
Broadgate Financing PLC

Interim Financial Statements

Six month period ended 30 September 2017

Company number: 05316365

Broadgate Financing PLC

**INTERIM FINANCIAL STATEMENTS
For the six months ended 30 September 2017**

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Broadgate Financing PLC

**INTERIM MANAGEMENT STATEMENT
for the six months ended 30 September 2017**

The directors present their interim financial statements for the six months ended 30 September 2017.

Business review and principal activities

Broadgate Financing PLC ("the company") is a wholly owned subsidiary of Broadgate Property Holdings Limited and operates as a constituent of the Broadgate REIT Limited group of companies ("the group"). Broadgate REIT Limited operates as a joint venture between Euro Bluebell LLP, an affiliate of GIC, Singapore's sovereign wealth fund, and BL Bluebutton 2014 Limited, a wholly owned subsidiary of The British Land Company PLC.

The company's principal activity is to provide funding to fellow subsidiaries of Broadgate Property Holdings Limited.

Business review

As shown in the company's Condensed Income Statement on page 3, the company's profit on ordinary activities before taxation has slightly decreased compared with prior half period. Consistent with the prior period, the company has continued to amortise bonds as well as incur interest on those bonds outstanding, and on charge these costs to fellow subsidiaries.

At 30 September 2017, taking into account the effect of derivatives, interest payable on external bonds remains 100% fixed. Derivatives are not used speculatively and accordingly valuation movements are taken through the hedging and translation reserve.

No dividends were paid by the company in the six month period ended 30 September 2017 (30 September 2016: £nil).

The Statement of Financial Position on page 5 shows the company has net liabilities of £40,366,340 at 30 September 2017. Net liabilities have decreased since 31 March 2017, predominantly as a result of derivative valuation movements.

Principal risks and uncertainties

This company is part of a large property investment group. As such, the fundamental underlying risks for this company are those of the property group. The key risks of this group are the performance of the properties and tenant defaults, as this ensures necessary funds are available to repay securitisation interest and principal, and the credit risk of counterparties upon which the group is dependent for fixing its interest rate exposure and for holding cash deposits. These risks are mitigated by the preference for tenants with strong covenants on long leases and by using highly rated counterparties and monitoring those ratings.

Significant political events and regulatory changes, including the UK's decision to leave the EU, brings risk in terms of uncertainty until the outcome is known, and the impact of policies introduced.

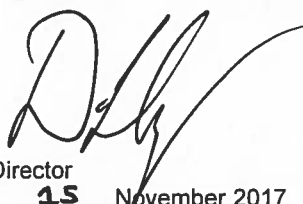
Responsibility Statement of the Directors in respect of the Interim Financial Statements

Each of the directors (as detailed below) confirms that to the best of his/her knowledge:

The condensed set of interim financial statements has been prepared in accordance with Financial Reporting Standard 104: Interim Financial Reporting issued by the Financial Reporting Council.

The interim management report above includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules (DTR), being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

Signed for and on behalf of the directors:


Director
15 November 2017

D. LOCKYER

Directors:
L Bell
C Forshaw (resigned 5 April 2017)
D Lockyer
T Roberts
H Shah

Broadgate Financing PLC

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
Broadgate Financing PLC
for the six months ended 30 September 2017**

Report on the interim financial statements

Our conclusion

We have reviewed Broadgate Financing PLC's Interim Financial Statements (the "interim financial statements") for the 6 month period ended 30 September 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with FRS 104 "Interim Financial Reporting" issued by the Financial Reporting Council and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Statement of Financial Position as at 30 September 2017;
- the Condensed Income Statement and Condensed Statement of Comprehensive Income for the period then ended;
- the Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Financial Statements have been prepared in accordance with FRS 104 "Interim Financial Reporting" issued by the Financial Reporting Council and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Company is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Financial Statements are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the Interim Financial Statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.


Our responsibility is to express a conclusion on the interim financial statements based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants
London

15 November 2017

Broadgate Financing PLC

**CONDENSED INCOME STATEMENT
for the six months ended 30 September 2017**

	Note	Six months ended 30 September 2017 Unaudited £	Six months ended 30 September 2016 Unaudited £
Administrative expenses		(501)	(611)
Operating loss		(501)	(611)
Interest receivable and similar income:			
Group	2	40,758,227	41,900,767
External	2	197,660	447,344
Interest payable and similar charges:			
Group	2	(53,273)	(60,694)
External	2	(40,898,568)	(42,260,311)
Profit on ordinary activities before taxation		3,545	26,495
Taxation		-	-
Profit for the financial period		3,545	26,495

All results are derived from continuing operations within the United Kingdom. The company has only one significant class of business: to provide funding to fellow subsidiaries of Broadgate Property Holdings Limited in the United Kingdom.

Broadgate Financing PLC

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2017**

	Six months ended 30 September 2017 Unaudited £	Six months ended 30 September 2016 Unaudited £
Profit for the financial period	3,545	26,495
Other comprehensive income:		
Derivative valuation movements on cash flow hedges	7,788,299	(4,269,130)
Total comprehensive income/(expense) for the period	7,791,844	(4,242,635)

Broadgate Financing PLC

**CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 September 2017**

	Note	30 September 2017 Unaudited	31 March 2017 Audited
		£	£
Current assets			
Debtors - due within one year	3	70,818,529	70,370,822
Debtors - due after more than one year	3	1,539,497,672	1,565,309,187
Cash and deposits		200,130,780	200,130,884
		<u>1,810,446,981</u>	<u>1,835,810,893</u>
Creditors due within one year	4	<u>(82,934,128)</u>	<u>(82,382,840)</u>
Net current assets (including long term debtors)		1,727,512,853	1,753,428,053
Creditors due after one year	5	<u>(1,767,879,193)</u>	<u>(1,801,586,237)</u>
Net liabilities		<u>(40,366,340)</u>	<u>(48,158,184)</u>
Capital and reserves			
Called up share capital	6	12,500	12,500
Hedging and translation reserve		(40,781,097)	(48,569,396)
Retained earnings		402,257	398,712
Total equity		<u>(40,366,340)</u>	<u>(48,158,184)</u>

The interim financial statements of Broadgate Financing PLC on pages 3 to 12, were approved by the Board of Directors and authorised for issued on 15 November 2017 and signed on its behalf by:



Director

D. HOCUYER

Registered number: 05316365

Broadgate Financing PLC

**STATEMENT OF CHANGES IN EQUITY
as at 30 September 2017**

	Called up share capital £	Hedging and translation reserve £	Retained earnings £	Total equity £
Balance as at 1 April 2016	12,500	(55,265,589)	393,096	(54,859,993)
Profit for the period	-	-	26,495	26,495
Derivative valuation movements on cash flow hedges	-	(4,269,130)	-	(4,269,130)
Balance as at 30 September 2016	<u>12,500</u>	<u>(59,534,719)</u>	<u>419,591</u>	<u>(59,102,628)</u>
Balance as at 1 April 2017	12,500	(48,569,396)	398,712	(48,158,184)
Profit for the period	-	-	3,545	3,545
Derivative valuation movements on cash flow hedges	-	7,788,299	-	7,788,299
Balance as at 30 September 2017	<u>12,500</u>	<u>(40,781,097)</u>	<u>402,257</u>	<u>(40,366,340)</u>

Broadgate Financing PLC

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
for the six months ended 30 September 2017**

1. Accounting policies

The principal accounting policies adopted by the directors are summarised below. They have been applied consistently throughout the current and previous period.

Accounting basis

The information for the period ended 30 September 2017 does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006.

A copy of the statutory financial statements for the year ended 31 March 2017 has been delivered to the Registrar of companies. The auditors reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Basis of preparation

These interim financial statements were prepared in accordance with Financial Reporting Standard 104 Interim Financial Reporting ("FRS 104"). The company prepared its interim financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these interim financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has taken advantage of the FRS 101 disclosure exemption as appropriate.

Going concern

The company's business activities, financial position and financing structure are discussed on page 1. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The net liability position of the Statement of Financial Position is as a result of market swap rates being below the fixed rate payable on the company's interest rate swaps. This has had a detrimental effect on the fair value of the company's interest rate derivatives. The interest rate swaps fix the rate payable on the company's liabilities at a rate slightly below the interest on loans receivable. The change in mark to market is not envisaged to have an impact on the company's cash flow for the foreseeable future. They thus continue to adopt the going concern basis of accounting in preparing the interim financial statements.

Financial assets

The company classifies all financial assets, with the exception of derivative financial instruments into the category Loans and Receivables. Loans and Receivables are initially measured at fair value including any transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities - borrowings

Debt instruments initially are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method.

Derivative financial instruments

As defined by IAS 39, cash flow hedges are carried at fair value in the Statement of Financial Position. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly in the hedging and translation reserve. Any ineffective portion is recognised in the Income Statement.

Interest payable and receivable

Interest payable and receivable is recognised as incurred under the accruals concept. Interest payable includes financing charges which are spread over the period to redemption, using the effective interest method. Commitment fees on non-utilised facilities are also included within interest payable.

Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Taxable profit may differ from net profit as reported in the Income Statement because it excludes items of income or expense that are not taxable (or tax deductible).

Broadgate Financing PLC

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
for the six months ended 30 September 2017**

2. Interest receivable and payable and similar income/charges

	Six months ended 30 September 2017 Unaudited £	Six months ended 30 September 2016 Unaudited £
Interest receivable on		
Cash and deposits	197,660	447,344
Group loans and receivables	40,758,227	41,900,767
Total interest receivable	<u>40,955,887</u>	<u>42,348,111</u>
Interest payable on		
Bank loans and overdrafts	(348,648)	(627,346)
Bonds	(35,029,854)	(35,612,318)
Derivatives	(5,520,066)	(6,020,647)
	<u>(40,898,568)</u>	<u>(42,260,311)</u>
Group loans	(53,273)	(60,694)
Total interest payable	<u>(40,951,841)</u>	<u>(42,321,005)</u>

3. Debtors

	30 September 2017 Unaudited £	31 March 2017 Audited £
Current debtors (receivable within one year)		
Amounts owed by group companies - Broadgate (Funding) 2005 Limited	51,689,811	51,315,973
Corporation tax	1,848	1,848
Prepayments and accrued income	19,126,870	19,053,001
	<u>70,818,529</u>	<u>70,370,822</u>
Long-term debtors (receivable after more than one year)		
Amounts owed by group companies - Long-term loans	<u>1,539,497,672</u>	<u>1,565,309,187</u>

Broadgate Financing PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
for the six months ended 30 September 2017

4. Creditors due within one year

	30 September 2017 Unaudited £	31 March 2017 Audited £
Debentures loans (see note 5)	51,680,590	51,315,973
Amounts owed to group companies - current accounts	14,734,306	14,663,039
Amounts owed to associated companies - current accounts	-	57,452
Other creditors	12,502	12,001
Accruals and deferred income	16,506,730	16,334,375
	<u>82,934,128</u>	<u>82,382,840</u>

Amounts owed to group companies are repayable on demand. There is no interest charged on these balances.

5. Creditors due after one year (including borrowings)

	30 September 2017 Unaudited £	31 March 2017 Audited £
Loans due 1 to 2 years	52,444,530	52,056,319
due 2 to 5 years	113,509,909	121,991,680
due after 5 years	1,558,531,853	1,576,261,188
Interest rate derivative liabilities	43,392,900	51,277,050
	<u>1,767,879,193</u>	<u>1,801,586,237</u>

Amounts due after five years include the term loan of £185m which represents a drawn liquidity facility with The Royal Bank of Scotland PLC. The cash received is held on deposit.

Hedge accounting

The company borrows in Sterling at both fixed and floating rates of interest, using interest rate derivatives to hedge the interest rate risk on variable rate debt. At 30 September 2017, the market value of these derivatives, which have been designated cash flow hedges under IAS 39, is a liability of £43.4m (31 March 2017: £51.3m liability). The valuation movement reflects the increase in sterling interest rates since the beginning of the period.

The ineffectiveness recognised in the Income Statement on cash flow hedges in the period ended 30 September 2017 was £nil (31 March 2016: £nil).

Broadgate Financing PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
for the six months ended 30 September 2017

5. Creditors due after one year (including borrowings) (continued)

Borrowings repayment analysis	30 September 2017	31 March 2017
Repayments due:		
Within one year	51,680,590	51,315,973
1-2 years	52,444,530	52,056,319
2-5 years	113,509,909	121,991,680
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After 5 years	217,635,029	225,363,972
	<hr/>	<hr/>
Total borrowings	1,776,166,882	1,801,625,160
Fair value of interest rate derivatives	43,392,900	51,277,050
	<hr/>	<hr/>
Gross debt	1,819,559,782	1,852,902,210
	<hr/> <hr/>	<hr/> <hr/>

Secured bonds on the assets of the Broadgate Property Holdings Limited Group

	30 September 2017 Unaudited £	31 March 2017 Audited £
Class A1 Floating Rate Bonds due 2032	170,454,600	177,272,550
Class A2 4.949% Bonds due 2031	206,880,030	212,899,050
Class A3 4.851% Bonds due 2033	175,000,000	175,000,000
Class A4 4.821% Bonds due 2036	400,000,000	400,000,000
Class B 4.99% Bonds due 2033	365,440,572	365,336,750
Class C1 Floating Rate Bonds due 2022	48,958,490	58,750,000
Class C2 5.098% Bonds due 2035	205,683,190	207,116,810
Class D Floating Rate Bonds due 2025	18,750,000	20,250,000
	<hr/>	<hr/>
Total secured bond borrowings	1,591,166,882	1,616,625,160
Fair value of interest rate derivative liabilities	43,392,900	51,277,050
Term loan	185,000,000	185,000,000
	<hr/>	<hr/>
Total secured borrowings	1,819,559,782	1,852,902,210
	<hr/> <hr/>	<hr/> <hr/>

At 30 September 2017, taking into account the effect of derivatives, 100% (31 March 2017: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £3,537m (31 March 2017: £3,481m) and cash of £nil (31 March 2017: £nil). Including derivatives, the weighted average interest rate of the bonds is 5.01% (31 March 2017: 5.02%). The weighted average maturity of the bonds is 11.1 years (31 March 2017: 11.4 years).

Broadgate Financing PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
for the six months ended 30 September 2017

5. Creditors due after one year (including borrowings) (continued)

Except as detailed below, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim financial statements are approximately equal to their fair values:

	Level	30 September 2017 Unaudited £	31 March 2017 Audited £
Secured bonds at fair value	2	<u>1,921,614,064</u>	<u>1,970,850,805</u>

Fair value of bonds

The fair values of the bonds have been established by obtaining quoted market prices from brokers. The derivatives have been valued by calculating the present value of future cash flows, using appropriate market discount rates, by an independent treasury advisor.

Risk Management

Capital risk management:

The company finances its operations by a mixture of equity and public debt issues to support the property strategy of the group.

The approach adopted has been to engage in debt financing with long term maturity dates and as such the bonds issued are due between 2022 and 2036. Including debt amortisation 88% (31 March 2017: 85%) of the total borrowings is due for payment after 5 years.

The principal bond covenant is a requirement to meet interest and amortisation payments as they fall due.

Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The carrying amount of financial assets recorded in the interim financial statements represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and deposits at 30 September 2017 amounted to £200m (31 March 2017: £200m) and are placed with European Financial institutions with BBB+ or better credit ratings. At 30 September 2017, prior to taking account of any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits and interest rate swaps was £200m (31 March 2017: £200m). This represents 11.05% (31 March 2017: 10.89%) of company's gross assets.

The company's principal credit risk relates to an intra-group loan to Broadgate (Funding) 2005 Limited. At 30 September 2017, this loan stood at £1,591m (31 March 2017: £1,617m). The purpose of this loan is to provide funding to fellow subsidiaries of the Broadgate Property Holdings Limited group.

At 30 September 2017, the fair value of all interest rate derivatives which had a positive value was £nil (31 March 2016: £nil).

In order to manage this risk, management regularly reviews the credit rating of counterparties and monitors all amounts that are owed to the company.

Liquidity risk:

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. This risk is managed through day to day monitoring of future cash flow requirements to ensure that the company has enough resources to repay all future amounts outstanding.

Interest rate risk:

The company's activities expose it to interest rate risk. The company uses interest rate swap contracts to hedge these exposures. The company does not use derivative financial instruments for speculative purposes.

Broadgate Financing PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
for the six months ended 30 September 2017

6. Called up share capital

	30 September 2017 Unaudited £	31 March 2017 Audited £
Issued share capital - allotted, called up and fully paid		
Ordinary shares of £1.00 each called up to the extent of £0.25 each		
Opening and closing balance: 50,000 shares	12,500	12,500
	<hr/> <hr/>	<hr/> <hr/>

7. Capital commitments

The company had capital commitments contracted as at 30 September 2017 of £nil (31 March 2017: £nil).

8. Immediate parent and ultimate holding company

The immediate parent company is Broadgate Property Holdings Limited.

The ultimate parent company is Broadgate REIT Limited. Broadgate REIT Limited operates as a joint venture between Euro Bluebell LLP, an affiliate of GIC, Singapore's sovereign wealth fund, and BL Bluebutton 2014 Limited, a wholly owned subsidiary of The British Land Company PLC.

Broadgate REIT Limited is the smallest and largest group for which group financial statements are available and which include the company. The accounts of Broadgate REIT Limited can be obtained from The British Land Company PLC, York House, 45 Seymour Street, London, W1H 7LX.