

COMPANY REGISTRATION NO. 06252784 (England and Wales)

BUSINESS MORTGAGE FINANCE 7 PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020

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BUSINESS MORTGAGE FINANCE 7 PLC**COMPANY INFORMATION**

Directors	Ms C Bidel Mr M Speight
Secretary	Sanne Group Secretaries (UK) Limited
Company number	06252784
Registered office	6th Floor 125 London Wall London EC2Y 5AS
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Banker	Barclays Bank Plc One Churchill Place London E14 5HP
Solicitor	Clifford Chance 10 Upper Bank Street London E14 5JJ

BUSINESS MORTGAGE FINANCE 7 PLC

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BUSINESS MORTGAGE FINANCE 7 PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2020

The directors present The Strategic Report for the year ended 30 November 2020

Business Review

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

During the financial year the Coronavirus outbreak began which impacted the global economy and supply chain. From March 2020, the UK has been in various tiers of restrictions and lockdowns and certain businesses had to close or alter their business model in order to comply. The UK Government has attempted to support businesses with employment furlough schemes, grants, business rates reductions, deferred tax payments and various loans schemes. UK Finance introduced a holiday payment scheme for borrowers which the company implemented and 209 unique customers took up the scheme. In addition repossession and evictions activities were been put on hold during the year.

The Company appointed servicing outsourcers took measurement to ensure staff safety while continuing to provide the support that customers require. The business had constant communication with its key suppliers, to ensure they could continue to provide the service required during this time.

The Company did not experience any significant disruption to its operating model and was able to serve its customers throughout this difficult period. The company utilised its liquidity facility during the year to make full interest payments on the senior notes. At the year end £330,000 of the liquidity facility was outstanding.

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 14).

The principal risk left within the business is liquidity and credit risk, liquidity risk which is the risk that the Company will not have sufficient liquid funds to meet its liabilities as they fall due. The previous deterioration in the commercial mortgage market means that the future estimated cashflows received from the Company's assets are expected to be less than originally expected and that might affect the Company's ability to repay all its creditors. Furthermore the liquidity risk has been mitigated with cash reserves and liquidity facilities with external parties.

The credit risk reflects the risk that the underlying borrowers or other transaction parties will not meet their obligations as they fall due. The Company's principal business objective rests on the performance of a commercial loan portfolio. Although the underlying mortgage loans are secured by a charge over commercial premises in the UK, the Company considers the evaluation of a borrower's ability to service a loan according to its terms to be the principal factor in assessing the credit risk.

In addition, there is also risk that an enforcement notice is issued which results in the transaction being wound up. This means the Company then will not be able to realise its assets and discharge liabilities accordingly. (Detailed further in note 1.2).

Future Developments

During the year the underlying mortgage portfolio produced sufficient cashflows to meet its operating expenses in full (excluding loan coupon) and to manage the liquidity facility. The

The directors believe that whilst currently the liabilities of the Company exceed the assets, the payment of the liabilities of the Company is principally governed by the cash generated by the mortgage portfolio. The directors are satisfied that with the available liquidity facility, the Company will continue to meet the sums due and payable on the loan notes in accordance with the Offering Circular.

Coronavirus Risk

The business continues to monitor real-time developments arising from the virus.

At this time, given the general uncertainty, it is difficult to provide any degree of clarity on the potential implications to the Company arising from Coronavirus or the UK government's and/or relevant regulator's current or future responses to tackling the situation. The management team continue to manage the Company on a prudent basis and to monitor the situation carefully.

Redress

The company in common with many financial institutions receives and deals with claims/complaints on legacy products. Each claim/complaint is considered and treated on the basis of its own merits and is treated accordingly. Where claims/complaints are made that are believed to be without merit or opportunistic they will be defended vigorously. Where a claim/complaint is determined to have merit then an adjustment may be made to an account to allow for redress. (Detailed further in note 10).

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 principal balance of the Loan, a key performance indicator, held by the Company before any impairment provisions decreased from £71,698k at 30 November 2019 to £64,836k at November 2020 due to the effect of early redemption options availed by the underlying Loans borrowers, scheduled amortisation and write offs.

This principal balance is net of write-offs of £11k (2019: £790k) and capital repayments of £8,544k (2019: £9,646k).

The impairment provision held against the Loans at the year end, to cover any shortfall on realisation of proceeds from the sale of the underlying properties was £1,266k as at November 2020 compared to £2,214k as of November 2019.

At the year end the balance of the Notes outstanding amounted to £88,934k (2019: £100,570k).

Also, the percentage of the pool by balances greater than 3 months in arrears was 16.30% (2019: 12.70%)

Other key performance indicators are the credit rating assigned to the Class A notes.

During the year the rating was upgraded by Fitch from A (January 2019) to A+ (October 2020).

On behalf of the Board



Mr M Speight

Director

30th November 2021

BUSINESS MORTGAGE FINANCE 7 PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2020

The directors present their annual report and financial statements for the year ended 30 November 2020

Principal activities

The principal activity of the Company continued to be that of holding a mortgage portfolio as part of the Commercial First programme of securitisations.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B Sumam	(Resigned 20 August 2021)
Mr M Speight	(Appointed 24 April 2018)
Ms C Bidel	(Appointed 14 December 2018)

None of the directors have any beneficial interest in the ordinary share capital of the Company.

Employees

The Company has employed no staff during the period under review. None of the directors received any remuneration or emoluments from the Company in respect of qualifying services provided to the Company.

Results and dividends

The results for the year are set out on page 13.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

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 directors' review of and policies for managing each of the risks are summarised as follows.

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. The cash generated means that the directors consider that they will be able to pay any interest due on all classes of loan notes and repayment of principal due on the most senior notes.

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 has used derivative financial instruments to mitigate any residual interest rate risk, details of which are set out in the offering circular.

BUSINESS MORTGAGE FINANCE 7 PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2020

Foreign Currency Risk

Foreign currency risk exists where assets and liabilities are denominated in different currencies. The Company, as part of the securitisation programme 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, details of which are set out in the Offering Circular.

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.

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.

Events occurring after balance sheet date

A new strain of Coronavirus was identified in the UK during December which resulted in further lockdown restrictions over the Christmas period. It is not clear at this time the impact of the latest development.

The UK Brexit transition period expired at the end of 2020 resulting in a new trade agreement with the EU, it is currently unclear the long term impact of the new trading agreement on the UK Economy.

As a result of the pandemic, borrowers were allowed to enter into payment holiday agreements with lenders for up to a period of 6 months. This initiative ended in July 2021.

Other than the above Coronavirus pandemic and Brexit disclosure, there have been no other reportable subsequent events between the balance sheet date and the date of signing this report that would meet the criteria to be disclosed or adjusted in the financial statements as at 30 November 2020 and for the year then ended.

Political and charitable donation

None paid (2019: nil).


Auditor

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board



Mr M Speight

Director

30th November 2021

6th Floor
125 London Wall
London
EC2Y 5AS

BUSINESS MORTGAGE FINANCE 7 PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 2020

The directors are responsible for preparing the Annual 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 its profit or loss for that period. In preparing the 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.



Mr M Speight
Director
30th November 2021

BUSINESS MORTGAGE FINANCE 7 PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUSINESS MORTGAGE FINANCE 7 PLC

1 Our opinion is unmodified

We have audited the financial statements of Business Mortgage Finance 7 ("the Company") for the year ended 30 November 2020 which comprise the statement of other comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 30 November 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Material uncertainty related to going concern

	The Risk	Our Response
Going Concern	Disclosure quality	Our procedures included
<p>We draw attention to the disclosures made in note 1.2 in the financial statements concerning the Company's ability to continue as a going concern.</p> <p>There remains considerable uncertainty in the UK economy in respect of the class of asset held by the Company the liabilities exceed the assets. The most senior class of notes outstanding have the right to request the security trustee issues an enforcement notice to the Company which could result in determining the winding up of the transaction, but they have to date chosen not to.</p> <p>At some point in the future a class of note holders whose principal is at significant risk will become the most senior class and at that point it is expected that they will choose to exercise their rights and wind up the transaction. . Based on the performance of the portfolio of loans it is unlikely that, at that time, all junior creditors will be paid their principal in full.</p> <p>As this point in time is unknown, the Company's ability to continue as a going concern is in the meantime therefore dependent on the security trustee not issuing an enforcement notice to the Company which would result in the winding up of the transaction.</p> <p>This condition, along with other matters explained in note 1.2 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. Our opinion is not modified in respect of this matter.</p>	<p>There is little judgment involved in the directors' conclusion that the risks and circumstances described in note 1.2 to the financial statements represent a material uncertainty over the ability of the Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements.</p> <p>However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as key audit matters.</p>	<p>-Assessing transparency: We assessed the completeness and accuracy of the matters covered in the going concern disclosure by:</p> <p>-Enquiry of the directors as to the likelihood of the security trustee issuing an enforcement notice which might lead to the winding up of the transaction: and</p> <p>-Assessing the likelihood of the most senior note holders exercising their rights to wind up the transaction by considering the performance of the portfolio of loans, the Company's liquidity position and by taking into consideration the current level of net liabilities.</p>

BUSINESS MORTGAGE FINANCE 7 PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BUSINESS MORTGAGE FINANCE 7 PLC

3 Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Going concern is a significant key audit matter and is described in section 2 of our report. In arriving at our audit opinion above, the other key audit matters, in decreasing order of audit significance, were as follows (one key audit matter removed and one added from 2019)

Loan Impairment	Subjective estimate	Our procedures included:
<p>Impairment provision balance £2.6m (2019: £2.2 m)</p> <p><i>Refer to Note 1 (accounting policy) and page [25] (financial disclosures)</i></p>	<p>The Company holds a portfolio of individual mortgage loans secured by commercial properties as collateral. Impairments cover loans specifically identified as impaired.</p> <p>A provision for impairment is made which represents the Company's best estimate of losses incurred within the portfolio of mortgages at the balance sheet date.</p> <p>The impairment provision is derived from a model that incorporates subjective judgements, in particular on the key assumptions of probability of default and forced sale discounts against collateral.</p> <p>There is a risk that the provision is not reflective of the incurred losses at the balance sheet date due to these subjective estimates.</p> <p>This is increased further due to the effects of COVID 19.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the loan impairment provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements note 2 disclose the sensitivity estimated by the Company."</p>	<p>Historical comparison: We assessed the key assumptions used in the impairment model, being probability of default and forced sale discount, against the Company's historical experience.</p> <p>Benchmarking assumptions: We compared the key assumptions used in the model, being forced sale discount and probability of default with those of comparable companies.</p> <p>Sensitivity analysis: We assessed the impairment model we used for its sensitivity to changes in the key assumptions of probability of default and forced sale discount by performing stress testing.</p> <p>Assessing transparency: We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining impairment provision.</p>

BUSINESS MORTGAGE FINANCE 7 PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BUSINESS MORTGAGE FINANCE 7 PLC

3 Other key audit matters: our assessment of risks of material misstatement (continued)

Customer redress provisions	Subjective estimate	Our procedures included:
<p>Claims provision balance £1.2m (2019: £nil)</p>	<p>The estimate of customer redress provisions requires the Directors to apply judgement in estimating the value of its obligation.</p> <p>The Company has received complaints from customers, relating to undisclosed commission between the mortgage broker and original lender (which later assigned the loan to the Company). In addition, there was a High Court ruling on undisclosed commissions.</p> <p>The key elements of judgement are the estimation of total customer complaints and the estimated redress cost per complaint.</p> <p>These judgements are informed by the Company's legal advice and claims experience to date. Given the limited historical information, there is a risk that the actual experience may differ from the Company's expectation.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the provision related to customer redress has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p>	<p>Recognition of the provision: We assessed the recognition of the provision against the requirements of the accounting standard.</p> <p>Inspection of legal matters: We inspected correspondence with the Company's legal advisor to identify any legal matters which impact the customer redress provision.</p> <p>Challenge of key assumptions: Our legal specialist looked at a sample of customer complaints, and associated legal correspondence, to challenge the total volume of customer complaints and redress cost per complaint.</p> <p>Independent re-performance: We recalculated the provision based on the key assumptions and input data.</p> <p>Assessing transparency: We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the provision for the undisclosed commissions claims.</p>

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern, however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

BUSINESS MORTGAGE FINANCE 7 PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BUSINESS MORTGAGE FINANCE 7 PLC

4 Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at £676,260 (2019: £689,780), determined with reference to a benchmark of total assets, of which it represents 1% (2019: 1%) of total assets.

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £33,813 (2019: £34,489), in addition to other identified misstatements that warranted reporting on qualitative grounds.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- ☐adequate accounting records have not been kept by the Company, 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

BUSINESS MORTGAGE FINANCE 7 PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BUSINESS MORTGAGE FINANCE 7 PLC

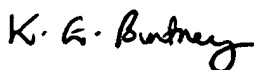
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at
www.frc.org.uk/auditorsresponsibilities

8 The purpose of our audit work and to whom we owe our responsibilities

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.



Karl Pountney (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Sovereign Square
Sovereign Street
Leeds
United Kingdom
LS1 4DA

30th November 2021

BUSINESS MORTGAGE FINANCE 7 PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 NOVEMBER 2020

		2020	2019
	Notes	£ 000	£ 000
Interest receivable and similar income	4	3,498	4,157
Interest payable and similar expenses*	5	(5,502)	5,904
Net interest Income / (Expenses)		(2,004)	10,061
Operating expenses		(2,271)	(988)
Change / (Charge) to bad debt provisioning		937	(1,754)
Foreign exchange loss		(114)	673
Fair value losses on foreign exchange contracts		233	(362)
Operating profit/(loss) before taxation		(3,219)	7,630
Tax on (loss)/profit	6	£nil	£nil
Profit/(loss) for the financial year		(3,219)	7,630

*The interest is positive due to effective interest rate adjustment under IAS39. (See Note 5)
The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

The Financial Statements are to be read alongside the notes on pages 18 to 28.

BUSINESS MORTGAGE FINANCE 7 PLC

OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 NOVEMBER 2020

	2020	2019
	£ 000	£ 000
Profit / (Loss) for the year	(3,219)	7,630
Other comprehensive income	0	0
Total comprehensive income / (expenses) for the year	<u>(3,219)</u>	<u>7,630</u>

The Financial Statements are to be read alongside the notes on pages 18 to 28.

BUSINESS MORTGAGE FINANCE 7 PLC

BALANCE SHEET

FOR THE YEAR ENDED 30 NOVEMBER 2020

		2020		2019	
	Notes	£ 000	£ 000	£ 000	£ 000
Non-Current Assets					
Securitised assets	7		64,836		71,698
Current assets					
Debtors	9	1,068		857	
Cash at bank and in hand		3,006		4,766	
		4,074		5,623	
Creditors: amounts falling due within one year	10	<u>(29,157)</u>		<u>(23,536)</u>	
Net current assets			<u>(25,083)</u>		<u>(17,913)</u>
Total assets less current liabilities			39,753		53,785
Creditors: amounts falling due after more than one year	11		(113,981)		(124,794)
Net liabilities			<u>(74,228)</u>		<u>(71,009)</u>
Capital and reserves					
Called up share capital	12		13		13
Profit and loss reserves			(74,241)		(71,022)
Total equity			<u>(74,228)</u>		<u>(71,009)</u>

The Financial Statements are to be read alongside the notes on pages 18 to 28.

The financial statements were approved by the Board of Directors and authorised for issue on 30th November 2021 and are signed on its behalf by:



Mr M Speight
Director
30th November 2021
Company Registration No. 06252784

BUSINESS MORTGAGE FINANCE 7 PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 NOVEMBER 2020

	Share capital £ 000	Profit and loss reserves £ 000	Total £ 000
Year ended 30 November 2019	13	(71,022)	(71,009)
Profit and total comprehensive income for the year		(3,219)	(3,219)
Balance at 30 November 2020	13	(74,241)	(74,228)

The Financial Statements are to be read alongside the notes on pages 18 to 28.

BUSINESS MORTGAGE FINANCE 7 PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 NOVEMBER 2020

		2020		2019	
	Notes	£ 000	£ 000	£ 000	£ 000
Cash flows from operating activities					
Cash generated / (absorbed by) operations	15		1,909		11,562
Net cash from operating activities			<u>1,909</u>		<u>11,562</u>
Investing activities					
Movement in securitised assets		6,862		11,059	
Interest received		3,498		4,157	
Net cash from investing activities			<u>10,360</u>		<u>15,216</u>
Financing activities					
Movement in loan notes		(8,346)		(31,994)	
Movement in liquidity facility		(181)		(268)	
Interest paid		(5,502)		5,904	
Net cash from financing activities			<u>(14,029)</u>		<u>(26,358)</u>
Net decrease in cash and cash equivalents			<u>(1,760)</u>		<u>420</u>
Cash and cash equivalents at beginning of year			4,766		4,346
Cash and cash equivalents at end of year			<u><u>3,006</u></u>		<u><u>4,766</u></u>

The Financial Statements are to be read alongside the notes on pages 18 to 28.

BUSINESS MORTGAGE FINANCE 7 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2020

1 Accounting policies

Company information

Business Mortgage Finance 7 PLC is a private Company limited by shares incorporated in England and Wales. The registered office is 6th Floor, 125 London Wall, London, EC2Y 5AS.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £ 000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 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 cash flows 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 were particularly poor during the early years of this transaction and whilst have stabilised since then remain weak. In addition, there remains considerable uncertainty in the UK economy in particular in relation to the impact of Brexit and Coronavirus and how that will translate to this class of asset. That previous deterioration in the commercial mortgage market means that future estimated cash flows received from the Company's assets are expected to be significantly less than originally expected and affect the Company's ability to repay all of its creditors.

The Company have assessed the Coronavirus risk impact on the business model. During the current market stress, the Company outsourced servicers has activated their Business Continuity Plans. The outsourced servicers has taken measures to ensure its staff safety, with all staff presently working from home until further notice. The Company has been in regular discussion with its outsourced service provider and has assessed their operational resilience. The servicer has been able to continue operating its mortgage servicing activities during this time.

Management are closely monitoring the FCA, UK Finance and other relevant regulatory guidance, and where appropriate implementing changes to our forbearance policies in order to support our customers who are impacted by Coronavirus. These include the adoption of measures to support the government's payment holiday scheme which ended in July 2021.

Whilst the adoption of these measures had an initial impact on the performance of the Portfolio, the Company has seen cashflows recover to pre-pandemic levels after the end of the payment holiday scheme. The management team continue to monitor the situation carefully.

The cash generated by the portfolio itself, and interest received by re-investing the liquidity facility of £2.5m, means that the directors consider that they will be able to pay any interest due and repayment of principal due on the most senior notes. No principal payments are due on the remaining notes until each more senior note has been repaid in full.

The most senior class of notes outstanding have the right to request the security trustee issues an enforcement notice to the Company which could result in determining the winding up of the transaction. The holders of the current senior notes have made no such request and the directors have no reason to believe that they will make such a request. At some point in the future a class of note holders whose principal is at significant risk will become the most senior class and at that point it is expected that they will choose to exercise their rights and wind up the transaction. Based on the performance of the portfolio of loans it is unlikely that, at that time, all junior creditors will be paid their principal in full. Whilst the timing of wind up is uncertain, the Directors, however, consider this unlikely in the next 12 months from the date of approval of these financial statements and, therefore, believe it remains appropriate to prepare the financial statements on a going concern basis.

However, the Directors 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.

1 Accounting policies

1.3 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.

1.4 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Commercial loans

The loans are non-derivative financial assets with variable repayments that are not quoted in an active market. They are classified as loans and receivables. Loans are measured at initial recognition at fair value, and are recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowance for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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 creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies

Other financial liabilities

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 in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.6 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.7 Taxation

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.8 Foreign Exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

BUSINESS MORTGAGE FINANCE 7 PLC**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 NOVEMBER 2020****2 Judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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 at 30 November 2020 the directors have assumed impairment of mortgage assets using a forced sale discount of the underlying collateral based on historic experience of forced A movement in the forced sale discount with all other variables held constant would impact the Company's impairment provisions as follows:

	2020	2019
	£ 000	£ 000
Additional provision of a 5% depreciation in prices	(571)	(647)
Release in provision following a 5% appreciation	510	3,104

A movement in the probability of default (PD) with all other variables held constant would impact the Company's impairment provisions as follows:

	2020	2019
	£ 000	£ 000
Additional increase of 5% basis point in all PD	112	22
An reduction of a 5% basis point in all PD	(112)	(4)

As noted in the Directors Report, the Company makes use of financial instruments to manage the risk where assets and some liabilities 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 index rate.

Effective Interest rate

In order to determine the EIR applicable to the mortgage loans, an estimate must be made of the expected early redemption of the transaction and the cashflows related thereto. These estimates are based on the earliest occurrence of the call options defined in the deal documents. Any changes in these estimates would result in an adjustment to the carrying value of the loan notes. The corresponding charge or release to the profit and loss will be included in the period in which the estimates are revised.

For all the financial liabilities, expenses are recognised in the profit and loss on an EIR basis. The EIR adjustments to each Class of Loan Notes can be seen in note 11.

Redress

Provisions have been recognised in respect of potential claims brought against the issuer. Although treated on a case by case basis, in determining the amount of the provision,

- Origin of claim
- Underlying evidence
- Legal counsel advice
- Prior claims outcomes

Estimated redress costs are the expected legal costs to defend any potential claims and loan balance of live claims (if any) depending on stage of claim.

3 Operating (loss)/profit

	2020	2019
	£ 000	£ 000
Operating (loss)/profit for the year is stated after charging:		
Exchange (Gain)/losses	114	(673)
Fees payable to the Company's auditor for the audit of the Company's financial statements (excl. VAT)	39	33
	<u>153</u>	<u>(640)</u>

BUSINESS MORTGAGE FINANCE 7 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2020

4 Interest receivable and similar income

	2020	2019
	£ 000	£ 000
Interest income		
On securitised assets	3,498	4,157
	<u>3,498</u>	<u>4,157</u>

5 Interest payable and similar expenses

	2020	2019
	£ 000	£ 000
Interest on financial liabilities measured at amortised cost:		
Interest on subordinated loan	970	937
Mortgage backed loan notes	6,656	6,772
EIR Adjustment	(2,124)	(13,613)
	<u>5,502</u>	<u>(5,904)</u>

*The EIR adjustments to each Class of Loan Notes can be seen in note 11. The interest payable amount above captures the movement between the opening and closing EIR amounts recognised.

6 Taxation

The actual charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£ 000	£ 000
(Loss)/profit before taxation	(3,219)	7,630
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	(612)	1,450
Difference between accounting and taxation of Securitisation companies (Regulation 2006/SI3296)	612	(1,450)
Taxation charge for the year	<u>0</u>	<u>0</u>

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

7 Securitised assets

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

In November 2015 Britannica II Sarl acquired the legal right to the residual risks and rewards of these mortgages from Coniston DAC Limited.

The Securitised asset comprises a commercial mortgage portfolio and deferred consideration, including the right to the cashflows from the securitised mortgages.

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.

BUSINESS MORTGAGE FINANCE 7 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2020

7 Securitised assets

	2020	2019
	£ 000	£ 000
Commercial Loans (net receivable)	66,103	73,912
Impairment provision held on portfolio against commercial loans	(1,267)	(2,214)
	<u>64,836</u>	<u>71,698</u>
Provision - Impairment		
	2020	2019
	£ 000	£ 000
Opening Balance	2,214	1,250
Write-off	(11)	(790)
Movement in provision	(937)	1,754
Closing Balance	<u>1,266</u>	<u>2,214</u>

8. Financial instruments

	Notes	2020	2019
		£ 000	£ 000
Carrying amount of financial assets			
Securitised assets measured at amortised cost		64,836	71,698
Instruments measured at fair value through profit or loss		1,059	850
Carrying amount of financial liabilities			
Measured at fair value through profit or loss			
- Other financial liabilities		291	223
Measured at amortised cost	10&11	142,847	148,107

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.

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

2020	Level 1	Level 2	Level 3	Total
	£ 000	£ 000	£ 000	£ 000
Financial assets:				
Derivative financial instruments	-	-	1,059	1,059
Gross financial assets	<u>-</u>	<u>-</u>	<u>1,059</u>	<u>1,059</u>
Financial liabilities:				
Derivative financial instruments	-	-	291	291
Gross financial liabilities	<u>-</u>	<u>-</u>	<u>291</u>	<u>291</u>
2019	Level 1	Level 2	Level 3	Total
	£ 000	£ 000	£ 000	£ 000
Financial assets:				
Derivative financial instruments	-	-	850	850
Gross financial assets	<u>-</u>	<u>-</u>	<u>850</u>	<u>850</u>
Financial liabilities:				
Derivative financial instruments	-	-	223	223
Gross financial liabilities	<u>-</u>	<u>-</u>	<u>223</u>	<u>223</u>

BUSINESS MORTGAGE FINANCE 7 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2020

8. Financial instruments

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 principal 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.

Please see below the pool stratification by region:

Region	Balance £ 000
North	3,407
Yorks & Hum	6,804
North West	6,302
South East	17,679
Scotland	3,239
Wales	4,612
South West	7,773
West Midlands	4,334
Greater London	4,312
East Midlands	3,723
East Anglia	2,559
Northern Ireland	1,359
	<u>66,103</u>

The table below sets out of the outstanding mortgage balances past due and mortgage balances which took a payment holiday during the year, which are secured by first charges over commercial properties in the UK. Ending in July 2021, customers are entitled to utilise up to a maximum of 6 payment holidays. 209 unique customers took up the scheme at the year end 30 November 2020.

2020	Balance £ 000	Provision £ 000	Carrying value £ 000
Incurring but not recognised up to date	8,746	(98)	8,648
Past due up to 30 days	6,973	(36)	6,937
Past due 31-60 days	3,421	(172)	3,249
Past due 61-90 days	1,659	(59)	1,600
Past due over 90 days	12,045	(2,186)	9,859
	<u>32,844</u>	<u>(2,551)</u>	<u>30,293</u>

2019	Balance £ 000	Provision £ 000	Carrying value £ 000
Past due up to 30 days	8,470	(192)	8,278
Past due 31-60 days	3,910	-	3,910
Past due 61-90 days	1,885	-	1,885
Past due over 90 days	9,949	(1,733)	8,216
	<u>24,214</u>	<u>(1,925)</u>	<u>22,289</u>

The table below sets out the outstanding mortgage balances by the original loan to value ratio LTV

	2020 £ 000	2019 £ 000
0% - 49%	6,122	7,075
50% - 69%	21,500	23,569
70% - 89%	<u>38,482</u>	<u>43,275</u>
	<u>66,103</u>	<u>73,919</u>

BUSINESS MORTGAGE FINANCE 7 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2020

8 Financial instruments

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.

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

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

Maturity of financial instruments	Financial Assets			Financial Liabilities
2020	Contractual payments	Interest Due	Principal Due	Principal Payment
	£ 000	£ 000	£ 000	£ 000
In one year or less	6,351	2,266	4,085	4,085
In more than one year but less than 2	6,209	2,122	4,087	4,087
In more than two years but less than 5 years	17,636	5,525	12,111	12,111
After five years	53,496	9,085	44,411	65,310
Total	83,692	18,998	64,694	85,593
2019	Contractual payments	Interest Due	Principal Due	Principal Payment
	£ 000	£ 000	£ 000	£ 000
In one year or less	7,202	3,192	4,010	4,010
In more than one year but less than 2	7,193	3,020	4,173	4,173
In more than two years but less than 5 years	20,516	8,000	12,516	12,516
After five years	69,711	14,999	54,712	74,519
Total	104,622	29,211	75,411	95,218

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

9. Debtors	2020	2019
Amounts falling due within one year:	£ 000	£ 000
Other debtors	9	7
Amounts falling due after more than one year:		
Derivative financial instruments	1,059	850

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.

BUSINESS MORTGAGE FINANCE 7 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2020

10 Creditors: amounts falling due within one year

	2020	2019
	£ 000	£ 000
Loan notes - accrued interest	26,892	22,536
Subordinated loan	970	937
Interest on liquidity facility	1	1
Amounts due to group undertakings	6	9
Other creditors: Redress	1,228	-
Accruals and deferred income	60	53
	<u>29,157</u>	<u>23,536</u>

11 Creditors: amounts falling due after more than one year

	2020	2019
	£ 000	£ 000
Mortgage backed loan notes due 2041	88,934	100,570
Derivative financial instruments	291	223
Liquidity facility	2,676	2,857
Subordinated loan	22,080	21,144
	<u>113,981</u>	<u>124,794</u>

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 Coniston DAC 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 2041 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 2019	Redemption	Exchange rate movements	EIR Adjustment	Value at 30 November 2020
		£	£	£	£	£
Class A1	LIBOR + 2.00%	32,863,682	(9,624,970)	-	(51,230)	23,187,482
Class M1	LIBOR + 4.5%	42,770,888	-	-	(1,482,472)	41,288,416
Class M2	EURIBOR + 4.5%	4,660,532	-	227,406	(579,459)	4,308,479
Class B1	EURIBOR + 6.25%	12,547,378	-	-	(113,856)	12,433,522
Class C	LIBOR + 9.50%	7,727,487	-	-	(10,746)	7,716,741
		<u>100,569,967</u>	<u>(9,624,970)</u>	<u>227,406</u>	<u>(2,237,763)</u>	<u>88,934,640</u>

		Value at 30 November 2018	Redemption	Exchange rate movements	EIR Adjustment	Value at 30 November 2019
		£	£	£	£	£
Class A1	LIBOR + 2.00%	43,587,351	(8,942,152)	-	(1,781,517)	32,863,682
Class M1	LIBOR + 4.5%	47,732,596	-	-	(4,961,708)	42,770,888
Class M2	EURIBOR + 4.5%	5,480,152	-	(729,010)	(90,610)	4,660,532
Class B1	EURIBOR + 6.25%	15,982,562	-	-	(3,435,184)	12,547,378
Class C	LIBOR + 9.50%	11,015,910	-	-	(3,288,423)	7,727,487
		<u>123,798,570</u>	<u>(8,942,152)</u>	<u>(729,010)</u>	<u>(13,557,441)</u>	<u>100,569,967</u>

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
- Mortgage Early Redemption Certificates which entitle the holder to any early redemption charges

BUSINESS MORTGAGE FINANCE 7 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2020

12 Share capital	2020	2019
	£	£
Ordinary share capital		
2 Ordinary shares of £1 each - fully paid	2	2
49,998 Ordinary shares of £1 each - 25% paid	12,500	12,500
	<u>12,502</u>	<u>12,502</u>

13 Related party transactions

The Company is a special purpose vehicle controlled by the directors.
There are three directors provided by Sanne Group Secretaries (UK) Limited.
The Company has paid a fee of £5,490 (2019: £10,637) to Sanne Group Secretaries (UK) Limited for the provision of the directors.
Sanne Group Secretaries (UK) Limited is a related party due to it being the Company secretary.

At the financial year end the Company owed an amount of £5,992 (2019: £8,853) to BMF Holdings Limited, its parent Company.

14 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 Sanne Group Secretaries (UK) Ltd, 6th Floor 125 London Wall, London, England, EC2Y 5AS.

15 Cash generated from operations

	2020	2019
	£ 000	£ 000
Profit / (Loss) for the year after tax	(3,219)	7,630
Adjustments for:		
Finance costs	5,502	(5,904)
Investment income	(3,498)	(4,157)
Fair value gains and losses on foreign exchange contracts	(233)	362
Non-cash effective interest rate adjustment	2,124	13,613
Movements in working capital:		
(Increase) / Decrease in debtors	1	(3)
Increase / (Decrease) in creditors	1,232	21
Cash from operations	<u>1,909</u>	<u>11,562</u>