

Colchester Funding Limited

Annual Report and Financial Statements

Registered Number 4473317

Year Ended 30 November 2013

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Company Information

Directors

J Barbour
A Nehra
T Theobald

Company Secretary

Neptune Secretaries Limited
T Theobald

Registered Office

Jessop House, Jessop Avenue,
Cheltenham
Gloucestershire
GL50 3WG

Trading Address

The Vineries
Broughton Hall Business Park
Skipton
North Yorkshire
BD23 3AE

Solicitors

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Wiggin LLP
Jessop House, Jessop Avenue
Cheltenham
Gloucestershire
GL50 3WG

Auditor

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Bankers

Barclays Bank Plc
One Churchill Place
London
E14 5HP

Strategic Report

Principal activities

In the period to 13 November 2013, the Company's principal activity was that of a holder of the retained rights to certain residual income and cash flows from the group's securitisation programme. On 13 November 2013, as part of a group restructuring the Company sold its residual rights and acquired a minority interest in the purchaser. The company now holds investments on behalf of the group.

Business Review and Future Developments

On 13 November 2013, the company sold its interest in the BMF transactions at what the directors considered to be market value. On the same date, the Company acquired a minority share of the purchaser, Britannica II Sarl for £393k. this investment was funded through an intercompany loan which will be repaid entirely through the cash flows arising from the investments.

Linked presentation has been applied for the period up to the sale of the Company's residual interest to reflect that the financing provided to the BMF transactions will be repaid from proceeds generated by that company. Post disposal of the BMF transactions residual interest the results are of the standalone company. The impact of the deconsolidation has been to recognise a loss on sale of £4million..

By order of the board



T Theobald
Director
Date: 20 May 2014

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 30 November 2013.

Results and dividends

The loss for the financial year amounted to £4,122,000 (2012: £726,000 loss). The directors do not recommend payment of a dividend. (2012: Nil).

Directors

The directors who held office during the period and to date were as follows:

Name	Date of Appointment	Date of Resignation
J Barbour		
A Nehra		
T Theobald		

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board



T Theobald
Director
Date: 20 May 2014

Statement of Directors' Responsibilities in respect of the Strategic Report and the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report and the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditor's report to the members of Colchester Funding Limited

We have audited the financial statements of Colchester Funding Limited for the year ended 30 November 2013 set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

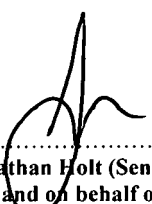
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Colchester Funding Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



.....
Jonathan Holt (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Date: 20 May 2014

Profit and Loss Account
for the year to 30 November 2013

	<i>Note</i>	2013 £000	2013 £000	2012 £000	2012 £000
Interest receivable and similar income	2		638		754
Interest payable and similar charges	3		(542)		(633)
Net interest income			96		121
Other operating income		28		29	
Fees and commissions payable		(44)		(49)	
Total operating cost			(16)		(20)
Operating expenses		(416)		(510)	
Provisions for bad and doubtful debts	5	235		(317)	
			(181)		(827)
Loss on disposal of assets			(4,021)		-
Operating loss on ordinary activities before taxation	4		(4,122)		(726)
Tax credit on loss on ordinary activities	6		-		-
Loss for the financial year			(4,122)		(726)

The results in the above profit and loss account relate entirely to discontinued operations.

There are no recognised gains and losses other than the loss for the year shown above; accordingly no statement of recognised gains or losses is required.

The notes on pages 9 to 15 form part of these financial statements.

Balance Sheet
At 30 November 2013

	<i>Note</i>	2013 £000	2013 £000	2012 £000	2012 £000
Investments			393		-
Fixed assets					
Mortgage loans - securitised assets	7	-		21,568	
Less non recourse finance	7	-		(13,504)	
					8,064
Current assets					
Debtors	8		75		6
Total assets			468		8,070
Capital and reserves					
Called up share capital	9	2,000		2,000	
Share premium account	10	5,104		-	
Profit and loss account	11	(7,029)		(2,907)	
Shareholders' funds / (deficits)			75		(907)
Creditors:					
Amounts falling due within one year	11		393		7,130
Amounts falling due after one year			-		1,847
Total equity and liabilities			468		8,070

The notes on pages 9 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 20 May 2014 and were signed on its behalf by:



T Theobald
Director

Company Number: 4473317

Notes to the Financial Statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The Company's principal shareholder, Commercial First Group Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, that interest on the loan from the parent will not fall due for payment but be rolled in to an outstanding balance and that whilst the loan is nominally due to mature in November 2014 the intention is to extend the term of the facility beyond this date. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

Cash flow

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a consolidated cash flow statement in the financial statements of the ultimate parent company.

Mortgage loans

Mortgages loans are stated at cost less provision for doubtful debts.

The provision charge in the profit and loss account represents realised losses in the year together with the net change in the provision for potential losses.

Net origination costs deferral

Net external costs of originating the mortgages loans are deferred and written off over the estimated life of the loan.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. Deferred tax assets are recognised to the extent they are considered recoverable.

Transactions with Related Parties

The company, as a wholly owned subsidiary undertaking of Commercial First Group Limited has taken advantage of an exemption contained in FRS 8 (Related Party Disclosures), in preparing its financial statements. This exemption allows the company not to disclose details of transactions with other group companies or investors of the group qualifying as related parties, as the consolidated financial statements of the Commercial First Group Limited in which the company is included are available by application, to the trading address, as disclosed in Note 14.

Fixed asset investments

The company holds investments at the lower of cost less provision for any permanent diminution in value.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Linked Presentation

The company has securitised certain of its mortgage loans to companies outside of the group on a non recourse basis. The amount of these loans is disclosed on the face of the balance sheet, with the non recourse finance deducted from them.

Funding costs

Initial costs incurred in arranging funding facilities are amortised over the expected life of the facility. Unamortised initial costs are deducted from the associated liability in accordance with FRS 4 (Capital Instruments). Costs amortised in the year are included in interest payable.

2 Interest receivable and similar income

	2013 £000	2012 £000
On mortgage loans	620	712
Bank interest	18	42
	<u>638</u>	<u>754</u>

3 Interest payable and similar charges

	2013 £000	2012 £000
Securitised funding interest	<u>542</u>	<u>633</u>

Notes to the Financial Statements *(continued)*

4 Operating loss on ordinary activities before taxation

	2013 £000	2012 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Management recharge	323	400

The company has no employees of its own. Company administration services are provided to the company by a fellow subsidiary, Commercial First Mortgages Limited which has levied a recharge of costs that relate to the company's operations.

Commercial First Mortgages Ltd also pay the company's audit fees for the year which amount to £3,500 (2012: £3,500)

None of the directors received emoluments in their capacity as directors of the company.

5 Provisions for bad and doubtful debts

	2013 £000	2012 £000
(Credit) / charge for the year	(235)	317
Provision held as a percentage of total mortgage loans	0%	3.93%

Notes to the Financial Statements (*continued*)

6 Taxation

Analysis of (credit)/charge in year

	2013 £000	2012 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Total current tax	-	-
<i>Deferred Tax</i>		
Current year movement	-	-
Total deferred tax	-	-
Tax charge on loss on ordinary activities	-	-

Factors affecting taxation for the current year

The current tax (credit) /charge for the year is lower than the standard rate of corporation tax in the UK (23.33%) (2012: 24.66%). The differences are explained below.

	2013 £000	2012 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(4,122)	(726)
Current tax at 23.33% (Prior year: 24.66%)	(962)	(179)
<i>Effects of:</i>		
Group relief	957	179
Short term timing differences	5	-
Total current tax charge (see above)	-	-

Notes to the Financial Statements *(continued)*

7 Securitised Assets

The company sold, through a securitisation transaction, mortgage loans to a SPV company, Business Mortgage Finance 1 PLC (BMF 1) which is ultimately beneficially owned by a charitable trust. The company is not obliged nor does it intend to support any losses incurred by BMF 1. BMF 1 funded the purchase through the issue of Mortgage-backed Floating Rate Loan Notes, the holders of which do not have any recourse to Colchester Funding Limited. The Loan Note holders are only entitled to receive the interest due and any principal repaid on the loans. The priority and claims on the additional proceeds are determined by reference to the strict priority of payments as set out in the Offering Circular. Whilst the company was entitled to receive residual revenues, subject to funds being available from the transaction.

In November 2013, the cashflow entitlements have been sold on to a third party. The effect of this is that the company no longer holds any economic benefit in BMF 1, therefore the transaction will not be recognised with effect from 13 November 2013.

In accordance with FRS 5 the results of BMF 1 therefore have been consolidated within the results of the company up to the date of the transaction, 13 November 2013. Linked presentation is no longer used on the face of the balance sheet at year end. The amount included in securitised balances from BMF 1 is as follows:

	2013 £000	2012 £000
Mortgage loans – net balances	-	12,228
Cash balances	-	9,340
	<hr/>	<hr/>
	-	21,568
	<hr/>	<hr/>
Mortgage-backed Floating Rate Loan Notes	-	13,504
	<hr/>	<hr/>

The summarised profit and loss account of BMF 1 up to the date of the transaction, 13 November 2013 is as follows:-

	2013 £000	2012 £000
Interest income	620	725
Interest payable	(519)	(612)
	<hr/>	<hr/>
Net interest income	101	113
Operating expenses	(101)	(113)
	<hr/>	<hr/>
Operating Profit on ordinary activities before taxation	-	-
Tax credit / (charge)	-	-
	<hr/>	<hr/>
Operating Profit on ordinary activities after taxation	-	-
	<hr/>	<hr/>

The company has received no cash payments in respect of interest (2012: nil) from BMF 1.

Notes to the Financial Statements (continued)

8 Debtors

	2013 £000	2012 £000
Amount due from group company	75	5
Other debtors	-	1
	<u>75</u>	<u>6</u>

9 Called up share capital

	2013 £000	2012 £000
<i>Allotted, called up and fully paid</i> 2,000,001 Ordinary shares of £ 1.00 each	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

10 Reconciliation of movements in shareholders' (deficits) / funds

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 December 2012	2,000	-	(2,907)	(907)
New share capital subscribed	-	5,104	-	5,104
Retained loss for the year	-	-	(4,122)	(4,122)
	<u>2,000</u>	<u>5,104</u>	<u>(7,029)</u>	<u>75</u>
At 30 November 2013	2,000	5,104	(7,029)	75

On 13 November 2013, the intercompany debt from Commercial First Group Ltd was capitalised by the issuance of one ordinary share of £1 and share premium of £5,104,000.

11 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Amounts owed to group undertaking	393	7,101
Other creditors	-	29
	<u>393</u>	<u>7,130</u>

The amount owed to group undertaking is unsecured and bears interest at 10% above 3 month GBP LIBOR.

Notes to the Financial Statements *(continued)*

12 Contingent liabilities

The company has no contingent liabilities as at 30 November 2013 (2012: nil).

13 Deferred Taxation

There are no amounts of provided deferred taxation at 30 November 2013 or November 2012.

The amounts of unprovided deferred taxation were:

	2013 £000	2012 £000
At 1 December 2012	903	800
Effect of rate change on opening balance	(118)	(64)
Current year short term timing differences	5	167
	<hr/>	<hr/>
At 30 November 2013	780	903
	<hr/>	<hr/>

As at 30 November 2013, deferred tax asset of £7,800,000 has not been recognised on the grounds that there is uncertainty over the recoverability against future profits.

14 Ultimate parent company

The results of the company are consolidated within the financial statements of Commercial First Group Limited, a company incorporated in England. This company is both the immediate and ultimate parent undertaking. The consolidated financial statements of this company are available by application, from the Company Secretary, The Vineries, Broughton Hall Business Park, Skipton, North Yorkshire, BD23 3AE.