Company Number 05960771

GEMINI (ECLIPSE 2006-3) PLC

Annual reports and financial statements

For the year ended 31 December 2015

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GEMINI (ECLIPSE 2006-3) PLC

Contents

Officers and professional advisers

Directors

SFM Directors Limited
SFM Directors (No.2) Limited
Robert Berry

Company secretary

SFM Corporate Services Limited

Registered office

35 Great St Helen's
London
EC3A 6AP

Company number

05960771 (England and Wales)

Independent auditor

Deloitte LLP
London

Strategic report for the year ended 31 December 2015

The directors present the strategic report of Gemini (Eclipse 2006-3) plc (the "Company") for the year ended 31 December 2015.

Principal activity and business review

On 14 November 2006, the Company entered into a securitisation transaction whereby it acquired a mortgage loan (the "Loan") totalling £918,862,500 secured by first charges over commercial properties in the United Kingdom ("UK"). The acquisition was financed by the issuance of commercial mortgage backed floating rate notes due July 2019 and an expected maturity date due in July 2016 (the "Notes"). The Notes are listed on the Irish Stock Exchange.

The directors do not anticipate any changes in the present level of activity or the nature of the Company's business in the near future.

Results

The statement of other comprehensive income is set out on page 10 and shows the results for the year.

The directors recognise that the implementation of the accounting principles in respect of derivative contracts to which the Company is a party, as set out in the notes to the Financial Statements (Accounting Policies), may result in volatility in the statement of other comprehensive income. The profit for the year was due to the impact of such accounting principles and principally due to an impairment write-back booked against the Loan. The directors do not consider that the use of such accounting principles will affect the long-term commercial integrity of the Company.

Key performance indicators, principal risks and uncertainties

The profit before taxation for the year ended 31 December 2015 of £34,696,813 (2014: loss of £40,605,561) was attributable to the net effect of a decrease in other income amounting to £8,896,362 (2014: 34,859,733) and an impairment write-back on loans of £41,036,874 (2014: impairment loss of £71,066,607). Also operating expenses of £17,575,893 (2014: £6,657,551) increased due to ongoing transactional issues. The fair value movement of the interest rate swap during the year was a loss of £173,986 (2014: loss of £189,598).

For the year ended 31 December 2015 the gross margin, a key performance indicator, was 23.1% (2014: 23.3%). The decrease in gross margin is principally due to the increase in interest expense.

At the statement of financial position date the default interest receivable amounts to £27,256,095.

During the year an impairment write-back of £41,036,874 was booked (2014: impairment loss of £71,066,607) which includes full provision of the default interest receivable of £27,256,095.

On 12 March 2015 the liquidity facility was novated to LVS II Lux XVI S.a.r.l.

The gross principal balance of the single Loan held by the Company remained at £850,362,550 at 31 December 2015 (2014: £850,362,550). In July 2012 the Special Servicer agreed a restructure of the swap with the swap counterparty. In August 2012 the Special Servicer accelerated the Loan and then issued a strategy plan for the property portfolio.

The principal risks faced by the Company are detailed in the 'Financial risk management' section below.

Financial risk management

The Company's operations are financed primarily by means of the Notes. The Company issued such financial instruments to finance the acquisition of the Loan. The Company uses derivative financial instruments (an interest rate swap) to manage the interest rate risks arising from the Company's source of income (the Loan) and its sources of finance (the Notes). It is not the Company's policy to trade in financial instruments.

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The principal nature of such risks is summarised below.

Credit risk

Credit risk reflects the risk that the borrower or its estate will not be able to meet its obligations on the Loan as it falls due.

The Loan is secured by first charges over 1 commercial property (2014: 26 properties) located in the UK. The Company considers the evaluation of the underlying borrower's ability to service the Loan according to its terms to be the principal factor in assessing credit risk and the decision to acquire the Loan.

Pursuant to the terms of a Senior Loan Credit Facility Agreement dated 4 August 2006 (as amended and restated), at the year-end, the Loan had been made to limited partnerships acting in each case through its General Partners.

An impairment write-back of £41,036,874 has been recognised against the Loan during the current year (2014: impairment loss of £71,066,607). The impairment write-back is due to an improved net loan recovery further to the sale of the remaining properties in December 2015 and April 2016 due to improved property values. The total impairment booked against this Loan is £714,006,080 (2014: £755,042,954). See note 14 for further details.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial instruments, should the cash flows from the assets differ from those expected.

The Loan is financed principally by the issuance of the Notes. The financing policy substantially reduces the Company's liquidity risk by matching the maturity profile of the Company's funding to the profile of the assets being funded.

The Notes are subject to mandatory redemption in part on each interest payment date in an amount equal to the principal received or recovered in respect of the Loan.

If not otherwise redeemed or purchased and cancelled, the Notes will be redeemed at their principal amounts outstanding on the final interest payment date falling in July 2019 to the extent that sufficient cash is realised from the assets.

The Company has also entered into a liquidity facility agreement to manage any remaining liquidity risk (note 14). At the year-end the liquidity facility commitment amounted to £47.5 million and was drawn in full (2014: £47.5 million). The funds were subsequently placed on short-term deposits (see note 10). In September 2014, Danske Bank consented to receiving £47.5million (plus accrued interest and other fees) as final settlement and waived its rights to receive further amounts under the liquidity facility agreement. On 12 March 2015 the liquidity facility was novated to LVS II Lux XVI S.a.r.l and all rights and obligations were transferred from Danske Bank. On January 2016 the liquidity facility commitment has been fully repaid to LVS II Lux XVI S.a.r.l for an amount of £47.5million.

Interest rate risk

Interest rate risk exists where interest rates on assets and liabilities are either set according to different bases or 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; and where this is not possible, uses derivative financial instruments to mitigate any residual interest rate risk.

Capital risk management

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 the minimum requirement.

Events occurring after the statement of financial position date

In December 2015, the remaining Gemini properties (save for Units XA1 & XA2, Sussex Manor, Crawley) were sold by way of a 'portfolio sale' at a price of £311m (£299.94m excluding XA1 & XA2 Sussex Manor, Crawley). The Net Sale proceeds received after sale costs was £289.9m. The Net Loan Recoveries thereafter were £203.4m. The remaining property (Units XA1 & XA2 Sussex Manor, Crawlery) was sold on 27 April 2016 for an amount of £12.735m with distribution of proceeds due in July 2016.

On January 2016 the liquidity facility commitment has been fully repaid to LVS II Lux XVI S.a.r.l for an amount of £47,500,000.

On behalf of the Board

Sue Abrahams
Per pro **SFM Directors Limited**
Director
24 June 2016

GEMINI (ECLIPSE 2006-3) PLC
Company registration No. 05960771

Directors' report for the year ended 31 December 2015

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2015.

Please refer to the Strategic report for detailed disclosures relating to future developments, financial instruments and related risk management.

The Company has adopted Financial Reporting Standard 102 (FRS 102) from 1 January 2015. In the prior year the Company complied with applicable UK Accounting Standards. The period of the last financial statements reported under previous UK Accounting Standards was 1 January 2014 - 31 December 2014. The policies applied under the entity's previous accounting framework are not materially different to FRS102 and have not impacted on equity or profit or loss.

Corporate governance

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that 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 whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued on the Irish Stock Exchange, the directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the disclosure requirements of The Irish Corporate Governance Annex and the provisions of the UK Corporate Governance Code.

Going concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. The Company's policies and processes for managing its capital are described below.

Quantitative details of the Company's financial risk management objectives, its financial instruments and its exposures to credit risk, interest rate risk, and liquidity risk are set out in note 14 to the financial statements.

At the statement of financial position date the Company is showing a net liability position of £694,279,565 (2014: £728,976,378), however the obligations of the Company to pay amounts due on the Notes are limited to the application of receipts from the Loan under the terms of the priority of payments as set out in the terms and conditions of the Notes. If, on full realisation of the security, insufficient funds exist to settle the liabilities owed to the Noteholders, then the Post-Enforcement Call Option ("PECO") holder will have the option to purchase all the Notes then outstanding in consideration for the payment of £0.01 in respect of each Note. Upon the exercise of the Post-Enforcement Call Option, the Noteholders will cease to have any rights against the Company.

The Company is funded by Notes and continues to meet its obligations as they fall due. The remaining properties have been sold and the proceeds from the final property sale will be used to repay the Company's Loan on the July 2016 interest payment date. Subsequent to this, the balance of Notes will be repaid and the Notes cancelled pending resolution of other outstanding legal matters, at which point the entity will cease to trade. The timing for the resolution of these legal matters is uncertain and indicates the existence of a material uncertainty that may cast doubt over the ability of the Company to continue as a going concern. Having considered all the information available to them, including the details and mitigating factors summarised above, the directors believe that it is appropriate to prepare the financial statements of the Company on a going concern basis. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Share capital

The authorised share capital consists of 50,000 ordinary shares of £1 each. The issued share capital consists of 49,998 quarter paid and 2 fully paid ordinary shares of £1 each.

Directors and their interests

The directors of the Company during the year, and subsequently, were:

SFM Directors Limited	
SFM Directors (No.2) Limited	
Jonathan Keighley	(resigned on 23 October 2015)
Robert Berry	(appointed on 23 October 2015)

None of the directors has any beneficial interest in the ordinary share capital of the Company (2014: £nil).

None of the directors had any interest during the year in any material contract or arrangement with the Company (2014: £nil).

The directors do not recommend the payment of a dividend (2014: £nil).

Third party indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the annual reports and financial statements.

Company secretary

The company secretary during the year, and subsequently, was SFM Corporate Services Limited.

Statement of disclosure of information to the auditor

The directors confirm that:

(a) so far as each of the directors is aware, there is no relevant information of which the Company's auditor is unaware; and

(b) each director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 (2) of the Companies Act 2006.

Independent auditor

The auditor, Deloitte LLP, have expressed their willingness to continue in office until the next annual general meeting. Pursuant to section 489 of the Companies Act 2006, a resolution for the reappointment of Deloitte LLP will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Sue Abrahams
Per pro **SFM Directors Limited**
Director
24 June 2016

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with the Companies Act 2006, applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including Financial Reporting Standard 102 - The Financial Reporting Standard Applicable in the UK and Republic of Ireland "FRS 102" and applicable law).

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 disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent auditor's report to the members of Gemini (Eclipse 2006-3) Plc

We have audited the financial statements of Gemini (Eclipse 2006-3) Plc for the year ended 31 December 2015 which comprise the profit and loss account, the statement of changes in equity, the statement of financial position, the statement of cash flows and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2015 and of its profit 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.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The remaining properties have been sold and the proceeds from the final property sale will be used to repay the Company's Loan on the July 2016 interest payment date. Subsequent to this, the balance of Notes will be repaid and the Notes cancelled pending resolution of other outstanding legal matters, at which point the entity will cease to trade. The timing for the resolution of these legal matters is uncertain and indicates the existence of a material uncertainty that may cast doubt over the ability of the Company to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters 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 Gemini (Eclipse 2006-3) 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.

Russell Davis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

24 June 2016

Statement of other comprehensive income for the year ended 31 December 2015

	Note	2015 £	2014 £
Interest receivable and similar income	2	10,868,148	10,516,871
Interest payable and similar charges	3	(8,354,692)	(8,068,409)
Net interest income		2,513,456	2,448,462
Other income	4	8,896,362	34,859,733
		11,409,818	37,308,195
Net loss of fair value of interest rate swap	5	(173,986)	(189,598)
Operating expenses		(17,575,893)	(6,657,551)
Impairment write-back/(loss)	9	41,036,874	(71,066,607)
Profit/(loss) on ordinary activities before taxation	6	34,696,813	(40,605,561)
Tax on profit/(loss) on ordinary activities	8	-	-
Profit/(loss) for the financial year	13	**34,696,813**	**(40,605,561)**
Total comprehensive income/(expense) for the year		**34,696,813**	**(40,605,561)**

All amounts relate to continuing activities.

There are no significant differences between the profit under FRS 102 during the current year and the loss for the previous reporting year.

The notes on pages 14 to 26 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital £	**Retained earnings £**	**Total shareholders' deficit £**
Balance as at 31 December 2013	12,500	(688,383,317)	**(688,370,817)**
Loss for the year	-	(40,605,561)	**(40,605,561)**
Balance as at 31 December 2014	12,500	(728,988,878)	**(728,976,378)**
Profit for the year	-	34,696,813	**34,696,813**
Balance as at 31 December 2015	12,500	(694,292,065)	**(694,279,565)**

The notes on pages 14 to 26 form part of these financial statements.

GEMINI (ECLIPSE 2006-3) PLC

Company registration number 05960771

Statement of financial position at 31 December 2015

	Note	2015 £	2014 £
Non-current assets			
Loan	9	-	95,319,596
Current assets			
Loan	9	136,356,470	-
Debtors	10	81,153,765	82,458,439
Cash		14,646	14,646
		217,524,881	82,473,085
Creditors: amount falling due within one year	11	(911,804,446)	(56,407,009)
Net current liabilities		(694,279,565)	26,066,076
Total assets less current liabilities		(694,279,565)	121,385,672
Creditors: amounts falling due after more than one year	11	-	(850,362,050)
Net liabilities		**(694,279,565)**	**(728,976,378)**
Financed by:			
Capital and reserves			
Called up share capital	12	12,500	12,500
Retained earnings	13	(694,292,065)	(728,988,878)
Total shareholders' deficit		**(694,279,565)**	**(728,976,378)**

The notes on pages 14 to 26 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue in 24 June 2016 and signed on their behalf by:

Sue Abrahams
Per pro **SFM Directors Limited**
Director

GEMINI (ECLIPSE 2006-3) PLC

Statement of cash flows for the year ended 31 December 2015

	Note	2015 £	2014 £
Net cash outflow from operating activities	15	(15,422,606)	(6,653,702)
Cash flow from investing activities			
Interest received on Loan	9	-	1,529,799
Interest received on bank balances		62,832	94,938
Funds placed on deposit		20,876,229	10,430,669
		20,939,061	12,055,406
Cash inflow before financing activities		5,516,455	5,401,704
Cash flow from financing activities			
Interest paid on Notes		(4,973,343)	(4,951,746)
Interest (paid)/received on interest rate swap		(43,864)	42,862
Interest paid on standby liquidity facility drawing		(499,248)	(492,820)
		(5,516,455)	(5,401,704)
Net change in cash in the year	17	-	-
Cash at beginning of the year		14,646	14,646
Cash at end of the year		**14,646**	**14,646**

The notes on pages 14 to 26 form part of these financial statements.

1) Accounting policies

Gemini (Eclipse 2006-3) Plc (the "Company"), a public company with limited liability, was incorporated as a special purpose company on 9 October 2006 in the United Kingdom and registered in England and Wales under the Companies Act 2006.

Basis of preparation

The financial statements of the Company are prepared on a going concern basis under the historical cost convention as modified by revaluation of certain financial instruments in accordance with the Companies Act 2006 (the "Act") and applicable accounting standards in United Kingdom. The Company has adopted and is in compliance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"). The transition date was 1 January 2015. In the prior year the Company complied with UK Accounting Standards applicable before the introduction of FRS 102. The year of the last financial statements reported under previous UK Accounting Standards was 1 January 2014 - 31 December 2014. The accounting policies on transition to FRS 102 have no significant effect on the Statement of Comprehensive Income and the statement of financial position of the Company. Therefore no reconciliation of the Company's equity and profit and loss determined under previous UK Accounting Standards and the Company's equity and profit and loss determined under FRS 102 has been performed.

The accounting policies which have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements are set out below. The directors have adjusted the format of the profit and loss account as allowed under the Act. This is due to net interest income being more appropriate than turnover and cost of sales in the opinion of the directors.

Going concern

At the statement of financial position date the Company is showing a net liability position of £694,279,565 (2014: £728,976,378), however the obligations of the Company to pay amounts due on the Notes are limited to the application of receipts from the Loan under the terms of the priority of payments as set out in the terms and conditions of the Notes. If, on full realisation of the security, insufficient funds exist to settle the liabilities owed to the Noteholders, then the Post-Enforcement Call Option ("PECO") holder will have the option to purchase all the Notes then outstanding in consideration for the payment of £0.01 in respect of each Note. Upon the exercise of the Post-Enforcement Call Option, the Noteholders will cease to have any rights against the Company.

The Company is funded by Notes and continues to meet its obligations as they fall due. The remaining properties have been sold and the proceeds from the final property sale will be used to repay the Company's Loan on the July 2016 interest payment date. Subsequent to this, the balance of Notes will be repaid and the Notes cancelled pending resolution of other outstanding legal matters, at which point the entity will cease to trade. The timing for the resolution of these legal matters is uncertain and indicates the existence of a material uncertainty that may cast doubt over the ability of the Company to continue as a going concern. Having considered all the information available to them, including the details and mitigating factors summarised above, the directors believe that it is appropriate to prepare the financial statements of the Company on a going concern basis. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Interest income and expense

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating 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 flows to the instrument's initial carrying amount.

1) Accounting policies (*continued*)

Deferred consideration

Under the terms of the mortgage sale agreement, Barclays Bank PLC, as the originator of the Loan, initially retained the right to receive excess income (deferred consideration) arising on the Loan after certain higher priority payments have been met. Barclays Bank PLC subsequently sold the right to receive deferred consideration to certain third parties. In July 2014 Barclays Bank PLC re-acquired the deferred consideration from third parties.
Deferred consideration costs are recognised in profit or loss in the year in which they are incurred.

Mortgage loan

The mortgage loan (the "Loan") is a non-derivative financial asset with fixed or determinable repayments that is not quoted in an active market. It is classified as loans and receivables. The Loan is measured at initial recognition at fair value, and is subsequently measured at amortised cost less any impairment using the effective interest rate method.

Commercial mortgage backed floating rate notes

Commercial mortgage backed floating rate notes (the "Notes") are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liability, and are subsequently measured at amortised cost using the effective interest rate method.

Held for trading assets

Held for trading financial assets are those which have been acquired principally for the purpose of sale in the short-term. The Company holds investments in securities with maturities of less than three months and interest on these securities is received on a daily basis. Held for trading financial assets are measured at fair value with any gain or loss on re-measurement being recognised in the statement of other comprehensive income.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

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. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the securitisation transaction into which the Company has entered.

Segmental analysis

The whole of the Company's operations are carried out in the United Kingdom and the results and net assets are derived from its investment in the Loan.

Critical accounting estimates and judgments

The preparation of the Company's financial statements in accordance with FRS 102 requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant judgements made by management and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are detailed in the impairment accounting policy.

1) Accounting policies (*continued*)

Impairment

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

If there is objective evidence that an impairment loss on a financial asset classified as loans and receivable has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are recognised in profit or loss and the carrying amount of the financial asset reduced by establishing an allowance for impairment losses. If, in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted on measuring impairment.

Impairment – critical judgments

The assessment for impairment losses requires the exercise of considerable judgement by management involving matters such as local economic conditions, the valuation of the security and collateral held, as well as the timing and cost of asset disposals based on underlying market depth and liquidity. The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment allowances and consequently these allowances can be subject to variation as time progresses and the circumstances of the borrower become clearer.

Impairment – sensitivity to assumptions

The value of the loan collateral held for impairment purposes at 31 December 2015 has been based on the net loan proceeds, agreed in December 2015, for the sale of the remaining underlying properties during 2015 and 2016.

2) Interest receivable and similar income

	2015 £	2014 £
Interest income on Loan	10,696,750	10,421,933
Interest received on interest rate swap	108,566	-
Bank interest and other similar interest	62,832	94,938
	10,868,148	10,516,871

3) Interest payable and similar charges

	2015 £	2014 £
Interest expense on Notes	7,862,624	7,573,015
Interest expense on interest rate swap	-	5,539
Other interest expense paid	492,068	489,855
	8,354,692	8,068,409

4) Other income

	2015 £	2014 £
Default interest receivable	8,896,362	18,359,733
Liquidity facility - release of liability	-	16,500,000
	8,896,362	34,859,733

Other income includes default interest of £8,896,362 (2014: £18,359,733) which has been levied on the Loan principal (as the Loan has been accelerated) and unpaid interest receivable.

In the previous year the liquidity facility was restructured. Amendment to the liquidity facility agreement provides that the maximum repayment of the liquidity standby principal amount to the liquidity facility provider, LVS II Lux XVI S.a.r.l, is £47,500,000. The original commitment of the liquidity facility was £64,000,000 therefore the obligation has been reduced by £16,500,000.

5) Net loss arising from fair value adjustment

	2015 £	2014 £
Brought forward fair value asset	21,557	260,056
Fair value loss during the year	(169,786)	(189,598)
Movement in accrued interest payable on interest rate swap	148,229	(48,901)
(Note 10)	-	21,557

The fair value movement through profit and loss excludes net interest payments made under the interest rate swap which are included in interest income/expense. However, the fair value includes accrued interest payable at year end of £nil (2014: £147,730). The interest rate swap terminated on 10 December 2015.

6) Loss on ordinary activities before taxation

	2015 £	2014 £
This has been arrived at after charging:		
Net impairment loss of Loan	(41,036,874)	71,066,607
Auditor's remuneration - audit of the Company's statutory accounts	27,060	26,400

7) Directors and employees

The Company has no employees (2014: none) and services required are contracted from third parties.

The directors received no remuneration from the Company in respect of qualifying services rendered during the year (2014: £nil).

8) Taxation on loss on ordinary activities

a) Analysis of the Company tax in the year:

	2015 £	2014 £
UK corporation tax charge on the profit/(loss) for the year	-	-

b) Factors affecting the current tax charge for the year:

The current tax charge for the year differs from the standard rate of corporation tax in the UK. The rate below represents a blended rate.

The difference is explained below:

	2015 £	2014 £
Current tax reconciliation:		
Profit/(loss) on ordinary activities before tax	34,696,813	(40,605,561)
Current tax @ 20.25% / (2014: 21.5%)	7,026,105	(8,730,196)
Effects of:		
Adjustment in accordance with securitisation tax rules	(7,026,105)	8,730,196
Total current tax charge	-	-

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. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the securitisation transaction into which the Company has entered.

9) Loan

The Loan is secured by first charges over commercial properties in the UK.

	2015 £	2014 £
Book value		
At 1 January	136,718,658	198,892,631
Cash interest receipts	-	(1,529,799)
Effective interest charged	10,696,750	10,421,933
Other interest	-	500
Impairment write-back/(loss) of Loan	41,036,874	(71,066,607)
At 31 December	188,452,282	136,718,658

	2015 £	2014 £
The maturity profile of the Loan was as follows:		
Principal balance of Loans due in one year or less	136,356,470	-
Principal balance of Loan due in more than one year	-	95,319,596
	136,356,470	95,319,596
Accrued interest due on Loan due in one year or less	52,095,812	41,399,062
	188,452,282	136,718,658

See note 14 for impairment analysis.

The Loan is pledged as security to the Notes (note 11).

10) Debtors

	2015 £	2014 £
Accrued interest due on Loan	52,095,812	41,399,062
Default interest on Loan	27,256,095	18,359,733
Fair value of interest rate swap	-	21,557
Held for Trading: Funds placed on deposit	1,799,150	22,675,379
Other debtors	2,708	2,708
	81,153,765	82,458,439

The funds placed on deposit of £1,799,150 (2014: £22,675,379) obtained from the liquidity facility drawing were invested in short-term investment securities which qualify as 'Eligible Investments' under the terms of the transaction documentation. These investments attract interest on a daily basis and mature at least one business day prior to the next quarterly Interest Payment Date and have been included in the debtor balance as 'funds placed on deposit'.

The interest rate swap terminated on 10 December 2015 and therefore there is no associated fair value of the swap at the year end.

11) Creditors

	2015 £	2014 £
Amounts falling due within one year:		
Notes	850,362,050	-
Accrued interest payable on Notes	10,767,797	7,878,517
Standby liquidity facility drawing	47,500,000	47,500,000
Fee accruals	3,166,532	1,013,245
Accrued interest payable on standby liquidity facility drawing	6,310	13,490
Other creditors	1,757	1,757
	911,804,446	56,407,009
Amounts falling due after more than one year:		
Notes	-	850,362,050

During the year £10.7 million (2014: £8.8 million) of the £64 million stand-by liquidity facility drawing was utilised to cover loan interest shortfalls and on-going transaction costs (see note 14). The liquidity facility amount remains fully drawn in the Company's bank account and is therefore available to the Company. Following restructure of the liquidity facility, the amount due to the liquidity facility provider is £47,500,000 (plus accrued interest and other fees) as it has waived its rights to receive further amounts under the amended liquidity facility agreement.

The total principal balance of Notes due over one year is £nil (2014: £850,362,050). The structure and maturity profile of the Notes is disclosed in note 14.

The Notes are secured over the Loan (note 9).

12) Called up share capital

	2015 £	2014 £
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
Allotted, issued and fully paid		
Ordinary shares of £1 each: 2 fully paid	12,500	12,500
: 49,998 - 25 pence paid		

13) Profit and loss account

	2015 £	2014 £
Balance at 1 January	(728,988,878)	(688,383,317)
Profit/(Loss) for the year	34,696,813	(40,605,561)
Balance at 31 December	(694,292,065)	(728,988,878)

14) Financial instruments

The narrative disclosure required by FRS 102 in relation to the nature of the financial instruments used during the year to manage credit risk, interest rate risk and liquidity exposure and its capital risk management policies are shown in the Strategic Report under the heading 'Financial risk management'.

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

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction is defined and documented. Derivative contracts are entered into as part of the securitisation transaction to hedge all interest rate risk arising in the transaction including the obligations under the Notes. The derivative counterparties selected are regulated financial institutions. Credit protection is afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to their credit rating.

Following initial set-up, the directors monitor the Company's performance, reviewing quarterly reports on the performance of the mortgage portfolio. Such review is designed to ensure that the terms of the documentation have been complied with, that no unforeseen risks have arisen and that the Note holders have been paid on a timely basis.

Credit risk

The ability of the Company to meet its obligations on the Notes and to meet its operating and administrative expenses is dependent on the extent that it receives the amounts due on the Loan. The holders of the Notes have no further recourse to the Company should the receipts on the Loan be insufficient to meet these obligations.

Pursuant to the terms of a Senior Loan Credit Facility Agreement dated 4 August 2006 (as amended and restated), at the year-end, the Loan had been made to limited partnerships acting in each case through its General Partners which include one (2014: 26) underlying property at the statement of financial position date.

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below.

	Carrying Value 2015 £	Maximum Exposure 2015 £	Carrying Value 2014 £	Maximum Exposure 2014 £
Assets				
Loan	136,356,470	136,356,470	95,319,596	95,319,596
Cash	14,646	14,646	14,646	14,646
Funds placed on deposit	1,799,150	1,799,150	22,675,379	22,675,379
Accrued interest receivable on Loan	79,351,908	79,351,908	59,758,795	59,758,795
Other receivables	2,708	2,708	24,265	24,265
	217,524,882	217,524,882	177,792,681	177,792,681

14) Financial instruments (*continued*)

Credit risk (*continued*)

The underlying Loan is secured by first charges over one commercial property (2014: 26) in the UK.

The latest valuation for the properties underlying the single loan was undertaken by GVA Grimley Limited ("GVA") in March 2015 for £288,050,000.

Analysis of impairments at 31 December 2015:

The directors have impaired the Loan as follows:

		£
Gross Loan principal at 31/12/2015		850,362,550
Interest not received to date		52,095,812
Default interest receivable at 31 December 2015		27,256,095
		929,714,457
Net loan recoveries (net from SWAP and Selling costs)	203,400,000	
OMV of remaining properties	12,735,000	
Selling costs of remaining properties @3.35% (proxy used from £203m portfolio sale)	(426,623)	
		(215,708,378)
Shortfall (impairment provision recognised at 31 December 2015)		714,006,080
Impairment provision recognised at 31 December 2014		(755,042,954)
Impairment write-back recognised during the year		41,036,874

The impairment write-back is due to an improved net loan recovery further to the sale of the remaining properties in December 2015 and April 2016 due to improved property values.

Due to the continuing shortfalls in Loan interest receivable the liquidity facility was drawn upon in order to meet interest payments on the Notes and on-going transaction costs.

The table below sets out the gross carrying value and the collective impairments.

	Carrying value £	Impairment £	Total £
Loans as at 31 December 2015:			
Individually impaired	850,362,550	(714,006,080)	136,356,470
Past due but not impaired	-	-	-
Neither past due nor impaired	-	-	-
	850,362,550	(714,006,080)	136,356,470
Loans as at 31 December 2014:			
Individually impaired	850,362,550	(755,042,954)	95,319,596
Past due but not impaired	-	-	-
Neither past due nor impaired	-	-	-
	850,362,550	(755,042,954)	95,319,596

14) Financial instruments (*continued*)

Credit risk (*continued*)

Refinancing risk

The ability of the borrower to make timely payment of principal due on the relevant Loan maturity date may be dependent upon the borrower's ability to refinance the Loan in its entirety. In the event the borrower cannot refinance by the loan maturity date, any repayment may be delayed and in some circumstances, the collateral would be enforced and sold. In the case that the charged property is sold at a value below the outstanding principal of the Loan at that time, the repayment of the Loan may be made at below par. In such circumstances, the Company may be unable to repay certain classes of Notes in full.

If in the event of the Loans not being able to be repaid, the Notes would be written down starting from the lowest class of Note (Note E) to the highest class of Note (Note A).

Market risk

Market risk is defined as the potential loss in value or earnings of an organisation arising from changes in external market factors.

The Company is exposed to interest rate risk.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of the Loan and the Notes (its principal assets and liabilities) are similar; where this is not possible the Company uses derivative financial instruments to mitigate any residual interest rate risk. The interest rate applicable to floating rate assets is determined by reference to the London Inter-Bank Offered Rate ("LIBOR").

Interest rate risk

Interest on the floating rate liabilities is determined and payable quarterly in arrears at the following rates for three-month Sterling deposits:

	£	
Class A Notes	569,152,561	LIBOR + 0.23%
Class B Notes	27,763,540	LIBOR + 0.28%
Class C Notes	101,799,645	LIBOR + 0.42%
Class D Notes	81,439,716	LIBOR + 0.63%
Class E Notes	70,206,588	LIBOR + 0.95%
	850,362,050	

Due to the Company's interest rate hedging strategy, the Company considers that it has no significant net interest rate risk exposure and therefore has not presented a sensitivity analysis.

14) Financial instruments (*continued*)

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. The Company's ability to meet payments on the Notes as they fall due is dependent on timely receipt of funds which may be delayed due to slow repayment on the Loan.

In the event that the Company has insufficient funds available to pay interest on the Notes then it is obliged under certain conditions to draw on the liquidity facility to meet its obligations to the Note holders. All payments drawn under the liquidity facility, together with accrued interest, are repayable to the liquidity facility provider on the next interest payment date, and rank in priority to payments of interest and principal on the Notes.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the statement of financial position date of non-derivative financial instruments.

	Carrying value	Gross cash flows	In less than 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
As at 31 December 2015	£	£	£	£	£	£	£
Notes	850,362,050	850,362,050	-	-	850,362,050	-	-
Interest payable on Notes	10,767,797	7,780,575	1,953,175	-	5,827,400	-	-
Standby liquidity facility liability	47,500,000	47,500,000	-	-	47,500,000	-	-
Interest on standby liquidity liability	6,310	131,059	131,059	-	-	-	-
Total financial liabilities	**908,636,157**	**905,773,684**	**2,084,234**	**-**	**903,689,450**	**-**	**-**
As at 31 December 2014							
Notes	850,362,050	850,362,050	-	-	-	850,362,050	-
Interest payable on Notes	7,878,517	3,041,756	766,689	-	-	2,275,067	-
Standby liquidity facility liability	47,500,000	47,500,000	-		47,500,000	-	-
Interest on standby liquidity liability	13,490	3,504,544	1,168,181	1,155,202	1,181,161	-	-
Total financial liabilities	**905,754,057**	**904,408,350**	**1,934,870**	**1,155,202**	**48,681,161**	**852,637,117**	**-**

The Notes are subject to mandatory redemption in part on each interest payment date in an amount equal to the principal received or recovered in respect of the Loan. If not otherwise redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount outstanding on the final interest payment date falling in July 2019 to the extent that sufficient cash is realised from the assets.

The maturity profile of the Notes matches the redemption profile of the principal balances of the Loan.

In accordance with the Terms and Conditions of the Notes, Class A Notes to the value of any Loan prepayment will be redeemed in priority to redemption of the remaining classes of Notes followed by Class B, Class C, Class D and then Class E.

The Company has also entered into a liquidity facility agreement to manage any remaining liquidity risk. In 2009, the liquidity facility loan in the amount of £64 million was drawn in full from Danske Bank due to its credit rating downgrade and placed on short-term deposits (see note 10). In September 2014 Danske Bank consented to receiving £47,500,000 (plus accrued interest and other fees) as final settlement and waived its rights to receive further amounts under the liquidity facility agreement. On 12 March 2015 the liquidity facility was novated to LVS II Lux XVI S.a.r.l and all rights and obligations were transferred from Danske Bank.

14) Financial instruments (*continued*)

Currency profile

All of the Company's financial assets and liabilities are denominated in Sterling.

Fair value of financial assets and liabilities

Amendments to FRS 102 in relation to the nature of the financial instruments that are measured in the statement of financial position at fair value requires them to be put into a fair value measurement hierarchy based on fair value measurement as detailed below:-

- (Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (Level 2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- (Level 3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The only financial instruments included in the Company's statement of financial position that are measured at fair value are funds placed on deposit. The funds placed on deposit fall within level 1 of the hierarchy as market prices are available for this type of financial instrument.

Note 5 shows a reconciliation of the movement in fair value of derivative instruments over the year.

There were no transfers between Level 1 and Level 2 during the year.

15) Reconciliation of loss on ordinary activities before taxation to net cash flow from operating activities

		2015 £	2014 £
Profit/(loss) on ordinary activities before taxation		34,696,813	(40,605,561)
Less:	Interest received on Loan	(19,593,112)	(10,421,933)
	Interest received on bank balances	(62,832)	(94,938)
	Interest (received)/paid on interest rate swap	(108,566)	5,539
Add:	Interest paid on Notes	7,862,624	7,573,015
	Interest paid on standby liquidity facility drawing	492,068	489,855
	Fair value movements on interest rate swap	173,986	189,598
	Impairment (write-back)/loss of loans	(41,036,874)	71,066,607
	Decrease/(increase) in debtors	-	(18,359,733)
	Increase/(decrease) in creditors	2,153,287	(16,496,151)
Net cash outflow from operating activities		(15,422,606)	(6,653,702)

16) Reconciliation of net cash flow to movement in net debt

	2015 £	2014 £
Movement in cash for the year	-	-
Change in net debt	-	-
Other non- cash movements	-	16,500,000
Net debt opening balance	(897,847,404)	(914,347,404)
Net debt at 31 December	(897,847,404)	(897,847,404)

17) Analysis of changes in net debt

	At 1 January 2015 £	Cash flow £	Other non-cash movements £	At 31 December 2015 £
Cash at bank and in hand	14,646	-	-	14,646
Debt due under one year	(47,500,000)	-	-	(47,500,000)
Debt due after one year	(850,362,050)	-	-	(850,362,050)
	(897,847,404)	-	-	(897,847,404)

18) Controlling party

The Company's immediate parent company is SFM Corporate Services Limited, a company incorporated in the United Kingdom and registered in England and Wales, which holds the entire issued share capital of the Company in trust under a share trust deed. As the trustees are not entitled to any economic benefit and the beneficiaries do not have any decision making power, there is no controlling party.

19) Related party transactions

During the year fees of £253,023 (2014: £360,361) were paid to Structured Finance Management Limited for the provision of corporate services to the Company, including the provision of directors. At the year-end corporate services fees of £86,526 (2014: £33,027) were accrued.

20) Events occurring after the statement of financial position date

In December 2015, the remaining Gemini properties (save for Units XA1 & XA2, Sussex Manor, Crawley) were sold by way of a 'portfolio sale' at a price of £311m (£299.94m excluding XA1 & XA2 Sussex Manor, Crawley). The Net Sale proceeds received after sale costs was £289.9m. The Net Loan Recoveries thereafter were £203.4m. The remaining property (Units XA1 & XA2 Sussex Manor, Crawley) was sold on 27 April 2016 for an amount of £12.735m with distribution of proceeds due in July 2016.

On January 2016 the liquidity facility commitment has been fully repaid to LVS II Lux XVI S.a.r.l for an amount of £47,500,000.