812	3,513,351	144,915	(131,036)
Cash and cash equivalents at the beginning of the financial year		69,287,515	31,615,690	559,523	1,520,694
Cash and cash equivalents at the end of the financial year		9,357,660	69,287,515	9,202,659	559,523

The statement of cash flows above should be read in conjunction with the accompanying notes.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Bluestone Investment Holdings Limited (the "Company") and its subsidiaries (the "Group") operates as an Investment Holding Company as defined by IFRS10.

The Company is a private company limited by shares which is domiciled and incorporated in England and Wales. The address of the registered office is:

1 Station Square
Cambridge
CB1 2GA

Directors:

Mr. A. Jeffery
Mr. P. McGuinness
Mr. A. Cameron (resigned 21/12/2022)
Mr. A. Cumming
Ms. P. Khroud (resigned 30/09/2021)
Mr J Sandelson (appointed 01/05/2022)

1. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. This is the first reporting period in which the Company has adopted IFRS 10 investment holding company status. The Company adopted investment holding company status on 30 June 2022, therefore consolidated results have been shown with a deemed disposal adjustment taking place on this date. The companies that Bluestone Investment Holdings invests in are now shown as fair value investments, with the movement in fair value taken to profit and loss.

(a) Basis of Preparation

The Group and Company financial statements of Bluestone Investment Holdings Limited have been prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS) and the Companies Act 2006.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2021 had a significant impact on the amounts recognised in the current period or any prior period. Furthermore, they are not expected to have a material impact on future periods.

Early adoption of standards

The Group has not elected to apply any standards or pronouncements before their operative date in the annual reporting period beginning 1 July 2021.

Going Concern

The Company had cash balances of £9.36m at 30 June 2022. Subsequent to year end, Bluestone Mortgage Holdings Limited, an entity owned 95% by the Company, has sold its investment in Bluestone Mortgages Limited ("BML") to Shawbrook Bank Limited, receiving £27.3m in cash consideration and £13.7m of shares in Shawbrook's parent, Marlin BidCo Ltd. The sale completed on 31st May 2023, and the Company repaid the working capital facility in full on the same date. At the date of signing, the Company has cash balances of £8.8m and no external debt. Having looked at the cash flow projections, under a number of stressed scenarios, the Directors are confident this is sufficient to cover all cash liabilities over the next twelve months, including any additional working capital requirements from its investee companies. Loans to investee companies are made on an arms length basis. As a result of this assessment, the Directors are satisfied that the Group has adequate resources to continue to operate as a going concern.

Historical Cost Convention

These financial statements have been prepared using the historical cost convention, except for the investments held by the Company, which are stated at fair value on the balance sheet. The changes in fair value of these investments are recognised in the Profit and Loss account.

Critical Accounting Estimates

The preparation of financial statements involves the use of critical accounting estimates and the exercise of judgment by management in applying the accounting policies of the Group. The areas where significant assumptions and estimates are made that have a material impact on the financial statements are disclosed in Note 2.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation

The consolidated financial statements comprise the Company Bluestone Investment Holdings Limited, Level 1, One Station Square, Cambridge, CB1 2GA and the results, cash flow and changes in equity of its subsidiary entities that perform functions aligned to investment holding activities. The Company became an investment status entity at 30 June 2022, therefore prior to this date the consolidated financial statements include all direct and indirect subsidiaries of the parent. At 30 June 2022 these subsidiaries, with the exception of 4 direct subsidiaries of the Company, were reclassified as investments and no longer form part of the consolidated group. Details on these entities are in note 18 of the accounts.

Controlled entities are all those companies and SPEs over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

When assessing whether the Group controls (and therefore consolidates) a SPE, judgement is required about risks and rewards as well as the Group's ability to make operational decisions for the SPE. The range of factors that are considered in assessing control are whether: (a) a majority of benefits of an SPE's activities are retained; (b) a majority of the residual ownership risks related to the SPE's assets are retained; (c) the decision-making powers of the SPE vest with the Group; and (d) the SPE's activities are being conducted on behalf of the Group and according to its specific business needs.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Bluestone Investment Holdings Limited.

Investments in subsidiaries are carried at cost, and where there is an indicator of impairment, assessed at recoverable amount in the individual financial statements of Bluestone Investment Holdings Limited.

(c) Financial instruments

Payables, Loans and receivables are non-derivative financial assets or liabilities with fixed or determinable repayments that are not quoted in an active market.

(d) Income Tax

The income tax expense or revenue for the period is determined by calculating the tax payable or receivable based on the current period's taxable income. The calculation takes into account the applicable income tax rate for each jurisdiction. Additionally, adjustments are made for changes in deferred tax assets and liabilities related to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Unused tax losses are also considered in the calculation.

Deferred tax assets are recognised for the deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax asset is recognised for fair value movements in the investment companies.

(e) Foreign Currency Translations

(i) Functional and Presentational Currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in UK sterling, which is Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into UK Sterling (functional currency) using the exchange rates in effect at the dates of the transactions. Any foreign exchange gains or losses arising from the settlement of these transactions, as well as from the translation of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates, are recognised in the income statement. This means that the Company recognises the impact of changes in exchange rates on its foreign currency transactions and monetary items.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

(e) Foreign Currency Translations (continued)

(iii) Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates. In such cases, income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(f) Income Recognition

The principal sources of income are:

(i) Interest Income

Interest income arising from loans is accounted for using the effective interest rate method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. Fees and transaction costs associated with the origination of the loans are capitalised and included in the effective interest rate and recognised over the expected life of the loan.

(ii) Fees and Commission

Fees and commissions not associated with the origination of the loan are recognised as the amounts become irrevocably due and payable over the term the services have been delivered in accordance with IFRS15. Revenue is generally measured at fair value of the consideration received or receivable.

(iii) Other financial income

Other income is from the sale of mortgage loans into the forward flow purchase agreements. At the mortgage loan settlement date, the full forward flow premium less an implicit price concession and financing component, are recognised as revenue. The price concession reflected is subject to ongoing assessment of arrears performance. The financial component is recognised as interest income over the period upto the deferred premium due date.

(g) Investments and Other Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. The classification depends upon the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

The Group's principal financial assets are mortgage and vehicle loan receivables, as well as related derivative contracts to mitigate interest rate risks associated with the mortgage loans. These assets have been treated as follows:

Loans held at amortised cost

All mortgage and vehicle loan receivables are treated as loans held at amortised cost. They are initially recognised at fair value including direct and incremental costs. They are subsequently measured at amortised cost using the effective interest method, less impairment provisions.

Loans are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Loans are derecognised when the rights to receive cash flows from them has expired or when the Group has transferred substantially all risks and rewards of ownership.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Loans held at amortised cost (continued)

The Group sometimes renegotiates or otherwise modifies the contractual cash flow of a financial asset. When this happens, the Group assesses whether or not the new terms are substantially different from the original terms. The Group does this by considering, among others, the following factors: if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay; whether any substantial new terms are introduced that substantially affects the risk profile of the loan; significant extension of the loan term when the borrower is not in financial difficulty; significant change in the interest rate; and insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan. If the terms and cash flows of the modified asset are deemed to be substantially different, the contractual rights to cash flows from the original financial asset are deemed to have expired. This meets the derecognition criteria outlined above, and as such, the original financial asset is derecognised and a 'new' financial asset is recognised at fair value. The difference between the carrying amount of the derecognised financial asset and the new financial asset with modified terms is recognised in the statement of profit and loss. If the cash flows of the modified asset are not deemed to be substantially different, the financial asset is not derecognised, and the Group recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial asset and recognises any associated gain or loss in the statement of profit and loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

(h) Impairment of Assets and Provisions for Doubtful Debts

Assets that are not subject to IFRS9 and that are not accounted for using an expected credit loss model (ECL) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are identifiable cash flows (cash-generating units).

Impairment of financial assets that are subject to IFRS9 is calculated using a forward looking expected credit loss (ECL) model. ECLs are an unbiased probability-weighted estimate of credit losses determined by evaluating a range of possible outcomes. They are measured in a manner that reflects the time value of money and uses reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group provides for 12 months of ECLs on loans that management deem to be performing, as well as lifetime ECLs, on loans that management deem to be under performing or non-performing.

Probability of default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The PD on loans is based on internal and external individual customer information that is updated for each reporting period.

The provision for doubtful debts includes individually assessed provisions and collectively assessed provisions. Individually assessed provisions are based on an independent valuation of the security adjusted by any cost of selling, less the outstanding loan balance. The ECLs calculated on a collective basis are grouped into smaller homogeneous portfolios based on a combination of internal and external characteristics of the loans, as described below:

- Product asset class
- Loan to value ratios
- Exposure value

In arriving at the collectively assessed provisions, the Group makes judgements as to whether there is any observable data which indicates there is a significant decrease in the estimated future cash flows from loan receivables before the decrease can be identified with an individual loan. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a portfolio or local economic conditions that correlate with defaults on assets in the portfolio. The Group uses a rating agency model to establish expected credit losses on the loan portfolio based on a number of loan characteristics. In accordance with IFRS 9, the Group accounts for 12 months of ECLs on performing assets (generally less than 90 days in arrears with no other indication of increased credit risk) and lifetime ECLs on under performing or non-performing assets (90+ days arrears or where the Group is actively trying to or has recovered the asset). Calculation of ECLs is dependent upon the 'stage' the asset is assigned to (Stage 1, 2 or 3) which is based on changes in credit risk occurring since initial recognition. The ECL is supported by recent experience of the probability of possession of property or assets given default and the loss given possession (Stage 3). Details of the 'staging' of assets, calculations of ECLs and key judgements and estimates associated with this, are provided in Note 7.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

(i) Leased Assets

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

(j) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure which is directly attributable to the acquisition of the items.

The only fixed assets the Company held were right-of-use assets for three leasehold properties occupied by three of the investee entities. Post year-end all of these leases have been transferred to the investee companies.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation:

Leasehold Improvements	Shorter of lease term and 5 years
Right of use assets	Shorter of lease term and 5 years
Equipment under Finance Lease	3 years
Plant and equipment	3-5 years

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(k) Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year, which are unpaid. The amounts are unsecured and are typically paid within 30 days of recognition.

(l) Employee Entitlements

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Retirement benefit obligations

Contributions to the defined contribution superannuation fund are recognised as an expense as they become payable.

(iii) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing. The Company awards bonuses and profit sharing at its discretion based on the performance of the investment portfolio.

(iv) Other employee related items

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(m) Interest Bearing Liabilities

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs incurred, such as legal fees and consultancy costs incurred in relation to developing the funding structures and associated financing facilities. Interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method.

(n) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the Company's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to the passage of time is recognised as interest expense.

(o) Equity issued by the Company

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Cash

For the purposes of the cash flow statement, cash includes cash on hand, deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Cash also includes amounts held by consolidated special purpose entities which is quarantined within the entity for distribution to bondholders in accordance with the legal documents governing the vehicle.

(r) VAT

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- (i) where the amount of VAT incurred is not recoverable from the taxation authority, when it is recognised as part of the cost of the asset or expense;
- (ii) for receivables and payables, which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to the taxation authority, is classified as operating cash flows.

(s) Business Combinations

The surplus of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase gain.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, which represents the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and

(t) Investment Company Status

The key rationale for determining that the company achieved investment company status were:

- (i) Following a restructure and devolution exercise in 2021, the company now exists solely to derive returns from its investments. These returns are a combination of dividend income from its investments and capital returns from the exit and sale on its investments. The Company actively pursues opportunities for capital returns through third-party sales and has set a target of four years to exit its existing investments.
- (ii) The Company actively values its investments on a quarterly basis and recognises the movement in fair value through its profit and loss account.
- (iii) The Company does not have any active involvement in the day-to-day operations of the investment businesses. Its interests are overseen by non-executive directors who have representation on the boards of the investment entities.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Changes to assumptions used for estimating future cash flows could result in changes to reported results. The critical estimates and judgements in applying its accounting policies are listed below.

(a) Effective Interest Rate

Fee income and expenses related to loans, vehicle loan receivables and the note liabilities, are distributed over the duration of the loans/notes using the effective interest rate method. If income has been received or expenses paid in advance, the actual amount received/incurred is allocated over the life of the loans/notes. If income is expected to be received or expenses incurred at a later date an estimation of the amounts is made based on the projected features of loans/notes on a portfolio basis.

(b) Extension options for leases

When the Group has the option to extend a lease, management applies its judgment to determine whether or not it is reasonably certain that the option will be exercised. Management takes into account various factors, including past practices and the costs involved in altering the asset if the option is not exercised, to assess the lease term. An amount of £1,249,318 (2020: £1,265,179) representing potential lease payments has not been included in the lease liabilities as there is uncertainty regarding the exercise of the extension option.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

2. PROFIT / (LOSS) BEFORE INCOME TAX

	Group	
	2022	2021
	£	£
Profit / (Loss) from ordinary activities before income tax includes the following items of revenue:		
On loan balances	31,057,169	24,019,620
	<u>31,057,169</u>	<u>24,019,620</u>
Interest expense and similar charges		
On mortgage and vehicle loan financing	(15,672,972)	(13,016,894)
On other borrowings	(1,864,053)	(193,605)
	<u>(17,537,025)</u>	<u>(13,210,499)</u>
Net interest income	<u>13,520,144</u>	<u>10,809,121</u>
Fee and commission income	14,246,476	8,377,829
Fee and commission expense	(7,723,650)	(4,405,328)
Net fee and commission income	<u>6,522,827</u>	<u>3,972,500</u>
Other income/(expense)		
Profit on sale of mortgages	9,909,086	17,094,920
Other income	14,060,993	2,889,131
	<u>23,970,079</u>	<u>19,984,051</u>
Total income net of interest and other income	<u>44,013,050</u>	<u>34,765,672</u>
Expenses include:		
Depreciation and amortisation:		
Plant and equipment	(302,254)	(549,317)
Leasehold improvements	(317,423)	(719,124)
Assets held under Finance Leases	-	-
Vehicles	(29,952)	(35,003)
Intangible assets	(574,904)	-
Loss on disposals	-	(26,034)
	<u>(1,224,533)</u>	<u>(1,329,478)</u>

The Group utilised two separate firms for completion 30 June 2022 audit, with BML and it's subsidiaries using auditors B (PwC) and the remaining group using auditors A (Grant Thornton). Fees payable to the Company's auditors for the audit of the parent Company and the consolidation are detailed below:

	Group	
	2022	2021
	£	£
- Audit of the Parent Company pursuant to legislation	76,533	16,950
- Audit of the Company's subsidiaries pursuant to legislation	75,500	111,062
- Taxation compliance services	54,382	84,416
- Other services	-	58,278
Total remuneration for auditor A	<u>206,415</u>	<u>270,706</u>
- Audit of the Company's subsidiaries pursuant to legislation	170,000	-
Total remuneration for auditor B	<u>170,000</u>	<u>-</u>

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3. DEEMED DISPOSAL OF SUBSIDIARIES

On 30 June 2022, the Company qualified as an investment entity and accounted for its change of status prospectively. This change of status to an investment entity resulted in a loss of control of certain subsidiaries ("former subsidiaries"). Consequently, upon the change of status, the assets and liabilities of such subsidiaries are derecognised from the consolidated financial statements. As an investment entity these former subsidiaries are recognised at fair value through profit or loss in accordance with IFRS 9 (see note 18). A loss arising from the loss of control attributed to the former subsidiaries is recognised in profit or loss as a 'deemed disposal' as follows:

Deemed disposal of subsidiaries:	£	£
Recognition of financial assets of fair value through profit or loss		27,000,000
Derecognition of non-controlling interest		3,257,956
Derecognition of assets and liabilities of investment entity subsidiaries:		
Transfer of group reserves to retained earnings	13,192,723	
Derecognition of retained earnings of investment entity subsidiaries	(20,503,184)	(7,310,461)
Derecognition of investment in subsidiaries		(23,322,489)
Loss on deemed disposal of subsidiaries recognised in profit or loss		(374,994)

The Statement of Cashflows includes an adjustment of £57m which derecognises the closing cash balances of investment entity subsidiaries at 30 June 2022.

4. INCOME TAX CREDIT / (EXPENSE)

	Group	
	2022	2021
	£	£
(a) Income tax (credit) / expenses		
Aggregate income tax expense comprises:		
Current tax	(91,049)	1,890,293
Adjustment in respect of prior year (current tax)	238,744	16,708
Deferred tax	976,117	(47,365)
	<u>1,123,812</u>	<u>1,859,636</u>
Deferred tax income/(expense) included in the income tax expense comprises:		
Increase/(decrease) in deferred tax assets	(1,382,628)	132,125
Increase in deferred tax liabilities	406,511	(84,760)
	<u>(976,117)</u>	<u>47,365</u>

(b) Reconciliation of income tax (credit) / expense to theoretical tax payable

The tax on the Group's loss before tax differs from (2021: differs from) the theoretical amount that would arise using the corporation tax rate applicable in the year. The reasons for this difference are as follows:

Profit / (Loss) before income tax from continuing operations	13,855,168	10,161,770
Income tax credit at standard rate - 19% (2021: 19%)	2,632,482	1,930,736
Tax effect of permanent differences		
Differences in overseas tax rates	(119,616)	(85,745)
Non-deductible expenses	70,447	518,352
Non-taxable income	(627,478)	-
Accounting profits not taxed in accordance with SI 2006/3296	(1,648,535)	-
Impact of tax rate change	48,904	-
Income tax adjusted for permanent differences	<u>(2,276,278)</u>	<u>432,607</u>
Recognition of tax losses not previously recognised	498,440	(520,415)
Adjustment in respect of prior year	269,168	16,708
Income tax (credit)/expense	<u>1,123,812</u>	<u>1,859,636</u>

(c) Factors affecting future tax changes

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. However, it is important to note that the UK Government announced in the Spring Budget 2021 that the corporation tax rate would increase to 25% from 1 April 2023. This change in the tax rate was substantively enacted on 24 May 2021. Consequently, deferred taxes at the balance sheet date have been measured using these enacted tax rates and are reflected in these financial statements.

On 23 September 2022, the government announced that the Corporation Tax main rate for the year starting 1 April 2023 would remain at 19%. However, it is currently the expectation of the Directors, at the date of signing the financial statements, that this change will be reversed. Therefore, the Directors anticipate that tax rates will increase as originally planned.

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5. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Cash at bank and in hand	9,357,660	6,754,760	9,202,659	559,522
Cash held by consolidated special purpose entities	-	62,532,755	-	-
	<u>9,357,660</u>	<u>69,287,515</u>	<u>9,202,659</u>	<u>559,522</u>

Cash held by consolidated special purpose entities is quarantined within the entity and is distributed to noteholders in accordance with the legal documents governing the vehicle. Cash at bank earned interest at floating rates at an average of nil (2021: nil).

6. RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Accounts Receivable	-	3,505,410	-	-
Prepayments	-	767,876	-	6,232
Accrued income	-	2,536,538	-	-
Receivables from related parties	6,143,862	227,116	-	-
Sales tax receivable	-	302,198	-	-
Other	435,372	1,523,289	435,372	67,212
	<u>6,579,234</u>	<u>8,862,427</u>	<u>435,372</u>	<u>73,444</u>

Receivables from related parties are unsecured and interest free.

(a) Bad and doubtful receivables

No provisions for bad and doubtful debts have been recorded against receivables balances, as all balances are within the agreed terms. However, a provision for bad and doubtful debts has been raised against loans held at amortised cost, see note 7.

(b) Fair values

The fair values of the receivable balances are not materially different to their carrying amount in the financial statements.

(c) Effective interest rates and credit risk

The Group is not exposed to any significant credit risk on receivables since these amounts are short-term in nature or represent prepaid expenses or accrued income. Additionally, none of the receivables bear interest.

7. LOANS HELD AT AMORTISED COST

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Mortgage receivables	-	264,451,434	-	-
Provision for bad and doubtful debts - mortgages	-	(1,159,550)	-	-
Other loans held at amortised cost	-	610,214	-	-
Vehicle Loans	-	95,283,145	-	-
Provision for bad and doubtful debts - vehicle loans	-	(856,870)	-	-
	<u>-</u>	<u>358,328,373</u>	<u>-</u>	<u>-</u>

Both the mortgage and vehicle receivables no longer formed part of the group consolidation on 30 June 2022 due to the deemed disposal of the subsidiaries.

The mortgage receivables represent the outstanding principal amounts, accrued interest and amounts capitalised under the effective interest rate method that are owed to the Group.

The Mortgage Loans earn fixed and floating interest rates with an average interest rate of 3.66% (2021: 4.95%). These mortgages have remaining terms of between 1 to 35 years (2021: 1 to 35 years), although borrowers have the option to make prepayments. The average life of the loans is approximately 4 years (2021: 4 years). The carrying value and fair value of the Mortgage Loans do not materially differ due to their origination at market interest rates and the fixed period typically ranging from 2 to 5 years.

The Mortgage Loans are receivable from individual borrowers and are secured against the property. The credit risk associated with these loans comprises the exposure to individual borrower circumstances and the fluctuations in property values. The Group has recognised an expense of £196,405 (2021: £467,407) in respect of bad and doubtful debt on mortgage receivables during the year ended 30 June 2022.

The vehicle loans are receivable from individual borrowers and are secured against the vehicle. The credit risk on these loans comprises the exposure to individual borrower circumstances and the fluctuations in vehicle values.

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7. LOANS HELD AT AMORTISED COST (continued)

The vehicle loans earn a floating interest rate plus a margin above the base rate applicable in Ireland and earned an average interest rate of 8.41% (2021: 13.13%). The vehicle loans have terms of between 1 to 6 years (2021: 1 to 6 years), however prepayments can be made by the borrowers and the average life of the loans is approximately 5 years (2021: 5 years).

The Group has recognised an expense of £391,919 (2021: £466,271) in respect of bad and doubtful debt on vehicle receivables during the year ended 30 June 2022.

Provision of doubtful debts

Measurement of Expected Credit Losses (ECLs) depends on the 'stage' the financial asset is allocated to based on changes in credit risk occurring since initial recognition as described below:

- Stage 1: when a financial asset is first recognised it is assigned to Stage 1. If there is no significant increase in credit risk from initial recognition the financial asset remains in Stage 1. Stage 1 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from Stage 2. Financial assets in Stage 1 has days past due of up to 90 days. For financial assets in Stage 1, a 12-month ECL is recognised on a collective basis.
- Stage 2: when a financial asset shows a significant increase in credit risk since initial recognition (SICR) it is moved to Stage 2. Stage 2 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from Stage 3. Financial assets in Stage 2 has a days past due of 90+ days. For financial assets in Stage 2, a lifetime ECL is recognised on a collective basis. The assets in Stage 2 are defined as default. The presumption in IFRS 9 that all loans 30 days past due exhibit a SICR has been rebutted on the basis that the mortgage portfolio includes specialist lending to borrowers with more complex credit positions. As a result a greater number of borrowers are expected to move both in and out of 30 days past due and the movement to 30 days due does not represent a SICR. Instead 90 days past due has been used as the criteria for a loan exhibiting a SICR.
- Stage 3: when there is objective evidence of impairment and the financial asset is in possession it is moved to Stage 3. For financial assets in Stage 3, a lifetime ECL is recognised on an individual basis.

In relation to the above:

Lifetime ECL is defined as ECLs that result from all possible default events over the expected behavioural life of a financial instrument.

12-month ECL is defined as the portion of lifetime ECL that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

The following tables provide an analysis of the loan portfolio sizes and provision for bad debt by year-end stage classification.

Mortgage Loans

Loan Status	Stage	Portfolio Size	Portfolio Size	Bad debt	Bad debt
		30 Jun 22	30 Jun 21	Provision	Provision
Performing	Stage 1	-	243,329,437	-	517,947
1-29 dpd	Stage 1	-	7,496,644	-	20,150
30-59 dpd	Stage 1	-	3,655,695	-	21,414
60-89 dpd	Stage 1	-	4,093,996	-	67,789
90+ days	Stage 2	-	5,875,662	-	532,250
Total Loans		-	264,451,435	-	1,159,550

Vehicle Loans

Loan Status	Stage	Portfolio Size	Portfolio Size	Bad debt	Bad debt
		30 Jun 22	30 Jun 21	Provision	Provision
Performing	Stage 1	-	82,787,140	-	365,081
1-29 dpd	Stage 1	-	6,765,335	-	36,359
30-59 dpd	Stage 1	-	3,131,480	-	44,986
60-89 dpd	Stage 1	-	1,185,093	-	34,175
90+ days	Stage 2	-	1,414,097	-	365,551
Assets in possession	Stage 3	-	-	-	10,718
Total Loans		-	95,283,145	-	856,870

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8. PROPERTY, PLANT AND EQUIPMENT

Group	Vehicles	Leasehold Properties	Plant and Equipment	Equipment under Finance Lease	Total
Cost	£	£	£	£	£
At 1 July 2020	121,933	4,018,114	3,749,968	88,597	7,978,612
Additions	21,086	11,074	255,204	-	287,364
Disposals	-	(31,991)	(74,047)	-	(106,038)
Foreign exchange differences	(7,291)	(21,483)	(21,982)	-	(50,756)
At 30 June 2021	135,728	3,975,714	3,909,143	88,597	8,109,182
At 1 July 2021	135,728	3,975,714	3,909,143	88,597	8,109,182
Additions	-	1,723,889	765,743	1,608	2,491,240
Disposals	-	(477,648)	(1,448,020)	(18,878)	(1,944,546)
Deemed disposal of subsidiaries	(135,728)	(1,553,183)	(3,226,866)	(65,301)	(4,981,079)
At 30 June 2022	-	3,668,772	-	6,026	3,674,797
Accumulated Depreciation					
At 1 July 2020	42,883	1,105,451	2,836,698	88,597	4,073,629
Depreciation	35,003	719,124	549,317	-	1,303,444
Disposals	-	-	(26,034)	-	(26,034)
Foreign exchange differences	(2,564)	(10,955)	(19,891)	-	(33,410)
At 30 June 2021	75,322	1,813,620	3,340,090	88,597	5,317,629
At 1 July 2021	75,322	1,813,620	3,340,090	88,597	5,317,629
Depreciation	29,952	763,501	300,872	7,230	1,101,555
Depreciation - discontinued operations	-	-	-	-	-
Disposals	-	(326,577)	(1,309,302)	(38,620)	(1,674,499)
Foreign exchange differences	-	-	-	-	-
Deemed disposal of subsidiaries	(105,274)	-	(2,331,660)	(51,181)	(2,488,115)
At 30 June 2022	-	2,250,544	-	6,026	2,256,570
Net Book Value					
At 30 June 2021	60,406	2,162,094	569,053	-	2,791,553
At 30 June 2022	-	1,418,228	-	-	1,418,228

All of the above line items are right-of-use assets over the following:

	2022	2021
	£	£
Leasehold properties	1,418,228	1,601,574
Office printer lease	-	60,406
Vehicles	-	6,019
Plant and equipment	1,418,228	1,667,999

9. LEASES

The Group has leases for offices and office printers. The lease for the office printers were transferred to Fignum Limited in Feb 2022. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 6).

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9. LEASES (continued)

Leases of property generally have a lease term ranging from 4 years to 15 years however most leases of property are now generally expected to be limited to 10 years or less except in special circumstances. Lease payments are generally fixed. There are no leases linked to revenue or annual changes in an index.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term.

The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The three leasehold properties are occupied by three UK based investee companies. Post year end the leases have been novated from Bluestone Administrative Services (UK) Limited to BML for the London office, and BCF for the Sheffield Office. The Cambridge office is currently being novated to Figum Limited. During the year all rent payments and other related outgoings were all paid directly by the occupying investee company. The Company made no payments or received no income as a result of these arrangements.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use (ROU) asset	No of ROU assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with termination options
Offices	4	5 - 15 years	5 years	4	0	4
Residential property	1	4 years	4 years	1	0	1
Vehicles	10	1- 3 years	2 years	10	0	10
Office printers	8	2 - 4 years	2 years	8	0	8

a) Right-of-use assets

At 30 June 2022

	Asset	Carrying amount	Additions	Depreciation	Impairment
		£	£	£	£
Offices	Leasehold properties	1,418,228	-	499,328	-

At 30 June 2021

	Asset	Carrying amount	Additions	Depreciation	Impairment
		£	£	£	£
Offices	Leasehold properties	1,537,357	-	499,328	-
Property - Dublin	Leasehold properties	64,217	-	46,601	-
Office Printers	Plant and equipment	6,019	-	9,511	-
Vehicles	Vehicles	60,406	21,086	35,003	-
		1,667,999	21,086	590,443	-

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

b) Lease liabilities

Lease liabilities are presented and included in the statement of financial position as payables (See note 9).

10. DEFERRED TAX ASSETS

Note	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Accruals	-	138,389	-	-
Provision for doubtful debts	-	327,423	-	-
Employee entitlements	-	3,007	-	-
Tax losses	133,197	520,415	133,197	133,197
Tax losses utilised	(70,161)	-	(70,161)	-
Property adjustments	-	3,325	-	-
Prior year adjustment	(63,036)	-	(63,036)	-
Premium on asset purchase	-	1,456,429	-	-
Interest on internally held notes	-	426,189	-	-
	-	2,875,177	-	133,197
Set off against deferred tax liabilities	-	(84,760)	-	-
Net Deferred Tax Assets	-	2,790,417	-	133,197

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11. PAYABLES

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Accrued Interest payable on borrowings	-	(354,632)	-	-
Accruals	(495,050)	(5,036,760)	(375,778)	(379,193)
Trade payables	-	(12,528,727)	-	-
Other tax and social security	(148,088)	(380,768)	(148,088)	(25,392)
Payables to related parties	-	-	(5,259,634)	(458,009)
Other Payables	(1,513,000)	(2,420,358)	-	-
	<u>(2,156,138)</u>	<u>(20,721,245)</u>	<u>(5,783,500)</u>	<u>(862,593)</u>

Payables to related parties are unsecured and interest free.

Included in Other Payables is £1,513,000 (2021: £1,712,290) of lease liabilities.

12. INTEREST BEARING LIABILITIES

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Securitised loan notes	-	(201,762,503)	-	-
Borrowings	(14,522,010)	(192,207,237)	(14,522,010)	(8,754,487)
	<u>(14,522,010)</u>	<u>(393,969,740)</u>	<u>(14,522,010)</u>	<u>(8,754,487)</u>

(a) Securitised Loan Notes

Notes issued by SPVs are repayable under the terms of the note agreements. Interest is payable on the notes at fixed rate of between 3% and 10.5% (2021: 3% and 10.5%).

The notes have an expected life of 3 to 35 years (2021: 3 to 35 years) and are secured against the vehicle and mortgage loan receivables detailed in note 7. The expected payments to funders are based on the expected principal receipts from loan receivables. Calculations of expected principal receipts on loan receivables have been derived using prepayment assumptions that are based on historic experience.

(b) Borrowings

Borrowings include a term loan facility of £20m of which £15m (2021: £9m) is drawn. It is repayable in April 2027. The facility pays interest at 11% and guarantees have been provided on the facility by the investment companies.

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Unused at balance sheet date	5,000,000	11,000,000	5,000,000	11,000,000
Used at balance sheet date	15,000,000	9,000,000	15,000,000	9,000,000
Establishment costs	(583,769)	(286,763)	(583,769)	(286,763)
Interest paid	105,779	41,250	105,779	41,250
	<u>14,522,010</u>	<u>8,754,487</u>	<u>14,522,010</u>	<u>8,754,487</u>

13. CURRENT TAX LIABILITIES

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Income tax payable	(135,802)	(1,869,956)	(249,704)	-

14. CONTRIBUTED EQUITY

(a) Share Capital

	Issued and Fully Paid			
	2022	2022	2021	2021
	No.	£	No.	£
Ordinary Shares A Class of £0.035 each (2021: £0.035)				
At 1st July 2021	4,353,598	152,376	4,353,598	152,376
Issued in year	-	-	-	-
At 30th June 2022	<u>4,353,598</u>	<u>152,376</u>	<u>4,353,598</u>	<u>152,376</u>

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14. CONTRIBUTED EQUITY - continued

(a) Share Capital - continued

	Issued and Fully Paid			
	2022	2022	2021	2021
	No.	£	No.	£
Ordinary Shares C Class of £0.01 each (2021: £0.01)				
At 1st July 2021	505,751	5,057	499,923	4,999
Issued in the year	-	-	5,828	58
At 30th June 2022	505,751	5,057	505,751	5,057

Ordinary shares C Class holders are entitled to participate in dividends and they do not have the right to attend, speak or vote at general meetings of the Company.

(b) Contributed Equity

	2022	2021
	£	£
Ordinary Shares A Class of £0.035 each	152,376	152,376
Ordinary Shares C Class of £0.01 each	5,057	5,057
	<u>157,433</u>	<u>157,433</u>

15. RESERVES

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Foreign Currency Translation Reserve	50	2,124,533	50	50
Share Based Payments Reserve	580,686	580,686	580,686	580,686
Minority Interest Acquisition Reserve	-	(7,171,544)	-	-
Buy back reserve for C2 shares	(21,006)	(3,150)	(21,006)	(3,150)
Merger Reserve	(10,873,003)	(19,018,665)	(10,873,003)	(10,873,003)
	<u>(10,313,272)</u>	<u>(23,488,140)</u>	<u>(10,313,273)</u>	<u>(10,295,417)</u>

(a) Foreign Currency Translation Reserve

Balance at the beginning of the financial year	2,124,533	1,500,618	50	50
Translation of foreign operations	-	623,915	-	-
Deemed disposal of subsidiaries	(2,124,483)	-	-	-
Balance at the end of the financial year	<u>50</u>	<u>2,124,533</u>	<u>50</u>	<u>50</u>

Exchange differences arising from the translation of foreign operations have been recognised in the foreign currency translation reserve as described in note 1(e). The reserve is recognised in the income statement when the net investment in foreign operations are sold.

(b) Share Based Payment Reserve

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Balance at the beginning of the financial year	580,686	580,686	580,686	580,686
Share issuance expense	-	-	-	-
Balance at the end of the financial year	<u>580,686</u>	<u>580,686</u>	<u>580,686</u>	<u>580,686</u>

The share based payments reserve is used to recognise the fair value of shares issued but not exercised.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

15. RESERVES - continued

(c) Minority Interest Acquisition Reserve

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Balance at the beginning of the financial year	(7,171,544)	(7,171,544)	-	-
Deemed disposal of subsidiaries	7,171,544	-	-	-
Balance at the beginning/end of the financial year	<u>-</u>	<u>(7,171,544)</u>	<u>-</u>	<u>-</u>

The Minority Interest Acquisition Reserve is used to record the difference between net assets acquired from Minority Interests and face value of consideration paid.

(d) Buy back reserve for C2 shares

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Balance at the beginning of the financial year	(3,150)	(3,150)	(3,150)	(3,150)
Acquisitions	(17,856)	-	(17,856)	-
Balance at the beginning/end of the financial year	<u>(21,006)</u>	<u>(3,150)</u>	<u>(21,006)</u>	<u>(3,150)</u>

The Buy back reserve for C2 shares is used to record shares that have been purchased from ex employees when they have left the investee companies.

(e) Merger Reserve

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Balance at the beginning of the financial year	(19,018,665)	(19,018,665)	(10,873,003)	(10,873,003)
Deemed disposal of subsidiaries	8,145,661	-	-	-
Balance at the end of the financial year	<u>(10,873,003)</u>	<u>(19,018,665)</u>	<u>(10,873,003)</u>	<u>(10,873,003)</u>

The Merger Reserve is used to recognise the difference between the pre-acquisition net assets of the Company (the net assets of the consolidated Group for the Group figure) acquired as part of the capital re-organisation in 2014 and the face value of the shares issued as payment.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Group	
	2022	2021
	£	£
(a) Key Management Personnel Compensation		
Short term employee benefits	1,407,866	2,194,138
Post employment benefits	3,301	9,769
Total compensation	<u>1,411,167</u>	<u>2,203,907</u>

The following personnel are considered Key Management Personnel at the year end:

Mr A. Jeffery (Chairman - Bluestone Investment Holdings)
 Mr P. McGuinness (Managing Director, Bluestone Investment Holdings)
 Mr. A. Cumming (Non-executive director, Bluestone Investment Holdings)
 Mr J Sandelson (Non-executive director, Bluestone Investment Holdings)

(b) Directors' Emoluments

	Group	
	2022	2021
	£	£
Directors' emoluments (including benefits in kind) for management services	<u>1,411,167</u>	<u>1,244,135</u>

(c) Remuneration of the Highest Paid Director

Directors' emoluments (including benefits in kind) for management services	<u>729,038</u>	<u>458,909</u>
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(d) Shares to Directors

No class C2 shares in Group companies were granted to Directors during the year (2021: £435,267).

	2022	2022	2021	2021
	No.	£	No.	£
Ordinary Class C2 shares	-	-	356,175	435,267

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

16. KEY MANAGEMENT PERSONNEL DISCLOSURES - continued

(e) Retirement Benefits

The aggregate retirement benefits paid to all Directors of the Company, by the Company or by any related party, during the financial year was £3,301 (2021: £9,769). The amount in respect of the highest paid Director during the financial year was £1,981 (2021: £2,520).

17. RELATED PARTY DISCLOSURES

(a) Directors' Remuneration

Details of the Directors and key management personnel's remuneration is disclosed in note 19 to the financial statements.

(b) Related Party Loans

At the Balance Sheet date the Group had made the following loans to directors:

	2022	2021
	£	£
Bluestone Investment Holdings Limited to Alistair Jeffrey	73,188	73,189
Bluestone Investment Holdings Limited to Peter McGuinness	96,520	96,520
Bluestone Investment Holdings Limited to Andrew Cumming	3,092	3,092
Bluestone Investment Holdings Limited to Donal Murphy	113,785	83,298
	<u>286,585</u>	<u>256,099</u>

18. EMPLOYEES

The figures below include executive Directors employed directly by the Group. The Company has 3 (2021: 3) employees.

(a) Monthly Average Number of People Employed

	Group	
	2022	2021
	No.	No.
Capital Management	2	3
Loan Servicing	109	92
Loan Origination	114	84
Administration	28	29
Total	<u>253</u>	<u>208</u>

(b) Employee Benefits Expense

	£	£
Wages and Salaries	13,536,394	11,601,135
Social Security Costs	1,649,073	1,136,395
Defined Pension Contribution	151,288	110,511
Staff recruitment	376,747	-
	<u>15,713,502</u>	<u>12,848,041</u>

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

19. DIVIDENDS PAID

	Group	
	2022	2021
	£	£
(i) Ordinary shares A Class		
Interim paid (2022): 55.34p (2021: 32.93p) per £0.035 share	2,409,281	1,433,640
Interim paid (2022): 13.83p (2021: 24.70p) per £0.035 share	602,103	1,075,339
(ii) Ordinary shares C Class		
Interim paid (2022): 55.34p (2021: 32.93p) per £0.01 share	279,883	166,544
Interim paid (2022): 13.83p (2021: 24.70p) per £0.01 share	69,945	124,921
	3,361,212	2,800,443

In September 2022 the Company declared and paid a final dividend for year ending 30 June 2022 of £1,080,223.28 which equates to 22.23p per share.

20. SUBSIDIARIES AND INVESTMENT COMPANIES

(a) Controlled Entities

Name of Controlled Entity	Country of Incorporation	Nature of Business	% Ownership Interest
Bluestone Asset Management Spain S.L	Spain ²	Financial Services	100%
Bluestone Motor Finance (Ireland) DAC	Ireland ³	Financial Services	94%
Bluestone Capital Management Limited	United Kingdom ¹	Financial Services	100%
Bluestone Portfolio Management (UK) Limited	United Kingdom ¹	Financial Services	100%
Bluestone Consumer Finance Limited	United Kingdom ⁴	Financial Services	92%
Bluestone Retail Finance Limited	United Kingdom ⁴	Financial Services	92%
Bluestone Mortgages Limited	United Kingdom ⁵	Financial Services	88%
Bluestone Administrative Services (UK) Limited	United Kingdom ¹	Financial Services	100%
Bluestone Mortgage Holdings Limited	United Kingdom ⁵	Financial Services	95%
Bluestone Asset Management (Ireland) DAC	Ireland ³	Financial Services	94%
Bluestone Finance 1 Limited	Ireland ³	Financial Services	94%
Bluestone Mortgage Finance No. 3 Limited	United Kingdom ⁵	Financial Services	88%
Bluestone Mortgage Finance No. 4 Limited	United Kingdom ⁵	Financial Services	88%
Bluestone Mortgage Finance No. 5 Limited	United Kingdom ⁵	Financial Services	88%
Bluestone Mortgage Retention Finance No.1 Limited	United Kingdom ⁵	Financial Services	88%
Bluestone Mortgage Retention Finance No.2 Limited	United Kingdom ⁵	Financial Services	88%
Topaz Asset Finance 2016-1 DAC	Ireland ⁶	Financial Services	94%
Topaz Asset Finance 2016-2 DAC	Ireland ⁶	Financial Services	94%
Topaz Asset Finance 2017-A1 DAC	Ireland ⁶	Financial Services	94%
Topaz Asset Finance 2017-A2 DAC	Ireland ⁶	Financial Services	94%
Topaz Asset Finance 2018-B1 DAC	Ireland ⁶	Financial Services	94%
Topaz Asset Finance 2019-1 DAC	Ireland ⁶	Financial Services	94%
Topaz Asset Finance 2020-1 DAC	Ireland ⁶	Financial Services	94%
Bluestone Capital Management II Limited 9	United Kingdom ¹	Financial Services	100%
Bluestone Investment Holdings (IRE) Limited	United Kingdom ¹	Financial Services	94%
Sapphire Securities Limited	United Kingdom ¹	Financial Services	100%
Fignum Limited	United Kingdom ¹	Technology Development	82%
Bluestone Credit Management Limited	United Kingdom ⁴	Financial Services	92%
Bluestone Motor Finance Limited	United Kingdom ⁴	Financial Services	92%
Genesis Mortgage Funding 2019-1 Plc	United Kingdom ⁷	Financial Services	88%
Genesis Mortgage Funding 2022-1 Plc	United Kingdom ⁸	Financial Services	88%

¹ Registered Address: 1 Station Square, Cambridge, England, CB1 2GA

² Registered Address: Gran Via Carlos III, 98, 10, Barcelona, Spain

³ Registered Address: Unit 18 Northwood House, Dublin 9, Ireland

⁴ Registered Address: Westfield House, 60 Charter Row, Sheffield, S1 3FZ

⁵ Registered Address: 3rd Floor, 22 Chancery Lane, London, WC2A 1LS

⁶ Registered Address: 1st Floor, 1-2 Victoria Buildings, Haddington Rd, Dublin 4

⁷ Registered Address: 1 Great St Helens, London EC3A 6AP

⁸ Registered Address: 10th Floor, 5 Churchill Place, London United Kingdom, E14 5HU

⁹ Bluestone Capital Management II Limited is in liquidation

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

(b) Direct subsidiaries of the Company

The Company had the following direct subsidiaries as at 30 June 2022:

	Type of shares	Proportion of voting rights	Included in the consolidation	Proportion of ownership interest
Bluestone Administrative Services (UK) Limited	Ordinary	100%	Yes	100%
Bluestone Capital Management Limited	Ordinary	100%	Yes	100%
Bluestone Portfolio Management (UK) Limited	Ordinary	100%	Yes	100%
Sapphire Securities Limited	Ordinary	100%	Yes	100%
Bluestone Capital Management II Limited	Ordinary	100%	Yes	100%

Bluestone Investment Holdings Limited holds investments in subsidiaries at cost of £5,689,473 at 30 June 2022 (2021: £29,011,961)

	£
At 1 July 2021	29,011,961
Deemed disposal of subsidiaries at book value	(23,322,488)
At 30 June 2022	5,689,473

(c) Fair Value Investments

The Company had investments in the following investee companies as at 30 June 2022:

	Type of shares	Proportion of shares held and voting rights	Included in the consolidation	Proportion of ownership interest
Bluestone Consumer Finance Limited	Ordinary	100%	No	92%
Bluestone Mortgage Holdings Limited	Ordinary	95%	No	95%
Bluestone Motor Finance (Ireland) DAC	Ordinary	100%	No	94%
Fignum Limited	Ordinary	100%	No	82%

20. SUBSIDIARIES AND INVESTMENT COMPANIES - continued

(c) Fair Value Investments

The fair value as at 30 June 2022 and the book value as at 30 June 2021, of the investment held in each investee company were as follows:

	Fair Value 2022 £	Book value 2021 £
Bluestone Consumer Finance Limited	2,700,000	6,224,000
Bluestone Mortgage Holdings Limited	11,600,000	4,000,000
Fignum Limited	2,200,000	2,538
Bluestone Motor Finance (Ireland) DAC	10,500,000	13,095,950
	<u>27,000,000</u>	<u>23,322,488</u>

The Company was designated as an Investment Company from 30 June 2022.

(d) Reconciliation of Movements in Fair Value Investments

	Bluestone Consumer Finance Limited £	Bluestone Mortgage Holdings Limited £	Fignum Limited £	Bluestone Motor Finance (Ireland) DAC £	Total £
Opening book value at 1 July 2021	6,224,000	4,000,000	2,538	13,095,950	23,322,488
Gain on investments held at fair value through profit and loss	(3,524,000)	7,600,000	2,197,462	(2,595,950)	3,677,512
Closing Fair Value 30 June 2022	<u>2,700,000</u>	<u>11,600,000</u>	<u>2,200,000</u>	<u>10,500,000</u>	<u>27,000,000</u>

(e) Fair Value Measurement Techniques

The four valuations for the investee companies are performed by an independent service provider company.

Both Fignum Limited and BCF have been valued using a discounted cash flow basis. This is taken from board approved budgets and forecast cash flow and profitability over a five year time horizon. For BCF a discount rate of 20% has been applied to the futures cash flow to reflect the short term nature of some of the client contracts. For Fignum Limited a 50% discount rate has been applied due to the infancy of the business and that a large portion of its revenue is derived from services supplied to other investee companies, notably BML and BMFI. Fignum has a number of initiatives to grow external third party revenues. As these expand it is expected the discount rate used will reduce to one closer to the 20% applied to BCF.

A large part of Fignum Limited's revenue is derived from volumes and revenues in the mortgage business. As such a deterioration in the outlook for the mortgage business will have an interdependency on the outlook for Fignum Limited. A significant factor in the fall in fair value in the period for Fignum Limited is due to the factors that have led to the fall in fair value for BML.

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

20. SUBSIDIARIES AND INVESTMENT COMPANIES - continued

(e) Fair Value Measurement Techniques - continued

BML and BMFI valuation methodology uses current and historical balance sheet data, cash flow and revenue data, normalised for non standard or windfall profits together with board approved current year budget and five year projections to calculate a normalised earning and asset value. The independent service provider company then uses its own empirical data to apply a comparable price earnings ratio and price to total net asset value ratio to determine a valuation for each company.

Other valuation techniques are also used to provide comparison to the valuation returned. These include:

- (a) Comparable company trading multiples (the primary valuation technique);
- (b) Recent comparable company merger & acquisition transaction multiples;
- (c) Dividend discounts model valuation;
- (d) Discounted cash flow model valuation;
- (e) Regression computations using the Company's financial metrics and 10 year historical data; and
- (f) Current net asset value.

Due to the challenging forecasted profitability for the next 12-24 months, the short-term projections for BML indicate a difficult business environment. Consequently, the earning multiples produced a valuation result that was lower than the current net asset value of the business. Given these circumstances, the net asset value was considered the most appropriate valuation methodology to use as of 30 June 2022. This approach takes into account the underlying assets and liabilities of the business and provides a representative measure of its value in the given conditions.

(f) Discount applied for minority interest and for illiquidity

The fair value for each investee business in the books of the Company is taken after applying two discount factors:

- A discount to reflect the minority interest held by other shareholders
- A discount of 30% to reflect illiquidity given that the Company is a private limited company whose shares are not actively traded.

(g) Quantitative analysis of investee company valuations

	Company fair value	£ per share	Implied Multiples	
			PER	P/TNAV
Bluestone Motor Finance (Ireland) DAC	15,000,000	1.50	10.7x	2.3x
Bluestone Mortgage Holdings Limited	17,000,000	1.60	29.3x	1x
Fignum Limited	3,000,000	2.60	0.5x	-
Bluestone Consumer Finance Limited	4,000,000	3.70	0.8x	1.4x
	<u>39,000,000</u>			
Illiquidity and Minority Interest discount	<u>(12,000,000)</u>			
Fair value reported in the Company	<u>27,000,000</u>			

(h) Subsidiaries exempt from audit

The below subsidiary undertakings have claimed audit exemption under UK Companies Act 2006 section 479A with respect to the year ended 30 June 2022. The Group parent company, Bluestone Investment Holdings Limited, has given a statement of guarantee under Companies Act 2006 section 479A, whereby Bluestone Investment Holdings Limited will guarantee all outstanding liabilities to which the respective subsidiary companies are subject as at 30 June 2022.

Subsidiary	Company Number
Bluestone Capital Management Limited	10367076
Bluestone Administrative Services (UK) Limited	09229739
Bluestone Portfolio Management (UK) Limited	06767914
Sapphire Securities Limited	11486427

BLUESTONE INVESTMENT HOLDINGS LIMITED (FORMERLY BLUESTONE CONSOLIDATED HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

21. INCOME STATEMENT FOR BLUESTONE INVESTMENT HOLDINGS LIMITED (THE COMPANY)

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own income statement for the year.

Bluestone Investment Holdings Limited recorded a profit for the year ended 30th June 2022 of £4,990,313 (2021: loss £2,021,307).

22. FINANCIAL RISK MANAGEMENT

The principal areas of uncertainty, with potentially material impact on the Financial Statements are investment risk and market risk.

(a) Investment risk

Investment risk in that the fair value of the companies in which it invests in can go up as well as down based on the external macro-economic environment and the sensitivity of each business to changes in market conditions, credit risk, interest rates etc.

(b) Market risk

The Company's investee companies are subject to different financial risks, including market risk (such as currency risk and interest rate risk), credit risk, and liquidity risk. To manage these risks, the boards of each investee company utilize financial instruments, such as interest rate swaps, to hedge specific exposures. It's important to note that derivatives are employed solely for hedging purposes and are not used for trading or speculative activities. This approach helps mitigate potential risks and ensures a more stable financial position for the investee companies.

23. POST BALANCE SHEET EVENTS

On 23 September 2022 the Board resolved to pay a dividend of £1.08m.

The property lease for the Sheffield premises, originally held by the Company's consolidated subsidiary Bluestone Administrative Services (UK) Limited, was reassigned to BCF on 17 August 2022. Similarly, the lease for the London premises was reassigned to BML on 12 October 2022, and the lease for the Cambridge office was reassigned to Fignum Limited on 9 December 2022. These transfers were made in conjunction with the Company's transformation into an Investment Holding Company.

On 17th March 2023, the Company board agreed terms with Shawbrook Bank Limited on the sale of BML. The sale was approved by the FCA on 26th May 2023 and completed on 31st May 2023. The proceeds of the sale were a combination of cash and equity in Shawbrook's parent, Marlin BidCo Ltd. The cash consideration, £27.3m was used to repay the working capital facility in full, with the remaining cash being retained to support the rest of the group. Bluestone Mortgage Holdings Limited, a direct subsidiary of the Company now holds 1.8m shares in Marlin BidCo which are valued at £13.7m. The valuation of the shares represents the agreed subscription price and is subject to revaluation risk at 30 June 2023.

On 6 June 2023 the Board resolved to pay an interim dividend of £6.5m

24. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.