Business Mortgage Finance 6 PLC

Directors' Report and Financial Statements

Registered Number 06137875

Year Ended 30 November 2011

Contents

Company Information

Directors
J C Bingham
A Nehra
N Scott

Company Secretary
State Street Secretaries (UK) Limited

Registered Office
1st Floor, Phoenix House
18 King William Street
London
EC4N 7BP

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 2011

Principal Activities

The sole purpose of the Company is to issue mortgage backed securities to the market which are collateralised by commercial mortgage loans The capital raised is used to fund the activities of the Commercial First Group of companies

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 the payment of future liabilities as set out in the offering circular The liquidity risk has been mitigated with cash reserves and liquidity facilities with external parties

The liquidity risk has increased as the cash reserve has diminished As at 30 November 2011, the Company has a principal deficiency ledger as defined in the documentation, however, the underlying mortgage portfolio has continued to generate strong cash flows sufficient to meet the Company's revenue liabilities, therefore there has been no drawing on the liquidity reserve to the date of signing the financial statements

The directors are confident that the cash flows on the portfolio will continue to remain strong and the availability of liquidity facility will ensure that the Company remains able to meet its contractual liabilities as they become payable

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 £34,568,000 (2010 £465,000 profit) The main driver for the loss in the year was the provision against the loan to the Originator as explained in note 8

The directors do not recommend the payment of a dividend (2010 nil)

Future Developments

The Company will continue to meet the scheduled repayment dates for the loan notes during 2012 using cash generated from the mortgage portfolio which pays the intercompany loans

The directors believe that whilst currently the liabilities of the Company exceed the assets and the presence of the principal deficiency ledger increase the risks present in the Company, the mortgage portfolio continues to generate significant cash flows

The payment of the liabilities of the Company is set out and controlled by the offering circular and accompanying documentation Under the terms of those documents, deferral of payments is envisaged and allowed without impacting the viability of the transaction The drop in the Commercial property market will continue to impact the value achieved on enforced sales, however, the directors believe that this will continue to be alleviated by the performing portfolio

Report of the Directors *(continued)*

Financial Instruments

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

The Company has also entered into derivative transactions, an interest rate cap, an interest rate swap and a foreign currency swap, the purpose of which are to manage the interest rate and foreign currency 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, liquidity risk, foreign currency risk and operational risk The directors' review of and policies for, managing each of the risks are summarised below

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

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

Foreign Currency Risk
Foreign currency risk exists where assets and liabilities are denominated in different currencies The Company, as part of the securitisation programme have issued Euro denominated Floating Rate Notes during the year The Company's policy is to manage foreign currency risk by entering into currency swaps that match all future liabilities in foreign currencies that hedge against any movement in exchange rates

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 year (2010 nil)

Report of the Directors *(continued)*

Directors

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

	Date of appointment	Date of resignation
J C Bingham		
A Nehra		
V M Rapley		31/01/2012
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 is to be proposed at the forthcoming Annual General Meeting

By order of the board

A Nehra
Director
Date 28 March 2012

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

Independent auditor's report to the members of Business Mortgage Finance 6 PLC.

We have audited the financial statements of Business Mortgage Finance 6 PLC for the year to 30 November 2011 set out in pages 8 to 23 The financial reporting framework that has been applied in the 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 auditors

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 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 APB's website at www frc org uk\apb\scope\private cfm

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 2011 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

Independent auditor's report to the members of Business Mortgage Finance 6 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

Emphasis of matter: going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the basis of the preparation section in note 1 to the financial statements concerning the Company's ability to continue as a going concern

At 30 November 2011 the Company's total liabilities exceeded its total assets by £31 7m The payment of interest and principal on finance issued by the Company is principally dependent on the performance of its pool of mortgages Conditions in the UK commercial mortgage market remained challenging during 2011 If conditions continue to deteriorate and an event of default occurs which the security trustee believes is materially prejudicial to the note holders then the security trustee may, at its discretion, choose to issue an enforcement notice to the Company

These conditions, along with other matters set out in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern

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 *28 March 2012*

Profit and Loss Account

For the year to 30 November 2011

	Note	2011 £000	2010 £000
Interest receivable and similar income	*2*	**14,283**	16,288
Interest payable and similar charges	*3*	**(13,605)**	(15,595)
Net interest income		**678**	693
Fair value movements in financial instruments	*4*	**2,105**	530
Loan to originator impairment	*8*	**(36,268)**	-
Operating expenses		**(632)**	(629)
(Loss) / profit on ordinary activities before taxation	*5*	**(34,117)**	594
Tax on (loss) / profit on ordinary activities	*6*	**(451)**	(129)
(Loss) / profit for the financial year	*11*	**(34,568)**	465

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 11 to 23 form part of these financial statements

Balance Sheet

At 30 November 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Loan to Originator	8		312,405		372,007
Current assets					
Debtors	9	64,373		60,934	
Cash at bank and in hand		4,247		7,644	
			68,620		68,578
Total assets			381,025		440,585
Capital and reserves					
Called up share capital	10	13		13	
Profit and loss account	11	(31,695)		2,873	
Shareholders' (deficits)/funds			(31,682)		2,886
Creditors: amounts falling due within one year	12		440		609
Creditors: amounts falling due after one year	13		412,267		437,090
Total equity and liabilities			381,025		440,585

The notes on pages 11 to 23 form part of these financial statements

These financial statements were approved by the board of directors on 28 March 2012 and were signed on its behalf by

A Nehra
Director

Company Number: 06137875

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

Notwithstanding net liability of £31 7m as at 30 November 2011, the directors consider that the Company will continue to trade for the foreseeable future by meeting its liabilities as they fall due for payment in cash and, accordingly, the financial statements have been prepared on a going concern basis

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 The payment of interest and principal on finance issued by the Company is principally dependent on the performance of its pool of mortgages Conditions in the UK commercial mortgage market remained challenging during 2011 Future deterioration in the commercial mortgage market could result in future estimated cash flows received from the Company's assets being significantly less than expected and affect the Company's ability to repay its creditors

As at 30 November 2011, the Company had a reserve fund of £nil available to cushion any adverse performance, which has fallen from £2 8m as at 30 November 2010 In addition to the cash generated by the portfolio itself additional facilities exist through a liquidity facility Taking these factors into account, the directors consider that they will be able to pay any interest actually due in cash over the next 12 months based on current expectations of the mortgage portfolio

However, if conditions continue to deteriorate and an event of default occurs which the security trustee believes is materially prejudicial to the note holders then the security trustee may, at its discretion, choose to issue an enforcement notice to the Company The Directors consider this unlikely in the next 12 months and, therefore, believe it remains appropriate to prepare the financial statements on a going concern basis However, they believe these matters represent a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern It may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

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 uncollectible

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

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 as "fair value movements in 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

Foreign currencies

Foreign currency transactions, assets and liabilities are accounted for in accordance with FRS 23 "The Effects of Changes in Foreign Exchange Rates" The functional currency of the Company is pounds sterling Transactions which are not in pounds sterling are translated at the spot rate of exchange on the date of transaction Monetary assets and liabilities which are not in pounds sterling incurred in arranging funding facilities are amortised over the period of the facility Funding costs amortised during the year are included in interest payable

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 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

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 financial instruments"

2 Interest receivable and similar income

	2011	2010
	£000	£000
On loan to Originator	14,258	16,266
Bank interest	25	22
	14,283	16,288

Notes to the Financial Statements *(continued)*

3 Interest payable and similar charges

	2011 £000	2010 £000
On loans repayable after five years		
Mortgage backed loan notes	12,298	13,831
Interest on subordinated loan	908	810
Other interest	3	4
Amortisation of start up costs	396	950
	13,605	15,595

4 Fair value movements

	2011 £000	2010 £000
Derivative gains / (losses)	3,427	(32 246)
Foreign exchange (losses) / gains	(1,322)	32,776
	2,105	530

5 (Loss) / profit on ordinary activities before taxation

	2011	2010
(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 charge in year	**2011** **£000**	2010 £000
UK corporation tax		
Current tax on income for the year	-	18
Total current tax	-	18
Deferred tax		
Effect of change or tax rate	**(75)**	(32)
Deferred tax short term timing differences on derivatives	**526**	143
Total deferred tax (see note 7)	**451**	111
Tax on (loss) / profit on ordinary activities	**451**	129

Factors affecting taxation for the current year are as follows

	2011 **£000**	2010 £000
Current tax reconciliation		
(Loss) / profit on ordinary activities before tax	**(34,117)**	594
Current tax at 26 66% (2010 28%)	**(9,097)**	166
Effect of		
Short term timing differences	**(561)**	(148)
Unrelieved tax losses	**9,658**	-
Total current tax charge (see above)	-	18

Notes to the Financial Statements *(continued)*

7 Deferred Taxation

The elements of deferred taxation are as follows

Recognised **Deferred tax liability**	**2011** **£000**	2010 £000
Opening deferred tax balance	**(1,016)**	(905)
Effect of change of tax rate on opening balance	**75**	32
Movement in the year due to short term timing differences	**(526)**	(143)
Closing deferred tax balance	**(1,467)**	(1,016)

8 Loan to Originator

The Company purchased a portfolio of mortgages from Commercial First RF Limited, however, as the principal risk and rewards of these mortgages remain with Commercial First RF 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 RF Limited

The loan to Commercial First RF Limited is a composite balance of the mortgage assets, provisions on the mortgages, subordinated debt and deferred consideration Deferred consideration is calculated as the excess of the value of the mortgage assets over the liabilities of the transaction The current level of specific provision on the mortgage assets has caused there to be a current deficit on the deferred consideration ledger Although this deficit is temporary and is anticipated to reverse over time, there is uncertainty over the amount of time it will take to unwind, and therefore the directors believe it is prudent to provide for the deferred consideration component as an impairment to the loan to the originator

The loan to Commercial First RF 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

	2011 **£000**	2010 £000
Derivative financial assets-cross currency swaps	**64,373**	60,934

10 Called up share capital

	2011 **£**	2010 £
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 / (deficits)

	Share capital £000	Profit and loss account £000	Total £000
At 1 December 2010	13	2,873	2,886
Retained loss for the year	-	(34,568)	(34,568)
At 30 November 2011	**13**	**(31,695)**	**(31,682)**

12 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Loan notes – accrued interest	234	232
Intercompany creditor	22	19
Corporation tax	-	18
Other creditors	184	340
	440	609

13 Creditors: amounts falling due after one year

	2011 £000	2010 £000
Mortgage backed loan notes due 2040	410,729	436,014
Financial instrument derivatives		
Interest rate swaps	71	60
Deferred tax liability (note 7)	1,467	1,016
	412,267	437,090

Notes to the Financial Statements *(continued)*

13 Creditors: amounts falling due after one year *(continued)*

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 RF 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 August 2040 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 2010	Redemption	Exchange rate movements	Value at 30 November 2011	Up to 15 August 2014	After 15 August 2014
	£	£	£	£	£	£
Class A1	72,324,300	(7,532,134)	-	64,792,166	LIBOR + 0 19%	LIBOR + 0 38%
Class A2	229,382,181	(19,471,304)	(278,189)	209,632,688	EURIBOR+ 0 19%	EURIBOR + 0 38%
Class M1	38,000,000	-	-	38,000,000	LIBOR + 0 55%	LIBOR + 1 10%
Class M2	46 648,400	-	939,640	47,588,040	EURIBOR + 0 55%	EURIBOR + 1 10%
Class B2	32,804,900	-	660,790	33,465,690	EURIBOR+ 2 25%	EURIBOR + 3 25%
Class C	17,250,000	-	-	17,250,000	LIBOR + 3 25%	LIBOR + 4 25%
	436,409,781	(27,003,438)	(1,322,241)	410,728,584		
Less unamortised costs	(396,005)	-	-	-		
	436,013,776	(27,003,438)	(1,322,241)	410,728,584		

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

- Interest only coupons which entitle the holders to an interest rate of 2 75% based on the outstanding principal of the Class A1 and Class A2 notes
- Mortgage Early Redemption Certificates which entitle the holder to any early redemption charges collected in the year on the underlying mortgages

The subordinated loan at the initial issue was £12,971,930 and has risen to £19,586,352 at 30 November 2011 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 2011 (30 November 2010 nil)

15 Financial instruments

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

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	-	312,405	312,405	312,405	3,124
Cash at bank and in hand	-	4,247	4,247	4,247	42
Derivative financial asset	64,373	-	64,373	64,373	643
Total financial assets	64,373	316,652	381,025	381,025	3,809
Financial liabilities					
Mortgage backed loan notes due 2040	-	410,729	410,729	219,854	2,199
Derivatives financial liabilities	71	-	71	71	-
Total financial liabilities	71	410,729	410,800	219,925	2,199

2010

	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	-	372,007	372,007	372 007	3,720
Cash at bank and in hand	-	7,644	7,644	7,644	76
Derivative financial asset	60 934	-	60,934	60,934	609
Total financial assets	60,934	379,651	440,585	440,585	4,406
Financial liabilities					
Mortgage backed loan notes due 2040	-	437,014	437,014	238,010	2,380
Derivatives financial liabilities	60	-	60	60	1
Total financial liabilities	60	437,014	437,074	238,070	2,381

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 book value as the underlying assets are linked to variable bank rates
The fair value of the Mortgage backed loan notes is their calculated trading price
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

As at November 2011	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets.				
Derivative financial instrument	-	64,373	-	64,373
Gross financial assets	-	64,373	-	64,373
Financial liabilities:				
Derivative financial instruments	-	71	-	71
Gross financial liabilities	-	71	-	71

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 and currency 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 triple 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 Deutsche Bank Gmbh in the event that the Company is unable to meet certain financial commitments which in certain circumstances can be utilised The facility was not drawn on in 2011 or in 2010

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

	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 2040	-	**11,061**	**38,742**	**222,774**	**272,577**
Total	-	**11,061**	**38,742**	**222,774**	**272,577**

	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 2010					
Mortgage backed loan notes due 2040	-	10,032	30,782	231,073	271,887
Total	-	10,032	30,782	231,073	271,887

Foreign Currency Risk

Foreign currency risk exists where assets and liabilities are denominated in different currencies The Company, as part of the securitisation programme have issued Euro denominated Floating Rate Notes during the year The Company's policy is to manage foreign currency risk by entering into currency swaps that match all future liabilities in foreign currencies that hedge against any movement in exchange rates

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 This would also apply if EURIBOR for three months was 1% higher or lower, with all other variables held constant, as movements in interest on foreign currency loan notes would be offset by a corresponding movement in interest on the currency swaps and on loans to group undertakings A change in interest rates would also effect the fair value movement in the profit and loss account as a result of the derivative being marked to market These fair value changes are expected to reverse to zero over the lives of the derivatives

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

2011	**Floating £000**	**Non interest bearing £000**	**Total £000**
Financial assets:			
Loan to Originator	312,405	-	312,405
Cash at bank and in hand	4,247	-	4,247
Derivative financial assets	-	64,373	64,373
Gross financial assets	316,652	64,373	381,025
Financial liabilities.			
Mortgage backed loan notes due 2040	410,729	-	410,729
Derivative liabilities	-	71	71
Gross financial liabilities	410,729	71	410,800

2010	Floating £000	Non interest bearing £000	Total £000
Financial assets			
Loan to Originator	372,007	-	372,007
Cash at bank and in hand	7,644	-	7,644
Derivative financial assets	-	60,934	60,934
Gross financial assets	379,651	60,934	440 585
Financial liabilities·			
Mortgage backed loan notes due 2040	436,410	(396)	436,014
Derivative liabilities	-	60	60
Gross financial liabilities	436,410	(336)	436,074

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

2011

	< 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	5+ years £000
Financial assets:					
Loan to Originator	-	-	-	-	312,405
Cash at bank and in hand	4,247	-	-	-	-
Derivative financial assets	-	-	-	-	64,373
Gross financial assets	4,247	-	-	-	376,778
Financial liabilities					
Mortgage backed loan notes due 2040	-	-	-	-	410,729
Derivative liabilities	-	-	-	-	71
Gross financial liabilities	-	-	-	-	410,800

2010

	< 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	5+ years £000
Financial assets					
Loan to Originator	-	-	-	-	372,007
Cash at bank and in hand	7,644	-	-	-	-
Derivative financial assets	-	-	-	-	60,934
Gross financial assets	7,644	-	-	-	432,941
Financial liabilities					
Mortgage backed loan notes due 2040	-	-	-	-	436,014
Derivative liabilities	-	-	-	-	60
Gross financial liabilities	-	-	-	-	436,074

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 RF Limited, and is secured on a beneficial interest in a portfolio of mortgage loans secured on commercial property in England, Scotland, Wales and Northern Ireland

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 £4,800 (2010 £4,500) to State Street Administration Services (UK) Limited for the provision of the two directors The third director is an employee of 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

	2011	2010
	£000	£000
Interest on loan to Originator	**14,258**	16,266

Interest Payable and similar charges

	2011	2010
	£000	£000
Interest on mortgage backed loan notes	**12,298**	13,831
Interest on subordinated loan	**908**	810
Operating expenses	**632**	629

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

Non- current assets	**2011**	2010
	£000	£000
Loan to Originator	**312,405**	372,007

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