Business Mortgage Finance 2 PLC

Directors' Report and Financial Statements

Registered Number 05216563

Year Ended 30 November 2012

Contents

Company Information

Directors
A Iqbal
A Nehra
N Scott

Company Secretary
State Street Secretaries (UK) Limited

Registered Office
20 Churchill Place
Canary Wharf
London
E14 5HJ

Trading Address
Lutea House
Warley Hill Business Park
The Drive, Great Warley
Brentwood,
Essex
CM13 3BE

Solicitors
Clifford Chance
10 Upper Bank Street
London
E14 5JJ

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

Bankers
Barclays Bank PLC
One Churchill Place
London
E14 5HP

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 30 November 2012

Principal Activities

The sole purpose of the Company was to issue mortgage backed securities to the market which were collateralised by commercial mortgage loans The capital raised was used to fund the activities of the Commercial First Group of companies The portfolio is now closed and the company will continue to hold the portfolio until it is repaid

Business Review

The Company continues to hold a mortgage portfolio as part of the Commercial First programme of securitisations

Risk management and control
The Company seeks to manage the risks that arise from its activities The risk framework in which the Company operates was documented in the Offering Circular together with an assessment of how the Company would mitigate the risks through the use of financial derivatives (Copies of the Offering Circular document can be obtained by written request from the address in note 17)

The principal risk left within the business is liquidity risk, which is the risk that the Company will not have sufficient liquid funds to meet its liabilities as they fall due The directors are confident that the underlying assets of the Company will continue to generate positive cashflows sufficient to meet all its future liabilities Furthermore the liquidity risk has been mitigated with cash reserves and liquidity facilities with external parties

On 5 January 2012 the Company drew down £6 million from the liquidity facility following a downgrade in the liquidity provider's ratings

Key performance indicators
The Company's sole purpose was to provide funding for a portfolio of mortgages The portfolio is closed and is now in run off
The directors consider that there are no key performance indicators that govern the management of the Company as the activity of the Company is controlled primarily by the conditions set out in the Offering Circular when the bonds were issued

Results and Dividend

The loss for the financial year amounted to £33,000 (2011 £3,000 profit) The directors do not recommend the payment of a dividend (2011 nil)

Future Developments

The continuing difficult financial conditions in both the UK economy and the global banking environment will put pressure on the Company's activities
The Company will continue to meet the scheduled repayment dates for the loan notes during 2013 using cash generated from the mortgage portfolio which pays the intercompany loans

Financial Instruments

The financial instruments held by the Company are made up of mortgages, borrowings and cash that arise directly from its operations

The Company has also entered into a derivative transaction, an interest rate swap, the purpose of which is to manage the interest rate risk arising from the Company's operations and funding

The Company's policy is that it has not, and will not trade in financial instruments

The main risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity risk The directors' review of and policies for managing each of the risks are summarised below

Report of the Directors *(continued)*

Credit Risk

Credit risk is the risk that borrowers will not be able to meet their obligations as they fall due The ongoing credit risk of the portfolio is monitored by the directors on a monthly basis with particular focus on the arrears accounts

Interest Rate Risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar Where this is not possible the Company considers the use of derivative financial instruments to mitigate any residual interest rate risk

Liquidity Risk

The Company's policy is to manage liquidity risk by matching the timing of cash receipts from mortgage assets with those of the cash payments due on the loan notes

Operational Risk

The Company outsources part of its administration activities to an unconnected third party The risk associated with this arrangement is controlled by a Service Level Agreement, performance against which is monitored on a regular basis

Policy and Practice on Payment of Creditors

Creditors are paid in accordance with the requirement set out in the offering circular

Political & Charitable Donations

The Company made no political contributions or charitable donations during the period (2011 nil)

Directors

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

	Date of Appointment	Date of Resignation
J C Bingham		10/08/2012
K R Millward		31/12/2011
V M Rapley		31/01/2012
A Iqbal	10/08/2012	
A Nehra	31/12/2011	
N Scott	31/01/2012	

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

A resolution for the re-appointment of KPMG Audit Plc as auditor of the Company will be proposed at the forthcoming Annual General Meeting

By order of the board

A Nehra
Director
Date 31 January 2013

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

The directors are responsible for preparing 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

Report of the Independent Auditor to the Members of Business Mortgage Finance 2 PLC

We have audited the financial statements of Business Mortgage Finance 2 PLC for the year ended 30 November 2012 set out on pages 8 to 22 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 5 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 (APB) 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 2012 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Report of the Independent Auditor to the Members of Business Mortgage Finance 2 PLC *(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

N. J. Hillyard

N J Hillyard (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 31 January 2013

Profit and Loss Account

For the year ended 30 November 2012

	Note	2012 £000	2011 £000
Interest receivable and similar income	2	**1,679**	1,348
Interest payable and similar charges	3	**(1,546)**	(1,178)
Net interest income		**133**	170
Fair value movement in derivative financial instruments	4	**(45)**	4
Operating expenses		**(131)**	(170)
(Loss) / profit on ordinary activities before taxation	5	**(43)**	4
Tax on (loss) / profit on ordinary activities	6	**10**	(1)
(Loss) / profit for the financial year	11	**(33)**	3

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 results all arise from continuing operations

The notes on pages 10 to 22 form part of these financial statements

Balance Sheet
At 30 November 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Loan to Originator	8		**18,053**		21,052
Current assets					
Debtors	9	**11**		2	
Cash at bank and in hand		**14,540**		9,074	
			14,551		9,076
Total assets			**32,604**		30,128
Capital and reserves					
Called up share capital	10	**13**		13	
Profit and loss account	11	**(13)**		20	
Shareholders' funds			**-**		33
Creditors amounts falling due within one year	12		**125**		140
Creditors amounts falling due after one year	13		**32,479**		29,955
Total equity and liabilities			**32,604**		30,128

The notes on pages 10 to 22 form part of these financial statements

These financial statements were approved by the board of directors on 31 January 2013 and were signed on its behalf by

Amy Nehra

A Nehra
Director

Company Number: 05216563

Notes to the Financial Statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except derivative financial instruments which are carried at their fair value

The following accounting policies have been applied in dealing with items which are considered material in relation to the Company's financial statements except as noted below

Going concern

As set out in the offering circular, the Company is governed by strict terms setting out the amount and timing of any payments that the Company is obliged to make Such payments are only required to be made if the Company has sufficient funds to make the payments As a result the Company should always be able to meet its obligations as they fall due On this basis, the Directors consider it appropriate to prepare the accounts on a going concern basis

Cash flow statement

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

Interest income and expense

For all financial instruments measured at amortised cost (including loans to the Originator and Floating Rate Notes) interest income and expense are recognised in the Profit and loss account on an Effective Interest Rate ("EIR") basis

Classification of financial instruments

In accordance with FRS 26 each financial asset is classified at initial recognition into one of four categories

- i Financial assets at fair value through profit and loss,
- ii Held to maturity investments,
- iii Loans and receivables, or
- iv Available for sale,

And each financial liability into one of two categories

- v At amortised cost, or
- vi At fair value through profit or loss

Measurement of financial instruments is either amortised cost (categories ii, iii, and v above) or at fair value (categories i, iv, and vi above), depending on the category of financial instrument

Amortised cost is the amount measured at initial recognition, adjusted for subsequent principal and other payments, less cumulative amortisation calculated using the EIR method, amortisation is taken to the interest income or expense depending upon whether the instrument is an asset or liability The amortised cost balance is reduced where appropriate by an allowance for amounts which are considered to be impaired or uncollectable

Any profit or loss on sale of an instrument carried at amortised cost is recognised immediately in the Profit and loss account in interest income or expense depending on whether the instrument is an asset or a liability

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction Where a market exists, fair values are based on quoted market prices For instruments which do not have active markets, fair value is calculated using present value models which take individual cash flows together with assumptions based on market conditions and credit spreads and are consistent with accepted economic methodologies for pricing financial instruments Any net movements in fair values that occur will be included in the Profit and Loss Account as "fair value movements in derivative financial instruments"

Floating Rate Notes

On initial recognition, debt issued is measured at its fair value net of directly attributable transaction costs and discounts, in accordance with FRS 26 Subsequent measurement is at amortised cost using the EIR method to amortise incremental attributable issue and transaction costs, premia and discounts over the life of the instrument, these costs are charged along with interest on the debt to "interest expense and similar charges" Unamortised amounts are added to or deducted from the carrying value of the instrument

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Derivatives

All derivatives are carried at fair value in the Balance Sheet in accordance with FRS 26, as assets when the fair value is positive and as liabilities when the fair value is negative Changes in the fair value of the derivatives are charged immediately to the Profit and Loss Account as "fair value movements in derivative financial instruments"

2 Interest receivable and similar income

	2012 £000	2011 £000
On loan to Originator	1,609	1 314
Bank interest	70	34
	1,679	1,348

Notes to the Financial Statements *(continued)*

3 Interest payable and similar charges

	2012	2011
	£000	£000
On loans repayable after five years		
Mortgage backed loan notes	1,095	753
Interest on subordinated loan	451	425
	1,546	1,178

4 Fair value movement in derivative financial instruments

	2012	2011
	£000	£000
Fair value movement in financial instruments-interest rate swap	(45)	4

5 (Loss) / profit on ordinary activities before taxation

	2012	2011
	£000	£000
(Loss) / profit on ordinary activities before taxation is stated after charging		
Auditor's remuneration – Statutory audit	3	3

Notes to the Financial Statements *(continued)*

6 Taxation

Analysis of tax charge in year	**2012**	2011
	£000	£000
UK corporation tax		
Group relief payable	**1**	-
Total current tax	**1**	-
Deferred tax		
Movement on deferred tax	**(11)**	1
Total deferred tax	**(11)**	1
Tax (credit) / charge on (loss) / profit on ordinary activities	**(10)**	1

Factors affecting taxation for the current year are as follows

	2012	2011
	£000	£000
Current tax reconciliation		
(Loss) / profit on ordinary activities before tax	**(43)**	4
Current tax at 24 66% (2011 26 66%)	**(11)**	1
Short term timing differences	**12**	(1)
Total current tax charge (see above)	**1**	-

Notes to the Financial Statements *(continued)*

7 Deferred Taxation

The elements of deferred taxation are as follows

Deferred Tax Asset	**2012 £000**	2011 £000
Deferred tax opening balance	**-**	1
Movement in the year due to short term timing differences on derivatives	**10**	(1)
Deferred tax closing balance	**10**	-

8 Loan to Originator

The Company purchased a portfolio of mortgages from Commercial First DAC Limited, however, as the principal risk and rewards of these mortgages remain with Commercial First DAC Limited, these are not deemed for accounting purposes to have transferred to the Company Accordingly, the Company accounts for the transaction as an intercompany loan to Commercial First DAC Limited

The loan to Commercial First DAC Limited is denominated in sterling and bears interest at a variable rate It is secured on the beneficial interest in a portfolio of commercial mortgage loans The repayment of the loan is linked to the repayment of the Floating Rate Notes

9 Debtors

	2012 £000	2011 £000
Deferred tax asset (note 7)	**10**	-
Other debtors	**1**	2
	11	2

10 Called up share capital

	2012 £	2011 £
Allotted and called up		
2 Ordinary shares of £1 00 each fully paid	**2**	2
49,998 Ordinary shares of £1 00 each – 25% paid	**12,500**	12,500
	12,502	12,502

Notes to the Financial Statements *(continued)*

11 Reconciliation of movements in shareholders' funds

	Share capital £000	Profit and loss account £000	Total £000
At 1 December 2011	13	20	33
Retained profit for the year	-	**(33)**	**(33)**
At 30 November 2012	**13**	**(13)**	-

12 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Intercompany creditor	**2**	1
Loan notes – accrued interest	**37**	43
Accruals and deferred income	**57**	65
Group relief payable	**1**	-
Other creditors	**28**	31
	125	140

Notes to the Financial Statements *(continued)*

13 Creditors: amounts falling due after one year

	2012	2011
	£000	£000
Mortgage backed loan notes due 2037	27,028	29,955
Liquidity facility	5,406	-
Financial instrument derivative – interest rate swap	45	-
	32,479	29,955

All amounts falling due after more than one year fall due after more than five years, other than deferred consideration (included as part of the return on the Loan to Originator), the payment of which is uncertain, but is likely to fall due within one year

The loan notes are secured over a portfolio of commercial mortgage loans secured by first charges on commercial property in the United Kingdom The mortgages were purchased from Commercial First DAC Limited and are administered by a third party on behalf of the Company, although as noted previously, for accounting purposes are not recognised on the Company's balance sheet

The loan notes are subject to mandatory redemption at each interest repayment date The amount redeemed is equal to the principal collected on the mortgage loans in the preceding collection period The loan notes will become due and payable on the interest payment date falling in February 2037 if they have not been redeemed or cancelled beforehand

Interest is payable on the loan notes quarterly in arrears at the following rate above the London Interbank Offered Rate (LIBOR) for three month sterling deposits as summarised in the table below

	Value at 30 November 2011	Redemption	Value at 30 November 2012	Up to 15 November 2011	After 15 November 2011
	£	£	£	£	£
Class A	-	-	-	LIBOR + 0 29%	LIBOR + 0 58%
Class M	19,854,697	(2,926,290)	16,928,407	LIBOR + 0 90%	LIBOR + 1 80%
Class B	10,100,000	-	10,100,000	LIBOR + 2 80%	LIBOR + 3 80%
Total	29,954,697	(2,926,290)	27,028,407		

In addition to the above classes of bonds, two further instruments were issued at the point of securitisation -

An interest only coupon which entitles the holder to an interest rate of 2 75% based on the outstanding principal of the Class A notes

Mortgage Early Redemption Certificates which entitle the holder to any early redemption charges collected in the period on the underlying mortgages

The subordinated loan at the initial issue was £7,295,776 and has risen to £9,386,256 at 30 November 2012 It bears interest at LIBOR plus 4% and is subordinated to the loan notes

Notes to the Financial Statements *(continued)*

14 Contingent liabilities

The Company has no contingent liabilities as at 30 November 2012 (30 November 2011 nil)

15 Financial instruments

Fair Value disclosures
Categories of financial assets and financial liabilities: carrying value compared to fair value

2012

	Assets at fair value through profit or loss – on initial recognition	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
	£000	£000	£000	£000	£000
Financial assets:					
Loan to Originator	-	18,053	18,053	18,053	180
Cash at bank and in hand	-	14,540	14,540	14,540	15
Total financial assets	-	32,593	32,593	32,593	195
Financial liabilities:					
Liquidity facility	-	5,406	5,406	5,406	54
Mortgage backed loan notes due 2037	-	27,028	27,028	27,028	270
Derivative financial liability	45	-	45	45	1
Total financial liabilities	45	32,434	32,479	32,479	325

2011

	Assets at fair value through profit or loss – on initial recognition	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
	£000	£000	£000	£000	£000
Financial assets					
Loan to Originator	-	21,052	21,052	21,052	211
Cash at bank and in hand	-	9,074	9,074	9,074	90
Total financial assets	-	30,126	30,126	30,126	301
Financial liabilities					
Mortgage backed loan notes due 2037	-	29,955	29,955	29,955	300
Derivative financial liability	-	29,955	29,955	29,955	300
Total financial liabilities	-	29,955	29,955	29,955	300

No financial assets were reclassified during the year between amortised cost and fair value categories
The fair value of Loan to Originator has been estimated to be the same as the book value as the underlying assets are linked to variable bank rates
The fair value of the Mortgage backed loan notes has been estimated to be book value as these are callable and are supported by substantial Reserve Funds
The fair value of the financial derivatives is their carrying value

Notes to the Financial Statements *(continued)*

15 Financial instruments *(continued)*

Fair Value disclosures *(continued)*

Financial assets and liabilities recognised at fair value are disclosed based on fair value hierarchy as follows

Level 1- Quoted prices (unadjusted) in active markets for identical instruments

Level 2- Direct comparison with observable market transactions (other than those included in level 1) or indirectly based on valuation techniques using observable market data

Level 3- Inputs for the asset or liability not based on observable market data

Financial assets and liabilities carried at fair value are valued on the following basis

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets				
Derivative financial asset	-	-	-	-
Gross financial assets	-	-	-	-
Financial liabilities				
Derivative financial liabilities	-	45	-	45
Gross financial liabilities	-	45	-	45

2011	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Derivative financial asset	-	-	-	-
Gross financial assets	-	-	-	-
Financial liabilities				
Derivative financial liabilities	-	-	-	-
Gross financial liabilities	-	-	-	-

Nature and extent of risks arising from financial instruments

The main financial risks arising from the Company's activities are credit risk, liquidity risk, currency risk and interest rate risk Financial instruments used by the Company for risk management purposes include derivative instruments Such instruments are used only for commercial hedging purposes, not for trading or speculative purposes The principle derivative instruments used by the Company in managing its risks are interest rate swaps The maturity of the derivatives is set to match the cashflows and risks on the underlying instruments All of the derivatives were placed with external A rated providers

Credit Risk

Credit risk is the risk that the counterparty of the Company will not be able to meet its obligations as they fall due The Company is exposed to credit risk via amounts due from the loan from the Originator, derivative counterparties and deposits held by banks The maximum exposure to credit risk is represented by the carrying amount of each financial asset

Interest Rate Risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar Where this is not possible the Company considers the use of derivative financial instruments to mitigate any residual interest rate risk

Notes to the Financial Statements *(continued)*

15 Financial instruments *(continued)*

Liquidity Risk

The Company's policy is to manage liquidity risk by matching the timing of cash receipts from assets with those of the cash payments due on the Floating Rate Notes

There is a liquidity facility provided by Barclays Bank PLC in the event that the Company is unable to meet certain financial commitments which in certain circumstances can be utilised

The repayment of the Mortgage backed loan notes is reliant upon the repayment profile of the underlying mortgages, the directors estimate of the undiscounted cash flows associated with financial liabilities will be as follows

2012

	On demand	**In not more than three months**	**In more than three months but not more than one year**	**In more than one year but not more than five years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
At 30 November 2012					
Mortgage backed loan notes due 2037	-	**496**	**1,488**	**11,286**	**13,270**
Total	-	**496**	**1,488**	**11,286**	**13,270**

2011

	On demand	In not more than three months	In more than three months but not more than one year	In more than one year but not more than five years	Total
	£000	£000	£000	£000	£000
At 30 November 2011					
Mortgage backed loan notes due 2037	-	1,076	2,860	17,612	21,548
Total	-	1,076	2,860	17,612	21,548

Notes to the Financial Statements *(continued)*

15 Financial instruments *(continued)*

Risk Sensitivity

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times To minimise exposure to interest rate risk the Company ensures that the interest rate profiles of the loans to the group undertakings and of the interest bearing loans and borrowings are similar Where this is not possible derivative financial instruments are also used to reduce any residual interest rate risk If LIBOR for three months sterling deposits were 1% higher or lower, with all other variables held constant, the effect on the Company's net interest income would be immaterial due to movements on interest on the loan to group undertakings being offset by movements on interest on the loan notes

Interest rate risk

The table below summarises the interest rate profile of the Company's financial instruments The analysis excludes short term debtors and creditors

2012

	Floating	Non interest bearing	Total
	£000	£000	£000
Financial assets:			
Loan to Originator	18,053	-	18,053
Cash at bank and in hand	14,540	-	14,540
Derivative financial asset	-	-	-
Gross financial assets	32,593	-	32,593
Financial liabilities:			
Liquidity facility	5,406	-	5,406
Mortgage backed loan notes due 2037	27,028	-	27,028
Derivative financial liabilities	-	45	45
Gross financial liabilities	32,434	45	32,479

2011

	Floating	Non interest bearing	Total
	£000	£000	£000
Financial assets			
Loan to Originator	21,052	-	21,052
Cash at bank and in hand	9,074	-	9,074
Derivative financial asset	-	-	-
Gross financial assets	30,126	-	30,126
Financial liabilities			
Mortgage backed loan notes due 2037	29,955	-	29,955
Derivative financial liabilities	-	-	-
Gross financial liabilities	29,955	-	29,955

Notes to the Financial Statements *(continued)*

15 Financial instruments *(continued)*

Maturity profile

The table below summarises the maturity profile of the Company's financial instruments based on the contractual terms of the financial assets and liabilities The actual maturity profile will depend on the cash flows from the underlying mortgages, which are likely to repay earlier than their contractual maturity

2012

	< 1 year	1-2 years	2-3 years	3-4 years	5+ years
	£000	£000	£000	£000	£000
Financial assets					
Loan to Originator	-	-	-	-	18,053
Cash at bank and in hand	14,540	-	-	-	-
Derivative financial asset	-	-	-	-	-
Gross financial assets	14,540	-	-	-	18,053
Financial liabilities					
Liquidity facility	-	-	-	-	5,406
Mortgage backed loan notes due 2037	-	-	-	-	27,028
Derivative financial liabilities	-	-	-	-	45
Gross financial liabilities	-	-	-	-	32,479

2011

	< 1 year	1-2 years	2-3 years	3-4 years	5+ years
	£000	£000	£000	£000	£000
Financial assets					
Loan to Originator	-	-	-	-	21,052
Cash at bank and in hand	9,074	-	-	-	-
Derivative financial asset	-	-	-	-	-
Gross financial assets	9,074	-	-	-	21,052
Financial liabilities					
Mortgage backed loan notes due 2037	-	-	-	-	29,955
Derivative financial liabilities	-	-	-	-	-
Gross financial liabilities	-	-	-	-	29,955

Concentration of risk

The Company operates entirely within the United Kingdom and adverse changes to the UK economy could impact on all areas of the Company's business The loan to the Originator is due to one entity Commercial First DAC Limited, and is secured on a beneficial interest in a portfolio of mortgage loans secured on commercial property in England, Scotland, and Wales

Notes to the Financial Statements *(continued)*

16 Related party transactions

The Company is a special purpose vehicle controlled by the directors There are three directors, two of which are provided by State Street Administration Services (UK) Limited The Company has paid a fee of £4,840 (2011 £4,800) to State Street Administration Services (UK) Limited for the provision of the two directors The third director is provided by Commercial First Mortgages Limited- the special service provider

The Company undertook the following transactions with companies in the Commercial First Group Limited and BMF Holdings Limited group

Interest Receivable and similar income

	2012	2011
	£000	£000
Interest on loan to Originator	**1,609**	1,314

Interest Payable and similar charges

	2012	2011
	£000	£000
Interest on subordinated loan	**451**	425

At the year end the Company had the following balance with the Commercial First Group of companies

Non- current assets	2012	2011
	£000	£000
Loan to Originator	**18,053**	21,052

17 Ultimate parent company

The share capital of the Company is held by BMF Holdings Limited, however the results are consolidated in the financial statements of Commercial First Group Limited as the directors consider this to be the controlling entity Commercial First Group Limited is a company incorporated in England The financial statements of this company are available by application, from the Company Secretary, Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex CM13 3BE