Business Mortgage Finance 6 PLC

Annual Report and Financial Statements

Registered Number 06137875

Year Ended 30 November 2013

Contents

Company Information

Directors
J Bingham
A Nehra
M Schnaier

Company Secretary
Sanne Group Secretaries (UK) Limited

Registered Office
Sanne Group Secretaries (UK) Limited
10 Cork Street
London
W1S 3NP

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

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

Strategic Report

Principal Activities

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

Business Review

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

Risk Management and Control

The Company seeks to manage the risks that arise from its activities. The risk framework in which the Company operates was documented in the Offering Circular together with an assessment of how the Company would mitigate the risks through the use of financial derivatives. (Copies of the Offering Circular document can be obtained by written request from the address in note 19).

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 however the cash reserves have now been extinguished which has increased the liquidity risk.

The liquidity risk has increased as the cash reserve has diminished. As at 30 November 2013, 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 and therefore there has been no drawing on the liquidity facility 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 the 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.

Future Developments

The directors believe that the Company will continue to meet the scheduled repayment dates for the loan notes, subject to the rules of the transaction, during 2014 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.

Strategic Report *(continued)*

Financial Instruments

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

The Company has also entered into derivative transactions, 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 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.

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. 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.

By order of the board

A Nehra
Director
Date: 27 May 2014

Report of the Directors

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

Results and Dividend

The profit for the financial year amounted to £352,000 (2012: £17,841,000 loss). The directors do not recommend the payment of a dividend (2012: nil).

Directors

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

	Date of appointment	Date of resignation
J Bingham	01/06/2013	
A Iqbal		01/06/2013
A Nehra		
N Scott		01/06/2013
M Schnaier	01/06/2013	

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

Our auditors, KPMG Audit Plc have instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditors and resolution concerning their appointment will be put to the forthcoming AGM of the company.

By order of the board

A Nehra
Director
Date: 27 May 2014

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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

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

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 to 30 November 2013 set out in pages 9 to 25. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2013 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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.

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 2013 the Company's total liabilities exceeded its total assets by £49.2m.The payment of interest and principal on finance issued by the Company is dependent on the performance of its pool of mortgages. Conditions in the UK commercial mortgage market remained challenging during 2013. 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.S. Hillyard

....

James 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: 27 May 2014

Profit and Loss Account

For the year to 30 November 2013

	Note	2013 £000	2012 £000
Interest receivable and similar income	2	**11,435,**	13,074
Interest payable and similar charges	3	**(10,902)**	(12,665)
Net interest income		**533**	409
Fair value movements in financial instruments	4	**1,397**	(3,286)
Securitised assets impairment	8	**(1,045)**	(15,854)
Operating expenses		**(533)**	(613)
Profit / (loss) on ordinary activities before taxation	5	**352**	(19,344)
Tax on profit / (loss) on ordinary activities	6	**-**	1,503
Profit / (loss) for the financial year	11	**352**	(17,841)

There are no recognised gains and losses other than the profit/(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 12 to 25 form part of these financial statements.

Balance Sheet
At 30 November 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Securitised assets	8		**235,340**		268,917
Current assets					
Debtors	9	**45,488**		43,037	
Cash at bank and in hand		**6,379**		5,427	
			51,867		48,464
Total assets			**287,207**		317,381
Capital and reserves					
Called up share capital	10	**13**		13	
Profit and loss account	11	**(49,184)**		(49,536)	
Shareholders' deficit			**(49,171)**		(49,523)
Creditors: amounts falling due within one year	12		**860**		354
Creditors: amounts falling due after one year	13		**335,518**		366,550
Total equity and liabilities			**287,207**		317,381

The notes on pages 12 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on 27 May 2014 and were signed on its behalf by:

Amy Nehra
....
A Nehra
Director

Company Number: 06137875

Cash Flow Statement
for the year to 30 November 2013

	Note	2013	2012
		£000	£000
Net cash inflow from operating activities	*17*	**952**	1,144
Increase in cash in the year		**952**	1,144

The notes on pages 12 to 25 form part of these financial statements.

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 liabilities of £49.2m as at 30 November 2013, 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 2013. 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.

In addition to the cash generated by the portfolio itself, additional facilities exist through a liquidity facility; in the year to 30 November 2013 the cash generated by the portfolio has been sufficient not to utilise the liquidity facility. Taking all 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.

Interest income and expense

For all financial instruments measured at amortised cost (including Securitised assets 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 arm's 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 payable 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. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

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

	2013	2012
	£000	£000
On securitised assets	**11,431**	13,040
Bank interest	**4**	34
	11,435	13,074

Notes to the Financial Statements *(continued)*

3 Interest payable and similar charges

	2013 £000	2012 £000
On loans repayable after five years:		
Mortgage backed loan notes	**9,950**	11,686
Interest on subordinated loan	**949**	977
Other interest	**3**	2
	10,902	12,665

4 Fair value movements

	2013 £000	2012 £000
Derivative gains / (losses)	**2,451**	(21,895)
Foreign exchange (losses) / gains (see note 13)	**(1,054)**	18,609
	1,397	(3,286)

5 Profit / (loss) on ordinary activities before taxation

	2013 £000	2012 £000
Profit / (loss) 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:	**2013**	2012
	£000	£000
UK corporation tax		
Current tax on income for the year	-	-
Prior year adjustment	-	(36)
Total current tax	-	(36)
Deferred tax:		
Prior year adjustment	-	(1,467)
Total deferred tax (see note 7)	-	(1,467)
Tax on profit / (loss) on ordinary activities	-	(1,503)

Factors affecting taxation for the current year are as follows:

	2013	2012
	£000	£000
Current tax reconciliation		
Profit / (loss) on ordinary activities before tax	**352**	(19,344)
Current tax at 23.33% (2012:24.66%)	**70**	(4,770)
Effect of:		
Prior year adjustments	-	(36)
Difference between accounting and taxation of Securitisation Companies (Regulation 2006/SI3296)	**(70)**	4,770
Total current tax credit (see above)	-	(36)

Notes to the Financial Statements *(continued)*

7 Deferred Taxation

The elements of deferred taxation are as follows:

Recognised **Deferred tax liability**	**2013** **£000**	2012 £000
Opening deferred tax balance	-	(1,467)
Prior year adjustment	-	1,467
Closing deferred tax balance	-	-

8 Securitised assets

The Company purchased a portfolio of mortgages in 2007 from Commercial First RF Limited; however, as the principal risk and rewards of these mortgages were retained by 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, reported as a 'Securitised assets'.

In November 2013 Britannica II Sarl acquired the economic interest in the residual risks and rewards of these mortgages from Commercial First RF Limited and following this transaction the directors are now of the view that they are more appropriately reported as 'Securitised assets'. There was no other impact on the Company arising from the November 2013 transaction.

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..

9 Debtors

	2013 **£000**	2012 £000
Derivative financial assets-cross currency swaps	**45,488**	43,037

10 Called up share capital

	2013 **£**	2012 £
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' deficits

	Share capital £000	Profit and loss account £000	Total £000
At 1 December 2012	13	(49,536)	(49,523)
Retained profit for the year	-	352	352
At 30 November 2013	**13**	**(49,184)**	**(49,171)**

12 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Loan notes – accrued interest	**475**	156
Other creditors	**385**	198
	860	354

13 Creditors: amounts falling due after one year

	2013 £000	2012 £000
Mortgage backed loan notes due 2040	**334,888**	365,920
Financial instrument derivatives:		
Interest rate swaps	**630**	630
	335,518	366,550

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 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. The loans 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 quarterly 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 rates above the London Interbank Offered Rate (LIBOR) for three month sterling deposits as summarised in the table below.

	Value at 01 December 2012	Redemption	Exchange rate movements	Value at 30 November 2013	Up to 15 August 2014	After 15 August 2014
	£	£	£	£	£	£
Class A1	57,484,032	**(8,949,738)**	-	**48,534,294**	LIBOR + 0.19%	LIBOR + 0.38%
Class A2	176,337,326	**(23,135,951)**	**(726,313)**	**152,475,062**	EURIBOR+ 0.19%	EURIBOR + 0.38%
Class M1	38,000,000	-	-	**38,000,000**	LIBOR + 0.55%	LIBOR + 1.10%
Class M2	45,118,883	-	**1,045,182**	**46,164,065**	EURIBOR + 0.55%	EURIBOR + 1.10%
Class B2	31,729,287	-	**735,011**	**32,464,298**	EURIBOR+ 2.25%	EURIBOR + 3.25%
Class C	17,250,000	-	-	**17,250,000**	LIBOR + 3.25%	LIBOR + 4.25%
	365,919,528	**(32,085,689)**	**1,053,880**	**334,887,719**		

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 £21,316,045 at 30 November 2013 (2012 - £20,527,755). 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 2013 (2012: nil).

15 Financial instruments

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

2013

	Assets at fair value through profit or loss £000	Loans and receivables £000	Total carrying value £000	Fair value £000	If fair values increased by 1% £000
Financial assets:					
Securitised assets	-	235,340	235,340	235,340	2,354
Cash at bank and in hand	-	6,379	6,379	6,379	64
Derivative financial asset	45,488	-	45,488	45,488	455
Total financial assets	45,488	241,719	287,207	287,207	2,873
Financial liabilities:					
Mortgage backed loan notes due 2040	-	334,888	334,888	276,151	2,761
Derivatives financial liabilities	630	-	630	630	6
Total financial liabilities	630	334,888	335,518	276,781	2,767

2012

	Assets at fair value through profit or loss – on initial recognition £000	Loans and receivables £000	Total carrying value £000	Fair value £000	If fair values increased by 1% £000
Financial assets:					
Securitised assets	-	268,917	268,917	268,917	2,689
Cash at bank and in hand	-	5,427	5,427	5,427	54
Derivative financial asset	43,037	-	43,037	43,037	430
Total financial assets	43,037	274,344	317,381	317,381	3,173
Financial liabilities:					
Mortgage backed loan notes due 2040	-	365,920	365,920	195,298	1,953
Derivatives financial liabilities	630	-	630	630	6
Total financial liabilities	630	365,920	366,550	195,928	1,959

No financial assets were reclassified during the year between amortised cost and fair value categories.
The fair value of securitised assets 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:

2013	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets:				
Derivative financial instrument	-	45,488	-	45,488
Gross financial assets	-	45,488	-	45,488
Financial liabilities:				
Derivative financial instruments	-	630	-	630
Gross financial liabilities	-	630	-	630

2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets:				
Derivative financial instrument	-	43,037	-	43,037
Gross financial assets	-	43,037	-	43,037
Financial liabilities:				
Derivative financial instruments	-	630	-	630
Gross financial liabilities	-	630	-	630

Nature and extent of risks arising from financial instruments

The financial risks arising from the financial instruments 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 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.

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 repayment of the Mortgage backed loan notes is reliant upon the repayment profile of the underlying mortgages, the directors estimate 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 2013					
Mortgage backed loan notes due 2040	**-**	**5,337**	**16,011**	**85,389**	**106,737**
Total	**-**	**5,337**	**16,011**	**85,389**	**106,737**

	On demand	In not more than three months	In more than three months but not more than one year	In more than one year but not more than five years	Total
	£000	£000	£000	£000	£000
At 30 November 2012					
Mortgage backed loan notes due 2040	-	4,965	17,412	93,480	115,857
Total	-	4,965	17,412	93,480	115,857

Foreign Currency Risk

Foreign currency risk exists where assets and liabilities are denominated in different currencies. The Company, as part of the securitisation programme has 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 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 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.

2013	**Floating £000**	**Non interest bearing £000**	**Total £000**
Financial assets:			
Securitised assets	**235,340**	**-**	**235,340**
Cash at bank and in hand	**6,379**	**-**	**6,379**
Derivative financial assets	**-**	**45,488**	**45,488**
Gross financial assets	**241,719**	**45,488**	**287,207**
Financial liabilities:			
Mortgage backed loan notes due 2040	**334,888**	**-**	**334,888**
Derivative liabilities	**-**	**630**	**630**
Gross financial liabilities	**334,888**	**630**	**335,518**

2012	Floating £000	Non interest bearing £000	Total £000
Financial assets:			
Securitised assets	268,917	-	268,917
Cash at bank and in hand	5,427	-	5,427
Derivative financial assets	-	43,037	43,037
Gross financial assets	274,344	43,037	317,381
Financial liabilities:			
Mortgage backed loan notes due 2040	365,920	-	365,920
Derivative liabilities	-	630	630
Gross financial liabilities	365,920	630	366,550

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.

2013

	< 1 year £000	**1-2 years £000**	**2-3 years £000**	**3-4 years £000**	**5+ years £000**
Financial assets:					
Securitised assets	-	-	-	-	235,340
Cash at bank and in hand	6,379	-	-	-	-
Derivative financial assets	-	-	-	-	45,488
Gross financial assets	6,379	-	-	-	280,828
Financial liabilities:					
Mortgage backed loan notes due 2040	-	-	-	-	334,888
Derivative liabilities	-	-	-	-	630
Gross financial liabilities	-	-	-	-	335,518

2012

	< 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	5+ years £000
Financial assets:					
Securitised assets	-	-	-	-	268,917
Cash at bank and in hand	5,427	-	-	-	-
Derivative financial assets	-	-	-	-	43,037
Gross financial assets	5,427	-	-	-	311,954
Financial liabilities:					
Mortgage backed loan notes due 2040	-	-	-	-	365,920
Derivative liabilities	-	-	-	-	630
Gross financial liabilities	-	-	-	-	366,550

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, 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 whom are provided by Sanne Group Secretaries (UK) Limited. The Company has paid a fee of £4,800 (2012: £4,800) to Sanne Group Secretaries (UK) Limited for the provision of the two directors. The third director is provided by Commercial First Mortgages Limited - the special service provider.

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

Interest Receivable and similar income

	2013	2012
	£000	£000
Interest on securitised assets	**12,034**	13,040

Interest Payable and similar charges

	2013	2012
	£000	£000
Interest on mortgage backed loan notes	**5,288**	6,259
Interest on subordinated loan	**949**	977

17 Reconciliation of operating profit / (loss) to net cash inflow from operating activities

	2013	2012
	£000	£000
Operating profit / (loss)	**352**	(19,344)
Impairment losses on securitised assets	**1,045**	15,854
Movement in other creditors	**187**	(8)
Decrease in mortgage loans	**32,532**	27,634
Movement in accrued interest on loan notes and liquidity facility	**319**	(78)
Movement in derivative financial instruments	**(1,397)**	3,286
Cash flows from operating activities before changes in operating assets and liabilities	**506**	(290)
Movement in securitised assets	**32,532**	27,634
Movement in loan notes	**(32,086)**	(26,200)
Net cash inflow from operating activities	**952**	1,144

18 Analysis of the balances of cash as shown in the balance sheet

	At beginning of year £000	Cash flow £000	At end of year £000
Cash at bank and in hand	5,427	952	6,379
Total	**5,427**	**952**	**6,379**

19 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.