

Registration number: 05316365

Broadgate Financing PLC

Interim Report and Financial Statements

for the six months ended 30 September 2018

Broadgate Financing PLC

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Broadgate Financing PLC

Directors' Report for the six months ended 30 September 2018

The directors present their report and unaudited interim financial statements for the six months ended 30 September 2018.

Directors of the company

The directors, who held office during the period, and up to the date of signing the interim financial statements, were as follows:

D Lockyer

T Roberts

H Shah

Principal activity

The company's principal activity is to provide funding to fellow subsidiaries of Broadgate Property Holdings Limited in the United Kingdom (UK).

Results for the six months

As shown in the company's Profit and Loss Account on page 4, the company's profit on ordinary activities before taxation has increased 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 2018, 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 cash flow hedging reserve.

The Balance Sheet on page 6 shows the company has net assets of £432,175 at 30 September 2018. Net assets have significantly increased since 31 March 2018, predominantly as a result of closing out all derivative instruments during the period, and on charging these costs to fellow subsidiaries.

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.

Dividends

No dividends were paid by the company in the six month period ended 30 September 2018 (30 September 2017: £nil).

Going concern

The directors consider the company to be a going concern and the accounts are prepared on this basis. Details of this are shown in note 2 of the interim financial statements.

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

Each of the directors confirms that to the best of their 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.

Broadgate Financing PLC

Directors' Report for the six months ended 30 September 2018 (continued)

The Directors' Report 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.

Approved by the Board on 13 November 2018 and signed on its behalf by:


L-AGBOOLA

British Land Company Secretarial Limited
Company secretary

Broadgate Financing PLC

Independent Review Report to the Directors of Broadgate Financing PLC

Report on the interim financial statements

Our conclusion

We have reviewed Broadgate Financing PLC's interim financial statements (the "interim financial statements") in the Interim Report and Financial Statements of Broadgate Financing PLC for the 6 month period ended 30 September 2018. 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 Balance Sheet as at 30 September 2018;
- the Profit and Loss Account and 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 Report and 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 2 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 Report and Financial Statements, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report and Financial Statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

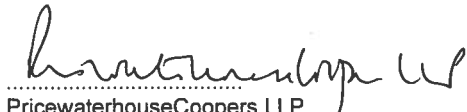
Our responsibility is to express a conclusion on the interim financial statements in the Interim Report and Financial Statements based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency 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 Report and 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
13 November 2018

Broadgate Financing PLC

Profit and Loss Account for the six months ended 30 September 2018

		Six months ended 30 September 2018 Unaudited £	Six months ended 30 September 2017 Unaudited £
Turnover		-	-
Administrative expenses		<u>(501)</u>	<u>(501)</u>
Loss on ordinary activities before interest and taxation		(501)	(501)
Interest receivable and similar income	3	76,644,972	40,955,887
Interest payable and similar expenses	4	<u>(76,624,151)</u>	<u>(40,951,841)</u>
Profit on ordinary activities before taxation		20,320	3,545
Tax on profit on ordinary activities		<u>(3,861)</u>	-
Profit for the period		<u>16,459</u>	<u>3,545</u>

Turnover and results were 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 (UK).

The notes on pages 8 to 15 form an integral part of these interim financial statements.

Broadgate Financing PLC

**Statement of Comprehensive Income for the the six months ended 30
September 2018**

	Six months ended 30 September 2018 Unaudited £	Six months ended 30 September 2017 Unaudited £
Profit for the period	16,459	3,545
Items that may be reclassified to profit or loss		
Gain on interest rate derivatives	4,530,473	7,788,299
Interest rate derivatives transferred to income statement (cash flow hedges)	30,686,000	-
	35,216,473	7,788,299
Total comprehensive income for the period	35,232,932	7,791,844

The notes on pages 8 to 15 form an integral part of these interim financial statements.

Broadgate Financing PLC

(Registration number: 05316365)

Balance Sheet as at 30 September 2018

	Note	30 September 2018 Unaudited £	31 March 2018 Audited £
Current assets			
Debtors due within one year	5	301,682,773	70,521,068
Debtors due after more than one year	5	1,293,171,842	1,513,252,868
Cash at bank and in hand		<u>200,130,867</u>	<u>200,130,844</u>
		1,794,985,482	1,783,904,780
Creditors due within one year	6, 7	<u>(357,342,465)</u>	<u>(82,989,922)</u>
Total assets less current liabilities		1,437,643,017	1,700,914,858
Creditors due after one year	7	<u>(1,437,210,842)</u>	<u>(1,735,715,247)</u>
Net assets/(liabilities)		<u>432,175</u>	<u>(34,800,389)</u>
Capital and reserves			
Share capital	8	12,500	12,500
Cash flow hedging reserve		-	(35,216,473)
Retained Earnings		<u>419,675</u>	<u>403,584</u>
Total equity		<u>432,175</u>	<u>(34,800,389)</u>

Approved by the Board on 13 November 2018 and signed on its behalf by:



H-SHAH
Director

The notes on pages 8 to 15 form an integral part of these interim financial statements.

Broadgate Financing PLC

Statement of Changes in Equity for the six months ended 30 September 2018

	Share capital £	Cash flow hedging reserve £	Retained earnings £	Total £
Balance 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
Total comprehensive income for the period	-	7,788,299	3,545	7,791,844
Balance at 30 September 2017	12,500	(40,781,097)	402,257	(40,366,340)
Balance at 1 April 2018	12,500	(35,216,473)	403,216	(34,800,757)
Profit for the period	-	-	16,459	16,459
Derivative valuation movements on cash flow hedges	-	4,530,473	-	4,530,473
Interest rate derivatives transferred to income statement (cash flow hedges)	-	30,686,000	-	30,686,000
Total comprehensive income for the period	-	35,216,473	16,459	35,232,932
Balance at 30 September 2018	12,500	-	419,675	432,175

The notes on pages 8 to 15 form an integral part of these interim financial statements.

Broadgate Financing PLC

Notes to the Interim Financial Statements for the six months ended 30 September 2018

1 General information

The company is a public company limited by share capital, incorporated and domiciled in England, United Kingdom.

The address of its registered office is:

York House
45 Seymour Street
London
W1H 7LX

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Accounting basis

The information for the period ended 30 September 2018 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 2018 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 same accounting policies, estimates, presentation and methods of computation are followed in the interim financial statements as applied in the latest annual audited financial statements, which are prepared 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

Having reviewed the company's forecast working capital and cash flow requirements, in addition to making enquiries and examining areas which could give risk to financial exposure, the directors have a reasonable expectation that the company has adequate resources to continue its operations for the foreseeable future. As a result they continue to adopt the going concern basis in preparing the accounts.

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.

Broadgate Financing PLC

Notes to the Interim Financial Statements for the six months ended 30 September 2018 (continued)

2 Accounting policies (continued)

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

Cash flow hedges are carried at fair value in the Balance Sheet. 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 Profit and Loss Account.

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 based on taxable profit for the period and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit may differ from net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are not taxable (or tax deductible).

3 Interest receivable and similar income

	Six months ended 30 September 2018 Unaudited £	Six months ended 30 September 2017 Unaudited £
Interest income on bank deposits	596,580	197,660
Interest receivable on amounts owed by group companies	39,347,782	40,758,227
Premium income on early repayment owed by group companies	6,014,610	-
Hedging reserve recycling owed by group companies	30,686,000	-
	76,644,972	40,955,887

Broadgate Financing PLC

Notes to the Interim Financial Statements for the six months ended 30 September 2018 (continued)

4 Interest payable and similar expenses

	Six months ended 30 September 2018 Unaudited £	Six months ended 30 September 2017 Unaudited £
Interest on derivatives	4,299,936	5,520,066
Interest payable on bonds and borrowings	35,541,065	35,378,502
Premium costs on early repayment	6,014,610	-
Hedging reserve recycling*	30,686,000	-
Interest payable on amounts due to group companies	<u>82,540</u>	<u>53,273</u>
	<u>76,624,151</u>	<u>40,951,841</u>

*Represents a reclassification of cumulative losses within the cash flow hedging reserve to the Profit and Loss Account, in relation to hedging instruments that have been closed out on 30 August 2018, and effective on 5 October 2018.

5 Debtors

	30 September 2018 Unaudited £	31 March 2018 Audited £
Amounts due from related parties	246,343,366	52,056,319
Accrued income	55,337,559	18,462,901
Corporation tax asset	<u>1,848</u>	<u>1,848</u>
	<u>301,682,773</u>	<u>70,521,068</u>
Debtors due after more than one year		
Amounts owed by group companies - Long term loans	<u>1,293,171,842</u>	<u>1,513,252,868</u>
	<u>1,293,171,842</u>	<u>1,513,252,868</u>

The company's interest on outstanding debt is discussed in note 7 and applied to amounts owing from related parties in the same manner.

Broadgate Financing PLC

Notes to the Interim Financial Statements for the six months ended 30 September 2018 (continued)

6 Creditors due within one year

	30 September 2018 Unaudited £	31 March 2018 Audited £
Accrued expenses	16,589,734	16,215,169
Amounts due to related parties	14,738,167	14,705,434
Debenture loans	246,314,450	52,056,318
Term loan	40,961,000	-
Fair value of interest rate derivative liabilities	32,711,002	-
Premium costs on early repayment payable	6,014,610	-
Other creditors	<u>13,502</u>	<u>13,001</u>
	<u>357,342,465</u>	<u>82,989,922</u>

Amounts due to related parties relate to amounts owed to group companies and are repayable on demand. There is no interest charged on these balances.

7 Creditors due after one year

	30 September 2018 Unaudited £	31 March 2018 Audited £
Loans		
Loans due 1 to 2 years	14,905,204	52,842,563
Loans due 2 to 5 years	49,036,612	105,067,795
Loans due after 5 years	1,373,269,026	1,540,342,510
Fair value of Interest rate derivative liabilities	<u>-</u>	<u>37,462,379</u>
	<u>1,437,210,842</u>	<u>1,735,715,247</u>

Amounts due after five years include the term loan of £144m (31 March 2018: £185m) which represents a revolving liquidity facility with The Royal Bank Of Scotland PLC. The cash received is held on deposit. On 5 October 2018 the term loan was reduced to £144m.

Broadgate Financing PLC

**Notes to the Interim Financial Statements for the six months ended 30
September 2018 (continued)**

7 Creditors due after one year (continued)

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 2018, the market value of these derivatives, which have been designated cash flow hedges under IFRS 9, is a liability of £32.7m (31 March 2018: £37.5m liability). The valuation movement reflects the increase in sterling interest rates since the beginning of the period. The derivatives were closed out on 30 August 2018, with an effective on 5 October 2018.

The ineffectiveness recognised in the Income Statement on cash flow hedges in the period ended 30 September 2018 was £nil (30 September 2017: £nil). The derivatives were closed out on 30 August 2018, and repaid on 5 October 2018.

	30 September 2018 Unaudited £	31 March 2018 Audited £
Borrowings repayment analysis		
Loans due within one year	287,275,450	52,056,318
Loans due between one to two years	14,905,204	52,842,563
Loans due between two to five years	49,036,612	105,067,795
	351,217,266	209,966,676
Loans due after five years	1,373,269,026	1,540,342,510
Total borrowings	1,724,486,292	1,750,309,186
Fair value of interest rate derivatives	32,711,002	37,462,379
Gross debt	1,757,197,294	1,787,771,565

Broadgate Financing PLC

Notes to the Interim Financial Statements for the six months ended 30 September 2018 (continued)

7 Creditors due after one year (continued)

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

	30 September 2018 Unaudited £	31 March 2018 Audited £
Borrowings repayment analysis		
Class A1 Floating Bonds 2032	156,818,250	163,636,200
Class A2 4.949% Bonds 2031	194,297,040	200,680,830
Class A3 4.851% Bonds 2033	175,000,000	175,000,000
Class A4 4.821% Bonds 2036	400,000,000	400,000,000
Class B 4.999% Bonds 2033	365,429,192	365,325,647
Class C1 Floating Bonds 2022	29,375,000	39,166,510
Class C2 5.098% Bonds 2035	202,816,810	204,250,000
Class D Floating Bonds 2025	<u>15,750,000</u>	<u>17,250,000</u>
Total secured bond borrowings	1,539,486,292	1,565,309,187
Fair value of interest rate derivatives	32,711,002	37,462,379
Term Loan	<u>185,000,000</u>	<u>185,000,000</u>
Total secured borrowings	<u>1,757,197,294</u>	<u>1,787,771,566</u>

At 30 September 2018, taking into account the effect of derivatives, 100% (31 March 2018: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £3,830m (31 March 2018: £3,667m) and cash of £nil (31 March 2018: £nil). Including derivatives, the weighted average interest rate of the bonds is 5.00% (31 March 2018: 5.01%). The weighted average maturity of the bonds is 9.8 years (31 March 2018: 10.8 years).

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:

	30 September 2018 Unaudited £	31 March 2018 Audited £
Secured bonds at fair value	<u>1,819,637,214</u>	<u>1,883,259,680</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.

Broadgate Financing PLC

Notes to the Interim Financial Statements for the six months ended 30 September 2018 (continued)

7 Creditors due after one year (continued)

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 79% (31 March 2018: 86%) 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 2018 amounted to £200m (31 March 2018: £200m) and are placed with European Financial institutions with BBB+ or better credit ratings. At 30 September 2018, 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 £100m (31 March 2018: £100m). This represents 5.57% (31 March 2018: 5.61%) 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 2018, this loan stood at £1,539m (31 March 2018: £1,565m). The purpose of this loan is to provide funding to fellow subsidiaries of the Broadgate Property Holdings Limited group.

At 30 September 2018, the fair value of all interest rate derivatives which had a positive value was £nil (31 March 2018: £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.

8 Share capital

Allotted, called up and fully paid shares

	No.	30 September 2018 Unaudited £	No.	31 March 2018 Audited £
Ordinary shares of £0.25 each	50,000	12,500	50,000	12,500

Broadgate Financing PLC

Notes to the Interim Financial Statements for the six months ended 30 September 2018 (continued)

9 Capital commitments

The company had capital commitments contracted as at 30 September 2018 of £nil (31 March 2018: £nil).

10 Related party transactions

The company has taken advantage of the exemption granted to wholly owned subsidiaries not to disclose transactions with group companies under the provisions of FRS 101.

Broadgate Estates Limited acts as an agent to the company and collects cash on the company's behalf. Broadgate Estates Limited is a wholly owned subsidiary of The British Land Company PLC. The British Land Company PLC is a joint venture partner in Broadgate REIT Limited, the ultimate parent of the company.

11 Subsequent events

On 5 October 2018 the company repaid £223 million of external secured debt in addition to its debt repayment obligations due on the same day. In doing so, the security granted over the Group's investment property, as mentioned in note 7, reduced by £395 million. In addition the Company's interest rate derivative liabilities, also mentioned in note 7, were repaid in full, and the term loan was reduced to £144m.

12 Parent and ultimate parent undertaking

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 accounts are available and which include the company. The ultimate holding company and controlling party is Broadgate REIT Limited. Group accounts for this company are available on request from British Land, York House, 45 Seymour Street, London, W1H 7LX.