Company Registration Number: 11942650

BAVARIAN SKY UK-C LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

BAVARIAN SKY UK-C LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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BAVARIAN SKY UK-C LIMITED

COMPANY INFORMATION AND INDEPENDENT AUDITORS

Directors	Ioannis Kyriakopoulos Wilmington Trust SP Services (London) Limited
Company secretary	Wilmington Trust SP Services (London) Limited
Company registered number	11942650
Registered office	C/O Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

BAVARIAN SKY UK-C LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their Strategic report of Bavarian Sky UK-C Limited (the "Company") for the year ended 31 December 2020.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a special purpose company incorporated for the securitisation of auto loans (the "Reference Portfolio"), originated by BMW Financial Services (GB) Limited (the "Originator"). The transaction documents dated 20 May 2019 (as amended on 20 November 2020) set out the details of the transaction.

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

On 20 May 2019 the Company issued £500,000,000 Class A1 Notes due May 2028 (the "Class A1 Notes") and £159,630,000 Class B Notes due May 2028 (the "Class B Notes" and, together with the Class A1 Notes, the "Notes"). Also, on 20 May 2019 the Company issued a £5,277,000 Subordinated loan. On 20 November 2020 the Company issued £300,000,000 additional Class A1 Notes, £95,770,000 additional Class B Notes and a £3,123,000 additional Subordinated loan. One the same day, the due date of the Class A1 Notes and the Class B Notes were extended to November 2029. Therefore, at the year end date, the Company had in issue Class A1 Notes of £800,000,000, and Class B Notes of £255,400,000, along with Subordinated loans totalling £8,400,000. The Class A1 Notes are held by external noteholders.

The Portfolio Purchase Price of the Reference Portfolio is the sum of the Initial Portfolio Purchase Price and the Deferred Purchase Price. The Initial Portfolio Purchase Price represents the Aggregate Discounted Receivables Balance of the Reference Portfolio, being the sum of the scheduled cash flows of the purchased receivables, discounted at the higher of 5% and the APR of the purchased receivable. The Deferred Purchase Price represents the amount payable to the Originator under the relevant Priority of Payments (as set out in the transaction documents).

In each case, the entire proceeds of the Notes were used to fund the payment of the Initial Portfolio Purchase Price of the Reference Portfolio and the Subordinated loan was used to fund a Cash Reserve Ledger (operating account). The Class B Notes and the Subordinated loan were funded by the Originator. Concurrently, with the issuance of the Class A1 Notes and the Class B Notes on 20 November 2020, the previous interest rate swap was closed, and a new interest rate with a higher notional value was entered.

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

During a Revolving Period – being the period from 20 May 2019 to the interest payment date falling in November 2022 – principal receipts on the underlying purchased receivables were used to purchase additional receivables from the Originator (again, for the aggregate of the Initial Portfolio Purchase Price and the Deferred Purchase Price).

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

The sale of the Reference Portfolio to the Company is considered, in the financial statements of the Originator, to fail the derecognition criteria of IFRS 9 Financial instruments: Recognition and Measurement, due to the credit enhancement provided to the Class A1 Notes by the Originator (the Class B Notes, the Subordinated loan, the discounted Initial Portfolio Purchase Price, and the Deferred Purchase Price mechanism). As a result, because the Originator has not derecognised the Reference Portfolio from its Statement of financial position, the Company should not recognise the Reference Portfolio on its own Statement of financial position and so should instead account for the transaction as a funding transaction. As a result, in its Statement of financial position the Company has recognised a receivable from the Originator (the "Deemed loan to the Originator"), rather than the Reference Portfolio it has legally purchased (which in substance represent the collateral held against the Deemed loan to the Originator). The day 1 value of the Deemed loan to the Originator represented the net cash flow paid to the Originator by the Company, in relation to the Initial Portfolio Purchase Price less the amount

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES (continued)

paid by the Originator to fund the Subordinated loan. Over time, the Deemed loan to the Originator balance moves as a result of the purchase of additional receivables and principal repayments on existing receivables.

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

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

RESULTS AND DIVIDENDS

The results for the year and the Company's financial position at the year end are shown in the attached financial statements. The prior period (the 'PP') is the period from incorporation on 12 April 2019 to 31 December 2019. The Company operates on the basis that any returns on the Reference Portfolio underlying the Deemed loan to Originator will be returned to the noteholders net of operating expenses and an issuer profit. The profit (PP: loss) for the year was £432,460 (PP loss: £1,136,322). At the year end, the Company had net liabilities of £703,861 (PP: £1,136,321). The directors have not recommended a dividend.

FUTURE DEVELOPMENTS

The future performance of the Company depends on the performance of the Reference Portfolio. The directors do not expect there to be any significant change in the Company's principal activity in the foreseeable future.

The key future developments which the directors expect to have the greatest impact on the performance of the Company are macroeconomic.

On 31 December 2019, the World Health Organisation ("WHO") was informed that a limited number of cases of pneumonia, of an unknown cause, were detected in Wuhan, Hubei. On 9 January 2020, Chinese authorities identified a new type of coronavirus (COVID-19) as the cause, which subsequently led to a global pandemic. During the year, the United Kingdom government announced several lockdowns for the United Kingdom, which prohibited all non-essential travel. As a result, several businesses have reduced, or in the worst cases, ceased their operations. While the extent and duration of the effect of the coronavirus outbreak on businesses remains unclear, there is a risk of financial instability for the Company, for example a detrimental effect on the UK economy may ultimately impact the underlying obligors' ability to repay the loans, or on the Servicer's ability to continue to effectively service the loans.

As a result of the COVID-19 pandemic, the UK Government announced the implementation of an initial three-month payment holiday period for borrowers affected by the pandemic. In accordance with FCA guidelines, the payment holiday scheme was made available to the Company's borrowers should they wish to opt in.

As of December 2020, the United Kingdom rolled out its first vaccine, Pfizer/BioNTech which was shortly followed by its second the Oxford/Astrazeneca vaccine. It is hoped that these and other vaccines will play a crucial part in slowing down the spread of the virus assisting both the NHS and the UK economy in its recovery. In January 2021 the UK Government instructed a third national lockdown to minimise the spread of a new COVID-19 virus variant.

The directors note that a number of receivables in the Reference Portfolio have gone onto payment holidays. However, the Originator has repurchased any receivables which entered into payment holidays in the financial year. As a result, the Company has been protected against the impact of the payment holidays and is expected to continue to be protected against the impact COVID-19 may have on an obligors' ability to meet contractual payments.

FUTURE DEVELOPMENTS (continued)

Given the unprecedented situation with COVID-19, the directors acknowledge that there may be further unexpected impacts that are currently unforeseeable. The Company will continue to monitor the potential impact COVID-19 may have on the Company and will make necessary adjustments to its financial statements should this happen.

The UK left the European Union ("EU") at 23.00GMT on 31 January 2020 and exited the subsequent 11- month transition window at 23.00 GMT on 31 December 2020. On 24 December 2020 a Trade and Cooperation Agreement (the "Agreement") was formalised between the EU and the UK which established the basis for the broad relationship between the EU and the UK going forwards. Whilst the Agreement reduces the inherent uncertainty arising from the UK's exit from the EU, the macro-economic effect that this trade deal has on the UK economy is difficult to determine. However, as the Notes are a limited recourse obligation of the Company, the Company is not ultimately exposed if the underlying obligors are unable to repay the receivables.

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Company are considered by the directors to be the performance of the Reference Portfolio (see note 7).

SECTION 172 STATEMENT

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

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

- with reference to subsection (a) concerning the likely consequences of any decision in the long term: transaction documentation has been set up to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and as disclosed under basis of preparation in Note 1 and in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit.
- Due to the nature of the entity it has no employees therefore subsection (b) is not relevant.
- The Company operates within the parameters laid out by the transaction documents which governs how all the parties involved in the transaction interact, therefore subsection (c) and (e) is not relevant.
- Subsection (d) is not relevant as the Company's operations have no impact on the community or environment.
- The Company ownership structure is arranged such that subsection (f) has no impact.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The Interbank Offered Rate (IBOR) reform means that interest rate benchmarks such as LIBOR are expected to cease after 2021. The Company had the Class A1 Notes linked to LIBOR at the start of the year, but the Notes were rebased to SONIA on 20 November 2020. As such the IBOR reform will not impact the Company. A detailed consideration of the risk factors relevant to the securitisation transaction is included in the section "Risk Factors" of the transaction documents.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The Originator's own going concern assessment is critical for the Company as the Originator is responsible for servicing and administering the Reference Portfolio.

Signed on behalf of the Board

Ioannis Kyriakopoulos for and on behalf of Wilmington Trust SP Services (London) Limited
Director, 25 June 2021

BAVARIAN SKY UK-C LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their Annual Report and the audited financial statements of the Company for the year ended 31 December 2020. Wilmington Trust SP Services (London) Limited, a private limited company incorporated in England and Wales, holds the shares of the Company under Declarations of Trust for charitable purposes. For accounting purposes, the Company's controlling party is considered to be BMW Financial Services (GB) Limited, a private limited company incorporated in England and Wales, on the basis that this entity holds the majority of the exposure to variability associated with the Reference Portfolio. BMW AG, a public limited company incorporated in Munich, Germany, is the ultimate parent of the Company but has no direct ownership interest in the Company. In addition to the information in the Strategic report regarding the securitisation transaction, the directors manage the Company's affairs in accordance with the transaction documents.

The principal activities of the Company, Results and Dividends, Future Developments, Key Performance Indicators, Principal Risks and Uncertainties are detailed in the Strategic report.

GOING CONCERN

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

As at 31 December 2020, the net liabilities of the Company were £703,861 (PP: £1,136,321). Whilst noting that the Company is in a net liabilities position at the year end, this is due to the fair value movement on the derivative, which will reverse over the life of the transaction. The directors are of the opinion that the Company will continue as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

As explained in more detail in note 1 to the financial statements, the directors have undertaken assessment of the Company's on-going business model and have made enquiries of the management of the Originator. Given the details set out in note 1, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future.

CORPORATE GOVERNANCE STATEMENT

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

DIRECTORS

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

Wilmington Trust SP Services (London) Limited
D J Wynne (resigned 21 July 2020)
Ioannis Kyriakopoulos (appointed 21 July 2020)

THIRD PARTY INDEMNITIES

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

DIVIDENDS

The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT

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

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

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

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

Signed on behalf of the Board

Ioannis Kyriakopoulos for and on behalf of Wilmington Trust SP Services (London) Limited
Director, 25 June 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAVARIAN SKY UK C LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Bavarian Sky UK-C Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2020; the Statement of comprehensive income, the Statement of cash flows and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Reporting on other information

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAVARIAN SKY UK C LIMITED (continued)

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to any breach of the underlying transaction documents associated with the securitisation transaction, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

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

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAVARIAN SKY UK C LIMITED (continued)

Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 June 2021

BAVARIAN SKY UK-C LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTINUING OPERATIONS	Note	For the year ended 31 December 2020 £	For the period from 12 April 2019 to 31 December 2019 £
Interest income	3	9,947,692	6,110,263
Interest expense	4	(9,855,352)	(6,057,609)
Net interest income		92,340	52,654
Fair value movement in derivatives	12	431,407	(1,136,970)
Administrative expenses	5	(91,040)	(51,854)
Profit / (loss) before tax		432,707	(1,136,170)
Income tax charge	6	(247)	(152)
Profit / (loss) for the year / period and total comprehensive income / (expense)		432,460	(1,136,322)

The profit/(loss) for the year was derived from continuing operations.

The notes on pages 15 to 26 form part of these financial statements.

BAVARIAN SKY UK-C LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital £	Accumulated Losses £	Total Equity £
Balance as at 12 April 2019	-	-	-
Issuance of shares	1	-	1
Loss for the period and total comprehensive expense	-	(1,136,322)	(1,136,322)
Balance as at 31 December 2019	1	(1,136,322)	(1,136,321)
Balance as at 1 January 2020	1	(1,136,322)	(1,136,321)
Profit for the year and total comprehensive income	-	432,460	432,460
Balance as at 31 December 2020	1	(703,862)	(703,861)

The notes on pages 15 to 26 form part of these financial statements.

BAVARIAN SKY UK-C LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Assets			
Deemed loan to the Originator	7	1,005,034,486	629,464,133
Other receivables	8	2,024,641	1,433,607
Cash and cash equivalents (restricted)	9	48,676,801	29,063,446
Total assets		1,055,735,928	659,961,186
Equity			
Share capital	10	1	1
Accumulated losses		(703,862)	(1,136,322)
Total equity		(703,861)	(1,136,321)
Liabilities			
Notes issued	11	1,055,400,000	659,630,000
Other liabilities	12	1,039,542	1,467,355
Tax payable	6	247	152
Total liabilities		1,056,439,789	661,097,507
Total equity and liabilities		1,055,735,928	659,961,186

These financial statements of Bavarian Sky UK-C Limited, Company registration number 11942650, on pages 11 to 26 were approved by the Board of directors on 25 June 2021 and are signed on its behalf by:

Ioannis Kyriakopoulos for and on behalf of Wilmington Trust SP Services (London) Limited
Director

The notes on pages 15 to 26 form part of these financial statements.

BAVARIAN SKY UK-C LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	For the year ended 31 December 2020 £	For the period from 12 April 2019 to 31 December 2019 £
Cash flows generated from operating activities			
Profit / (loss) before tax		432,707	(1,136,170)
Adjustments for:			
Interest income	3	(9,947,692)	(6,110,263)
Interest expense	4	9,855,352	6,057,609
Movement in derivative financial instrument	12	(431,407)	1,136,970
Movement in other assets	8	(2,319)	(6,427)
Movement in other liabilities		309,778	214,174
Tax paid		(152)	-
Net cash generated from operating activities		216,267	155,893
Cash flows used in investing activities			
Purchase of receivables, net of Subordinated loan	7	(737,019,903)	(782,211,065)
Collections of underlying receivables	7	391,388,996	165,676,461
Deferred purchase consideration		(29,939,446)	(12,929,529)
Interest received on Deemed loan to the Originator		9,358,977	4,683,083
Net cash used in investing activities		(366,211,376)	(624,781,050)
Cash flows generated from financing activities			
Share capital issued		-	1
Interest paid		(10,161,536)	(5,941,398)
Notes issued	11	395,770,000	659,630,000
Net cash generated from financing activities		385,608,464	653,688,603
Net increase in cash and cash equivalents		19,613,355	29,063,446
Cash and cash equivalents at start of the year/period		29,063,446	-
Cash and cash equivalents at end of the year/period		48,676,801	29,063,446

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

The notes on pages 15 to 26 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

General information

Bavarian Sky UK-C Limited is a private limited company by shares, incorporated and domiciled in England, United Kingdom with registered number 11942650 and registered office at Third Floor, 1 King's Arms Yard, London, EC2R 7AF, UK.

The principal activity of the Company is set by the transaction documents and is that of a special purpose company incorporated for the securitisation of a portfolio of hire purchase receivables. The Class A1 Notes and the Class B Notes (each such class, a "Class", and the Classes collectively, the "Notes") of the Issuer are backed by a portfolio of hire purchase receivables (the "Reference Portfolio") originated pursuant to Personal Contract Purchase ("PCP") agreements in relation to certain passenger cars, light commercial vehicles or motorcycles (the "Financed Vehicles").

The Company operates on the basis that any returns on the Reference Portfolio underlying the Deemed loan to the Originator will be returned to the Originator net of interest and operating expenses and an issuer margin of £200 on each payment date.

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below.

The financial statements have been prepared on a going concern basis, as the Board of the directors considered this to be appropriate. In reaching their conclusion the, directors have undertaken assessment of the Company's on-going business model, the impact of COVID-19, made enquiries of the management of the Originator, considered the fact that the Reference Portfolio at the year end is performing well and that the Notes are limited recourse. Whilst noting that the Company is in a net liabilities position at the year end, this is due to the fair value movement on the derivative, which will reverse over the life of the transaction.

Despite the expected improvement in the economic environment in the recent months, there is an existing risk in relation to the customers' ability to repay their PCP agreement. . In assessing this risk, the directors considered the Company's ability to defer certain interest payments on the Notes whilst only being required to make principal payments to the extent there are available principal funds received from the Reference Portfolio. Furthermore, held within cash there is a reserve fund that can be used to mitigate the effect of economic downturns and allow settlement of the Company's non-deferrable liabilities as they fall due. The directors therefore believe that the emerging COVID-19 economic impact does not call into question the Company's adoption of the going concern basis of preparation.

Having reviewed these factors, and taking into account current market conditions, in the absence of breach of transaction document triggers, and in the light of cash flow forecasts which show the Company being able to continue to meet its liabilities based on current expected credit losses write off experience, the director's consider that the Company continues to be a going concern and the financial statements have been prepared on this basis.

These financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention modified by financial assets and financial liabilities held at fair value through profit & loss.

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

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

The Company operates on the basis that any returns on the Reference Portfolio underlying the Deemed loan to the Originator will be returned to the Originator net of interest and operating expenses and an issuer profit of £1,300 for the year ended December 2020 and £2,400 in each subsequent period of 12 months.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

Deemed loan to the Originator
Under IFRS 9, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have concluded (as a result of the credit enhancement provided to the Class A1 Notes) that the Originator has retained substantially all the risks and rewards of the Reference Portfolio and as a consequence, the Company does not recognise PCP agreements on its Statement of financial position but rather a Deemed loan to the Originator.

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

Deferred Purchase Consideration payable to the Originator, representing the excess of the cashflows received by the Company from the Reference Portfolio above the Company's payments and issuer profit as determined by the transaction documents, is netted off to arrive at the Deemed loan to the Originator.

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

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

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

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

The Deemed loan to the Originator would be considered impaired if the expected cash flows in respect of the securitised assets (taking into account corresponding ECLs) were considered lower than the expected over-collateralisation and excess income to be returned to the Originator over the life of the securitisation arrangement. As at 31 December 2020 this was not the case and no impairment was recognised in respect of the Deemed loan to the Originator.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

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

Share capital
Ordinary shares are classified as equity.

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

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

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

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors, in particular the fair value of the interest rate swap, which has been determined through modelling by reference to market observable data. There is, therefore, a potential risk that they may be subject to change in future periods.

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

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

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

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

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

- Additionally, a clean-up call option exists whereby the Originator can repurchase the PCP agreements on any interest payment date when the Aggregate Discounted Receivables Balance (as defined in the Receivables Purchase Agreement) has reduced to less than 10% of the initial Aggregate Discounted Receivables Balance or, if sooner, when the Class A1 Notes have been repaid in full. This call can only be exercised to the extent the consideration is sufficient to redeem all outstanding Class A1 Notes and Class B Notes and as such, would be expected to reduce the Deemed loan to the Originator to nil in such a scenario with no resultant exposure to additional upside or downside for the Company.

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

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

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

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

As explained in note 7 the Deemed loan to the Originator was not impaired as at 31 December 2020 as the balance of the Reference Portfolio after impairment losses was higher than the balance of the Deemed loan to the Originator.

3. INTEREST INCOME

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

	For the year ended 31 December 2020	For the period from 12 April 2019 to 31 December 2019
	£	£
Other interest received	8,888	18,568
Interest income on Deemed loan to Originator	9,938,804	6,091,695
	9,947,692	6,110,263

4. INTEREST EXPENSE

	For the year ended 31 December 2020	For the period from 12 April 2019 to 31 December 2019
	£	£
Interest expense – Class A1 Notes	4,695,204	4,213,473
Interest expense – Class B Notes	2,551,988	1,465,354
Swap interest	2,608,160	378,782
	9,855,352	6,057,609

5. ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2020	For the period from 12 April 2019 to 31 December 2019
Profit (loss) before tax is stated after charging	£	£
Legal and professional fees	11,593	6,000
Corporate services fees	38,744	17,094
Audit fees FY20	30,600	28,200
Paying agent and security trustee fees	7,397	-
Miscellaneous fees	2,706	560
	91,040	51,854

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

During year ended 31 December 2020 the Company did not receive any non-audit services from the statutory auditor (PP: £nil).

6. INCOME TAX CHARGE

(a) Analysis of tax charge in the year / period

	For the year ended 31 December 2020	For the period from 12 April 2019 to 31 December 2019
Current tax:	£	£
Corporation tax charge for the year / period	(247)	(152)
Total income tax charge in the statement of comprehensive income	(247)	(152)

6. INCOME TAX CHARGE (continued)

	For the year ended 31 December 2020 £	For the period from 12 April 2019 to 31 December 2019 £
Profit / loss before tax	432,707	(1,136,170)
Profit / (loss) before tax multiplied by the standard rate of corporation tax of 19% (PP: 19%)	(82,214)	215,872
Accounting profit / (loss) not taxed in accordance with SI 2006/3296	82,214	(215,872)
Cash retained profit taxed in accordance with SI 2006/3296 at 19% (PP:19%)	(247)	(152)
Total income tax charge	(247)	(152)

(b) Reconciliation of effective tax rate

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

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

7. DEEMED LOAN TO THE ORIGINATOR

	2020 £	2019 £
Opening balance	629,464,133	-
Initial purchase of deemed loan	-	659,630,000
Net collections of underlying loans	(306,746,827)	(151,339,939)
Repurchase of receivables	(54,702,723)	(1,406,993)
Subordinated loan received	(3,123,000)	(5,277,000)
Additional purchases	740,142,903	127,858,065
Closing balance	1,005,034,486	629,464,133

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

	2020 £	2019 £
Up to date	1,050,317,449	655,010,693
1 to 30 days past due	3,005,733	2,694,807
31 to 60 days past due	691,492	779,923
61 to 90 days past due	190,908	550,928
91 days + past due	1,199,620	603,983
	1,055,405,202	659,640,334

7. DEEMED LOAN TO THE ORIGINATOR (continued)

The Deemed loan to the Originator was not impaired as at 31 December 2020 as the balance of the Reference Portfolio after impairment as higher than the balance of the Deemed loan to the Originator.

The repurchase of receivables has increased significantly during the year due to the Originator repurchasing receivables which entered into payment holidays due to the effects of COVID-19.

Due to the Revolving Period ending on November 2022, all Deemed loan to the Originator balance is classified as non-current assets.

8. OTHER RECEIVABLES

	2020	2019
	£	£
Interest receivable*	2,015,895	1,427,180
Prepaid expenses	8,745	6,426
Issued share capital	1	1
	2,024,641	1,433,607

*The interest receivable comprises amounts received on the Deemed loan to the Originator but not received in the bank until 2021.

9. CASH AND CASH EQUIVALENTS (restricted)

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

	2020	2019
	£	£
Cash and bank current accounts	48,676,801	29,063,446

Cash is held with HSBC Bank Plc.

10. SHARE CAPITAL

	2020	2019
Issued and allotted share capital:	£	£
1(PP:1) share fully paid at £1 each	1	1

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

11. NOTES ISSUED

	2020	2019
Non-current liabilities	**£**	**£**
Class A1 Notes (compounded daily SONIA plus 0.68% per annum)	**800,000,000**	**500,000,000**
Class B Notes (1.5% Fixed rate per annum)	**255,400,000**	**159,630,000**
	1,055,400,000	**659,630,000**

The exposure of the Company's borrowings to interest rate changes and contractual re-pricing dates at the reporting date is nil, due to the interest rate swap.

The LIBOR benchmark upon which reliance is placed was replaced by compounded daily SONIA on the 20 November 2020. On this date, the interest rates on the Class A1 Notes were updated from 1-month LIBOR plus 0.65% per annum to compounded daily SONIA plus 0.68% per annum.

The Class A1 Notes and Class B Notes have a final maturity date on the payment date in November 2029.

12. OTHER LIABILITIES

	2020	2019
	£	**£**
Derivative liability	**705,563**	**1,136,970**
Accruals and deferred income	**333,979**	**330,385**
	1,039,542	**1,467,355**

13. RELATED PARTY TRANSACTIONS

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

During the year, administration and accounting services were provided by Wilmington Trust SP Services (London) Limited to the Company for which Wilmington Trust SP Services (London) Limited earned £38,744 (PP: £17,094) including value added taxes and expenses.

During the year, there were net movements of £641,249,903 (PP: £622,581,065) to BMW Financial Services (GB) Limited from the Company in respect of £740,142,903 additional purchases of underlying loans on the Deemed loan to the Originator, less £95,770,000 additional Class B Notes and less £3,123,000 additional Subordinated Loan. The interest income earned on the underlying Reference Portfolio for the year was £9,939,004 (PP: £6,091,695).

Under the terms of the sale agreement relating to portfolio of loans, BMW Financial Services (GB) Limited has a residual interest in the portfolio of loans primarily represented by the Subordinated loan and the Deferred Purchase Consideration. At 31 December 2020, £8,400,000 (PP: £5,277,000) of Subordinated loan was due to BMW Financial Services (GB) Limited and £29,939,446 (PP: 12,929,529) of Deferred Purchase Consideration has been paid to BMW Financial Services (GB) Limited during the year, with none accruing at the year end.

14. FINANCIAL RISK MANAGEMENT

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

Interest rate risk
After taking into consideration the administered interest rate nature of the Company's Deemed loan to the Originator, the regular re-pricing of the Company's floating rate notes, together with the nature of the Company's other assets and liabilities, the directors do not believe that the Company has any significant interest rate re-pricing exposure.

14. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

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

2020	In one year or less	Greater than one and less than two years	Between two and five years	Greater than five years	Total
	£	£	£	£	£
Class A1 Notes	(5,826,400)	(5,527,200)	(15,884,000)	(823,105,609)	(850,343,209)
Class B Notes	(3,831,000)	(3,831,000)	(11,493,000)	(270,283,173)	(289,438,173)
	(9,657,400)	**(9,358,200)**	**(27,377,000)**	**(1,093,388,782)**	**(1,139,781,382)**

2019	In one year or less	Greater than one and less than two years	Between two and five years	Greater than five years	Total
	£	£	£	£	£
Class A1 Notes	(5,455,000)	(7,515,000)	(22,275,000)	(526,022,877)	(561,267,877)
Class B Notes	(2,394,450)	(2,394,450)	(7,183,350)	(167,731,769)	(179,704,019)
	(7,849,450)	**(9,909,450)**	**(29,458,350)**	**(693,754,646)**	**(740,971,896)**

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

2020	In one year or less	Greater than one and less than two years	Between two and five years	Greater than five years	Total
	£	£	£	£	£
Interest rate swap					
- Inflow	386,400	87,200	(436,000)	1,971,581	2,009,181
- Outflow	4,000	4,000	12,000	15,540	35,540
Net inflows/(outflows)	390,400	91,200	(424,000)	1,987,121	2,044,721

Due to a negative fixed rate, this has caused the outflow balances to be positive. Similarly, due to the negative forward looking compounded daily SONIA rates, this has caused a negative inflow balance between two and five years.

14. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

2019	In one year or less	Greater than one and less than two years	Between two and five years	Greater than five years	Total
	£	£	£	£	£
Interest rate swap					
- Inflow	2,205,000	4,265,000	12,525,000	15,026,301	34,021,301
- Outflow	(4,200,000)	(4,200,000)	(12,600,000)	(14,210,959)	(35,210,959)
Net (outflows)/inflows	(1,995,000)	65,000	(75,000)	815,342	(1,189,658)

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

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

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

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

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

	Note	Carrying amount 2020	Approximate fair value 2020	Carrying amount 2019	Approximate fair value 2019
		£	£	£	£
Deemed loan to the Originator	7	1,005,034,486	994,815,709	629,464,133	585,358,490
Interest receivable	8	2,015,895	2,015,895	1,427,180	1,427,180
Cash and cash equivalents	9	48,676,801	48,676,801	29,063,446	29,063,446
		1,055,727,182	1,045,508,405	659,954,759	615,849,116
Notes issued	11	1,055,400,000	1,043,492,510	659,630,000	614,421,936
Derivative liability	12	705,563	705,563	1,136,970	1,136,970
		1,056,105,563	1,044,198,073	660,766,970	615,558,906

As at year end, the Company has an interest rate swap contract to hedge the risk of floating interest rates on Class A1 Notes. The fair value of such interest rate swap contracts are calculated by discounting future cash flows using appropriate and observable market rate.

14. FINANCIAL RISK MANAGEMENT (continued)

Fair values (continued)

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

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

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

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

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

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

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

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

The only financial instrument included in the Company's Statement of financial position that is measured at fair value is the interest rate swap. The fair value of such swap contract liability at the year end is £705,563.

As at 31 December 2020, the notional of this derivative is £800,000,000. As the notional of this derivative is directly linked to the outstanding receivables balance calculated by discounting future cash flows using appropriate and where available observable market data, this falls within level 3 of the hierarchy.

Amounts payable by the Company, in accordance with the interest rate swap agreement with Merrill Lynch International, are fixed. The fixed amounts payable at each IPD total -0.0005% of the outstanding balance of the Class A1 Notes. The floating amounts receivable by the Company are determined with reference to compounded daily SONIA rate on the interest determination date of the outstanding balance of the Class A1 Notes.

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

14. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy (continued)

The fair value of the Deemed loan to the Originator is categorised as level 3. The fair value of the Notes are categorised as level 2 and level 3.

As at 31 December 2020 **Financial assets**	**Total** **£**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**
Deemed loan to the Originator	994,815,709	-	-	994,815,709

As at 31 December 2020 **Financial liabilities**	**Total** **£**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**
Notes issued – Class A	800,607,889	-	800,607,889	-
Notes issued – Class B	242,884,621	-	-	242,884,621
Derivative liability	705,563	-	-	705,563
	1,044,198,073	-	800,607,889	243,590,184

As at 31 December 2019 **Financial assets**	**Total** **£**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**
Deemed loan to the Originator	585,358,490	-	-	585,358,490

As at 31 December 2019 **Financial liabilities**	**Total** **£**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**
Notes issued – Class A	473,540,781	-	473,540,781	-
Notes issued – Class B	140,881,155	-	-	140,881,155
Derivative liability	1,136,970	-	-	1,136,970
	615,558,906	-	473,540,781	142,018,125

15. SEGMENTAL REPORTING

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

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

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

17. OTHER SIGNIFICANT AND POST BALANCE SHEET EVENTS

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