Business Mortgage Finance 6 PLC

Report and Financial Statements

Registered Number 06137875

Year Ended 30 November 2016

Contents

Company Information

Directors
B Surnam
M Schnaier
T Theobald

Company Secretary
Sanne Group Secretaries (UK) Limited

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Trading Address
The Vineries
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Solicitor
Clifford Chance
10 Upper Bank Street
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Auditor
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Banker
Barclays Bank PLC
One Churchill Place
London
E14 5HP

Strategic Report

The directors present their strategic report for the year ended 30 November 2016.

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 16).

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 satisfied that the underlying assets of the Company will continue to generate positive cashflows sufficient to meet its future liabilities as set out in the offering circular. Furthermore the liquidity risk has been mitigated with cash reserves and liquidity facilities with external parties.

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.

Future Developments

Conditions continue to be difficult in the UK for the asset class with asset values slow to recover to previous levels.

The underlying mortgage portfolio however continues to produce strong cashflows and default rates have reduced.

The directors believe that the Company will continue to meet the scheduled repayment dates for the loan notes during 2017 using cash generated from the mortgage portfolio.

Financial Instruments

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

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

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

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

Credit Risk

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

Strategic Report *(continued)*

Financial Instruments *(continued)*

Interest Rate Risk

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

Liquidity Risk

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

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 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.

By order of the board

Beejadhursingh Surnam
Director
Date: 25 April 2017

Report of the Directors

The directors present their annual report and the audited financial statements for the year to 30 November 2016.

Results and Dividend

The profit for the financial year amounted to £6,204,000 (2015: loss of £7,705,000). The directors do not recommend the payment of a dividend (2015: nil).

Directors

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

	Date of Appointment	Date of Resignation
J Bingham		08 March 2016
M Schnaier		
B Surnam	08 March 2016	
T Theobald		

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 accounting 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.

Disclosure of information to the 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 auditor is 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 auditor is aware of that information.

Report of the Directors (continued)

Auditor

In accordance with financial reporting guidelines the audit of the BMF group of companies for the year ending 30 November 2017 will be subject to a tender process. The current auditors KPMG LLP have confirmed that they will be willing to be part of the tender process.

By order of the board

Beejadhursingh Surnam
Director

Date: 25 April 2017

Report of the independent auditor to the members of Business Mortgage Finance 6 PLC

We have audited the financial statements of Business Mortgage Finance 6 PLC for the year ended 30 November 2016 set out on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2016 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 – 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 2 to the financial statements concerning the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent on the security trustee discretion, in an event of a default or conditions deteriorating, not issuing an enforcement notice to the Company which would result in the winding up of the transaction.

This condition, along with other matters explained in note 2 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Report of the independent auditor 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.

....

Andrew Walker (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Date: 25 April 2017

Statement of Comprehensive Income

For the year ended 30 November 2016

	Note	**2016 £000**	2015 £000
Interest receivable and similar income	5	**10,449**	11,188
Interest payable and similar charges	5	**(9,823)**	(10,873)
Net interest income	5	**626**	315
Operating expenses		**(625)**	(314)
Foreign exchange (losses)/gains		**(27,723)**	22,900
Movement in fair value of financial derivatives		**35,429**	(26,435)
Securitised assets impairment losses		**(1,503)**	(4,171)
Profit / (Loss) on ordinary activities before taxation		**6,204**	(7,705)
Tax on profit on ordinary activities		**-**	-
Profit / (Loss) for the year		**6,204**	(7,705)
Other Comprehensive Income		**-**	-
Total Comprehensive Income /(Loss)		**6,204**	(7,705)

The above reflects the continuing operations of the company. The company has no discontinued operations in either financial period.

The notes on pages 13 to 27 form part of these financial statements.

Statement of Financial Position

At 30 November 2016

	Note	2016	2016	2015	2015
		£000	**£000**	£000	£000
Fixed assets					
Securitised assets	*8*		**159,226**		178,192
Current assets					
Debtors: amounts due after one year	9	**42,264**		5,874	
Cash at bank and in hand		**13,210**		53,285	
		55,474		59,159	
Creditors: amounts falling due within one year	*10*	**(8,014)**		(4,726)	
Net current assets			**47,460**		54,433
Creditors: amounts falling due after more than one year	*11*		**(259,200)**		(291,343)
Total net liabilities			**(52,514)**		(58,718)
Capital and reserves					
Called up share capital	*13*		**13**		13
Profit and loss account			**(52,527)**		(58,731)
Total equity			**(52,514)**		(58,718)

The notes on pages 13 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on 25 April 2017 and were signed on its behalf by:

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Beejadhursingh Surnam
Director

Company Number: 06137875

Statement of Changes in Equity
At 30 November 2016

	Called-up share capital £000	Retained earnings £000	Total equity £000
Balance as at 1 December 2015	**13**	**(58,731)**	**(58,718)**
Total comprehensive income for the year	-	**6,204**	**6,204**
Balance as at 30 November 2016	**13**	**(52,527)**	**(52,514)**
Balance as at 1 December 2014	13	(51,026)	(51,013)
Total comprehensive loss for the year	-	(7,705)	(7,705)
Balance as at 30 November 2015	13	(58,731)	(58,718)

The notes on pages 13 to 27 form part of these financial statements.

Statement of Cash Flows
for the year to 30 November 2016

	Note	2016	2015
		£000	£000
Cash flows from operating activities			
Profit/(Loss) for the financial year		**6,204**	(7,705)
Adjustments for:			
Movement in other creditors		**589**	104
Movement in other debtors		**-**	-
Movement in accrued interest on loan notes and liquidity facility		**2,698**	2,523
Movement in derivative financial instruments		**(35,429)**	26,435
Impairment losses on securitised assets		**(1,503)**	4,171
Cash from operations		**(27,441)**	25,528
Income taxes (paid)/received		**-**	-
Net cash generated from operating activities		**(27,441)**	25,528
Cash flows from investing activities			
Movement in securitised assets	*8*	**20,469**	21,984
Net cash from investing activities		**20,469**	21,984
Cash flows from financing activities			
Movement in liquidity facility	*11*	**(39,734)**	(2,266)
Movement in loan notes	*11*	**6,630**	(47,334)
Net cash used in financing activities		**(33,104)**	(49,600)
Net (decrease)/increase in cash and cash equivalents		**(40,075)**	(2,088)
Cash and cash equivalents at the beginning of the year		**53,285**	55,373
Cash and cash equivalents at the end of the year		**13,210**	53,285

The notes on pages 13 to 27 form part of these financial statements.

Notes to the Financial Statements

1 Company information

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

The company is a private company limited by shares and is incorporated and domiciled in England. The trading address is The Vineries, Broughton Hall Business Park, Skipton, BD23 3AE.

2 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102. The only adjustments to the financial statements is the separate disclosure of the movement in the fair value of the derivative financial instruments held by the company and the foreign exchange movements on the Euro denominated liabilities, as shown further in note 17, previously these were accounted using UK GAAP FRS25 and 26 treatment. In prior periods the movements in these were previously reflected through interest income or expense in the income statement.

Going concern

The Company is an SPV for a single securitisation transaction. The economics of that transaction are set out in an Offering Circular which instructed and informed investors how cashflows received from the assets securitised would be distributed and would have been the basis for making their investment decision. The Company continues to be governed by the strict terms set out in the Offering Circular determining 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 have stabilised in 2016. However there remains considerable uncertainty in the UK economy in particular in relation to the impact of Brexit and how that will translate to this class of asset. Any 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.

In addition to the cash generated by the portfolio itself, additional facilities exist through a fully utilised liquidity facility of £8.0m. Taking all these factors into account, the directors consider that the Company 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 which could result in determining the winding up of the transaction. 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.

Notwithstanding net liabilities of £53.0m as at 30 November 2016, 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.

3 Principal accounting policies

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

Notes to the Financial Statements *(continued)*

3 Principal accounting policies (continued)

Interest income and expense

Interest income and expense are recognised in the profit and loss account using the Effective Interest Rate ("EIR") method. The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the EIR, the company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Foreign Currencies

The company's functional and presentational currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and retained earnings except where deferred in other comprehensive income qualifying cash flow hedges.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

The main asset of the company is a securitised portfolio of commercial mortgage loans which the company acquired from Commercial First RF Limited.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset expire or are settled, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the Financial Statements *(continued)*

3 Principal accounting policies (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(iii) Financial derivatives

Derivatives, including interest rate swaps and forward foreign exchange contracts are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss as a separate line item.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Financial Statements *(continued)*

3 Principal accounting policies (continued)

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

4 Critical judgements and estimates

In deriving the numbers reported in the financial statements the company will apply estimates and judgements which may impact the recorded value of assets and liabilities. Judgements and assumptions used in making estimates are based on past experience and expectations of future events; these are continually evaluated and assessed in light of further evidence as it becomes available. As a securitisation SPV the key critical judgement for the company is the future cash flow being generated from the loan portfolio. Each loan is considered at least quarterly for any indications that future cashflows could be compromised, where there is evidence of potential stress the individual asset will be assessed for likely impairment. In determining impairment the company will make an assessment of the value of the underlying collateral, consider the probability of default and estimate the value and timing of impairment.

As noted in the Report of the Directors, the company makes use of financial instruments to manage the risk where assets and some liabilities are denominated in different currencies and/or have different interest index rates. The instruments cannot be actively traded and are held to the maturity of the liability to which they are associated. The value of each financial instrument at each balance sheet date will be determined by the directors' view of the future amortisation of the liabilities together with their expectations of the volatility of the underlying currency and/or index rate.

Notes to the Financial Statements *(continued)*

5 Net interest income

(a) Interest receivable and similar income	**2016**	2015
	£000	£000
On securitised assets	**10,449**	11,188
Total interest receivable and similar income	**10,449**	11,188
(b) Interest payable and similar charges		
Mortgage backed loan notes	**(8,729)**	(9,830)
Interest on subordinated loan	**(1,092)**	(1,041)
Other interest	**(2)**	(2)
	(9,823)	(10,873)
(c) Net interest income		
Interest receivable and similar income	**10,449**	11,188
Interest payable and similar charges	**(9,823)**	(10,873)
Net interest income	**626**	315

6 Profit/(loss) on ordinary activities before taxation

	2016	2015
	£000	£000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditor's remuneration – statutory audit	**12**	9

7 Taxation

Tax expense included in profit or loss

	2016	2015
	£000	£000
Current tax		
UK corporation tax on profit/(loss) for the year	-	-
Prior year overstatement	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Impact of change in tax rate	-	-
Total deferred tax	-	-
Tax on profit /(loss) on ordinary activities	-	-

Notes to the Financial Statements *(continued)*

7 Taxation (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (20.00%) (2015: 20.33%). The differences are explained below.

	2016 £000	2015 £000
Profit/(loss) on ordinary activities before tax	**6,204**	(7,705)
Profit /(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK at 20.00% (prior year: 20.33%)	**1,241**	(1,566)
Difference between accounting and taxation of Securitisation Companies (Regulation 2006/SI3296)	**(1,241)**	1,566
Tax on profit/(loss) on ordinary activities	**-**	-

8 Securitised assets

The Company purchased a portfolio of mortgages in 2005 from Commercial First RF Limited; however, as the principal risk and rewards of these mortgages were retained by Commercial First RF Limited, these were not deemed for accounting purposes to have transferred to the Company.

In November 2013 Britannica II Sarl acquired the legal right to the residual risks and rewards of these mortgages from Commercial First RF Limited.

The Securitised asset (comprising of the commercial mortgage portfolio, the subordinated loan and deferred consideration) therefore represents a 'deemed' loan from the beneficial holder of the mortgage, representing a right to the cashflows from the securitised mortgages. This deemed loan at the initial issue was £12,971,930 and has risen to £24,537,492 as at 30 November 2016 (2015 - £23,445,012). It bears interest at LIBOR plus 4% and is subordinated to the loan notes. The subordinated loan would only be paid if sufficient cashflows were generated from the transaction to fully fund the required reserve funds and clear the outstanding sums to the floating rate note holders. The interest due on the subordinated loan balance has been expensed through the income statement but the associated liability has been netted off the securitisation impairment, however the subordinated loan principle has been netted off the Securitised asset.

The Securitised asset 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 Securitised asset 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.

	2016 £000	2015 £000
Commercial loan portfolio (net receivable)	**162,292**	187,093
Provision held on portfolio	**(3,066)**	(8,901)
	159,226	178,192

Notes to the Financial Statements *(continued)*

9 Debtors

	2016 £000	2015 £000
Derivative financial assets	**42,264**	5,874

The derivative financial asset relates to foreign currency swaps the company holds to protect itself against movement in foreign exchange for the bonds held and denominated in Euros. The bonds held are subordinated and are unlikely to require repayment within 12 months, however the holding value of derivative asset is volatile and subject to fluctuations in exchange rates.

10 Creditors; amounts falling due within one year

	2016 £000	2015 £000
Loan notes – accrued interest	**7,046**	4,325
Interest on liquidity facility	**4**	27
Accruals and deferred income	**156**	109
Other creditors	**808**	265
	8,014	4,726

11 Creditors: amounts falling due after one year

	2016 £000	2015 £000
Mortgage backed loan notes due 2038	**249,793**	243,163
Liquidity facility	**8,000**	47,734
Derivative financial liabilities – interest rate swaps	**1,407**	446
	259,200	291,343

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 Securitised assets), 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.

Notes to the Financial Statements *(continued)*

11 Creditors: amounts falling due after one year (continued)

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 1 December 2015	Redemption	Exchange rate movements	Value at 30 November 2016	
	£	£	£	£	£
Class A1	33,097,560	**(5,883,649)**	**-**	**27,213,911**	LIBOR +0.38%
Class A2	88,118,511	**(15,209,809)**	**14,217,108**	**87,125,810**	EURIBOR +0.38%
Class M1	38,000,000	**-**	**-**	**38,000,000**	LIBOR+1.10%
Class M2	39,159,079	**-**	**7,929,672**	**47,088,751**	EURIBOR+1.10%
Class B2	27,538,130	**-**	**5,576,442**	**33,114,572**	EURIBOR+3.25%
Class C	17,250,000	**-**	**-**	**17,250,000**	LIBOR + 4.25%
	243,163,280	**(21,093,458)**	**27,723,222**	**249,793,044**	

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 period on the underlying mortgages.

Notes to the Financial Statements *(continued)*

12 Financial instruments

The company has the following financial instruments:

	Note	**2016 £000**	2015 £000
Financial assets measured at amortised cost			
Securitised assets	*8*	**159,226**	178,192
Financial assets at fair value through profit and loss			
Derivative financial assets	*9*	**42,264**	5,874
		201,491	184,066
Financial assets that are debt instruments measured at amortised cost			
Cash at bank		**13,210**	53,285
Financial liabilities measured at fair value through profit and loss			
Derivative financial liabilities	*10*	**1,407**	446
Financial liabilities measured at amortised cost			
Liquidity facility	*10 & 11*	**8,004**	47,761
Mortgage backed loan notes due 2038	*10 & 11*	**256,839**	247,488
Other creditors	*10*	**964**	374
		265,807	295,623

Fair Value disclosures

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.

Notes to the Financial Statements *(continued)*

12 Financial instruments *(continued)*

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

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets:				
Derivative financial assets	-	-	42,264	42,264
Gross financial assets	-	-	42,264	42,264
Financial liabilities:				
Derivative Liabilities	-	-	1,407	1,407
Gross financial liabilities	-	-	1,407	1,407

2015	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets:				
Derivative financial assets	-	-	32,372	32,372
Gross financial assets	-	-	32,372	32,372
Financial liabilities:				
Derivative Liabilities	-	-	509	509
Gross financial liabilities	-	-	509	509

Nature and extent of risks arising from financial instruments

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

Credit Risk

Credit risk is the risk that the counterparty of the Company will not be able to meet its obligations as they fall due.

The Company is exposed to credit risk via amounts due from the Securitised assets, derivative counterparties and deposits held by banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Securitised assets which are primarily a portfolio of commercial mortgage loans represent the largest exposure to credit risk. This is somewhat mitigated by the size of the portfolio creating a diversity of assets and spreading the risk. The mortgage portfolio consists of commercial property loans where the loans are principally repaid from the businesses operating from the properties. All of the properties in the loan portfolio are situated in the United Kingdom and will be subject to the same macroeconomic factors. The loan portfolio is well seasoned with all loans having been originated in excess of 10 years ago, experience has shown that cashflow performance tends to be more reflective of microeconomic factors, the macroeconomic factors may cause temporary fluctuations in performance.

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)*

12 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 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

2016

	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 2015					
Mortgage backed loan notes due 2038	-	7,415	22,246	118,647	148,308
Total	-	7,415	22,246	118,647	148,308

2015

	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 2014					
Mortgage backed loan notes due 2038	-	6,237	18,711	99,792	124,740
Total	-	6,237	18,711	99,792	124,740

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

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 Securitised assets 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 Securitised assets being offset by movements on interest on the loan notes.

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 securitised assets are a portfolio of mortgage loans secured on commercial property in England, Scotland and Wales.

Notes to the Financial Statements *(continued)*

13 Called up share capital

	2016	2015
	£	£
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

14 Contingent liabilities

The Company has no contingent liabilities as at 30 November 2016 (2015: nil).

15 Related party transactions

The Company is a special purpose vehicle controlled by the directors. There are three directors, two of which are provided by Sanne Group Secretaries (UK) Limited. The Company has paid a fee of £7,200 (2015: £4,800) to Sanne Group Secretaries (UK) Limited for the provision of the two directors. The third director was provided by Commercial First Mortgages Limited - the special service provider up to September 2016. Commercial First Mortgages Limited did not receive a fee for the provision of the director (2015: Nil).

The Company made payments to Commercial First Mortgages Limited for the servicing of its portfolio amounting to £360,879 (2015: £439,776) and at the financial year end owed an amount of nil (2015: £33,281) to Commercial First Mortgages Limited.

16 Ultimate parent company

The share capital of the Company is held by BMF Holdings Limited. The financial statements of this Company are available by application, from the Finance Director, The Vineries, Broughton Hall Business Park, Skipton, North Yorkshire, BD23 3AE.

Notes to the Financial Statements *(continued)*

17 Transition to FRS 102

Balance sheet as at 1 December 2014

	As originally reported £000	As restated £000
Fixed assets		
Securitised assets	204,347	204,347
Current assets		
Debtors	32,372	32,372
Cash at bank and in hand	55,373	55,373
	87,745	87,745
Creditors: amounts falling due within one year	(2,099)	(2,099)
Net current liabilities	85,646	85,646
Creditors: amounts falling due after more than one year	(341,006)	(341,006)
Total net liabilities	(51,013)	(51,013)
Capital and reserves		
Called up share capital	13	13
Profit and loss account	(51,026)	(51,026)
Total equity	(51,013)	(51,013)

There are no remeasurement or reclassification adjustments shown in the above table during the transition from UK GAAP to FRS 102

Notes to the Financial Statements *(continued)*

17 Transition to FRS 102 (continued)

Balance sheet as at 30 November 2015

	As originally reported £000	As restated £000
Fixed assets		
Securitised assets	178,192	178,192
Current assets		
Debtors	5,874	5,874
Cash at bank and in hand	53,285	53,285
	59,159	59,159
Creditors: amounts falling due within one year	(4,726)	(4,726)
Net current assets	54,433	54,433
Creditors: amounts falling due after more than one year	(291,343)	(291,343)
Total net liabilities	(58,718)	(58,718)
Capital and reserves		
Called up share capital	13	13
Profit and loss account	(58,731)	(58,731)
Total equity	(58,718)	(58,718)

There are no remeasurement or reclassification adjustments shown in the above table during the transition from UK GAAP to FRS 102

Notes to the Financial Statements *(continued)*

17 Transition to FRS 102 (continued)

Income Statement for the year ended 30 November 2015

	As originally reported	As restated
	£000	£000
Interest receivable and similar income	11,188	11,188
Interest payable and similar charges	(10,873)	(10,873)
Net interest income	315	315
Fair value movements in financial instruments	(3,535)	(26,435)
Foreign exchange (losses)/gains	-	22,900
Securitised assets impairment	(4,171)	(4,171)
Operating expenses	(314)	(314)
Loss on ordinary activities before taxation	(7,705)	(7,705)
Tax on loss on ordinary activities	-	-
Loss for the financial year	(7,705)	(7,705)

- The foreign exchange losses/gains previously netted off the movement in financial instruments have been reclassified and shown separately in the above table during the transition from UK GAAP to FRS 102