# Broadgate Financing PLC

## Annual Report and Accounts

### Year ended 31 March 2016

Company number: 05316365

**Broadgate Financing PLC**

## CONTENTS
**for the year ended 31 March 2016**

Broadgate Financing PLC

## STRATEGIC REPORT
## for the year ended 31 March 2016

The directors present their Strategic Report for the year ended 31 March 2016.

**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 REIT Limited.

As shown in the company's Profit and Loss Account on page 7, the company's profit on ordinary activities before taxation has remained consistent with prior year. External interest payable has reduced by £2.6m principally due to bond amortisation in the period.

No dividends (2015: £nil) were paid in the year.

The balance sheet on page 9 shows the company's financial position at the year end is, in net liability terms, a decrease from the prior year.

During the year, the company transitioned from UK GAAP to FRS 101 - "Reduced Disclosure Framework" and has taken advantage of disclosure exemptions allowed under this framework. The company's ultimate parent, Broadgate REIT Limited, was notified and did not object to the use of EU-adopted IFRS disclosure exemptions. Following transition, no comparative figures were identified to be restated.

The expected future developments of the company are determined by the strategy of the group. There are no future developments outside of the company's current operations planned.

**Key performance indicators**

The directors measure how the group is delivering its strategy through the key performance indicators.

The directors consider the primary measure of performance of the group to be turnover and net asset value. These are discussed above.

The expected future developments of the company are determined by the strategy of the group. There are no future developments outside of the company's current operations planned.

**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 as discussed below.

The group generates returns to shareholders through long-term investment decisions requiring the evaluation of opportunities arising in the following areas:

- demand for space from occupiers against available supply;
- identification and execution of investment and development strategies which are value enhancing;
- availability of financing or refinancing at an acceptable cost;
- economic cycles, including their impact on tenant covenant quality, interest rates, inflation and property values;
- legislative changes, including planning consents and taxation;
- environmental and health and safety policies; and
- the period of uncertainty for the UK economy and real estate markets resulting from the decision on 23 June 2016 of the UK electorate to vote to leave the European Union.

These opportunities also represent risks, the most significant being change to the value of the property portfolio. This risk has high visibility to senior executives and is considered and managed on a continuous basis. Executives use their knowledge and experience to knowingly accept a measured degree of market risk.

The group's preference for prime assets and their secure long term contracted rental income, primarily with upward only rent review clauses, presents lower risks than many other property portfolios.

**Principal risks and uncertainties (continued)**

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

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 liabilities as they fall due.

The company's activities expose it primarily 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.

The company finances its operations by a mixture of equity and public debt issues. 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.

The company holds three derivatives as at 31 March 2016 (2015: three) to fix the LIBOR rate on external debt at approximately 4.86% (2015: 4.86%). The fair value of interest rate derivatives at the year end is a liability of £58.2m (2015: £63.9m liability).

This report was approved by the Board on 28 July 2016 and signed by the order of the board by:

Director
H. Shah

# DIRECTORS' REPORT
## for the year ended 31 March 2016

The directors present their Annual Report on the affairs of the company, together with the audited financial statements and Auditors' Report for the year ended 31 March 2016.

### 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 1 of the financial statements. When assessing the company's going concern status the Directors have taken into account the UK electorate's decision on 23 June 2016 to vote to leave the European Union, and the resulting period of uncertainty for the UK economy and real estate markets.

### Subsequent events

Details of significant events since the balance sheet date, if any, are contained in note 14.

### Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment; and designs and implements policies to reduce any damage that might be caused by the company's activities. The company operates in accordance with best practice policies and initiatives designed to minimise the company's impact on the environment including safe disposal of manufacturing waste, recycling and reducing energy consumption.

### Directors

The directors who were in office during the year and up to the date of signing the financial statements were:

L Bell
C Forshaw
H Shah
S Barzycki
T Roberts

### Directors' responsibilities statement

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 the directors have elected to prepare financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## DIRECTORS' REPORT (continued)
## for the year ended 31 March 2016

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Company's Act 2006.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Board Meeting.

This report was approved by the Board on 28 July 2016 and signed by the order of the board by:

Director

H. Shah

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Broadgate Financing PLC for the year ended 31 March 2016

## Report on the financial statements

### Our opinion

In our opinion, Broadgate Financing PLCs financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Balance Sheet as at 31 March 2016;
- the Profit and Loss Account and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### Opinion on other matter prescribed by the Companies Act 2006

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

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Broadgate Financing PLC (continued) for the year ended 31 March 2016

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

John Waters (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 July 2016

**Broadgate Financing PLC**

# PROFIT AND LOSS ACCOUNT
## for the year ended 31 March 2016

| | Note | 2016<br>£ | 2015<br>£ |
|---|---|---|---|
| Administrative expenses | | **(1,001)** | (1,000) |
| **Operating loss** | | **(1,001)** | (1,000) |
| Interest receivable and similar income | 5 | **86,596,358** | 89,157,227 |
| Interest payable and similar charges | 5 | **(86,587,816)** | (89,148,326) |
| **Profit on ordinary activities before taxation** | 4 | **7,541** | 7,901 |
| Tax on profit on ordinary activities | 7 | **(1,508)** | (1,659) |
| **Profit for the financial year** | | **6,033** | 6,242 |

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

**Broadgate Financing PLC**

## STATEMENT OF COMPREHENSIVE INCOME
**for the year ended 31 March 2016**

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| **Profit for the financial year** | **6,033** | 6,242 |
| **Other comprehensive income:** | | |
| Derivative valuation movements on net investments | **5,296,739** | (10,488,233) |
| Deferred tax debited on derivative valuation movements on net investments | **-** | (10,014,819) |
| **Total comprehensive income/(expense) for the year** | **5,302,772** | (20,496,810) |

## Broadgate Financing PLC

## BALANCE SHEET
## as at 31 March 2016

| | Note | 2016 £ | £ | 2015 £ | £ |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Debtors - due within one year | 8 | **70,716,779** | | 70,373,287 | |
| Debtors - due after more than one year | 8 | **1,616,625,160** | | 1,667,314,396 | |
| Cash and deposits | | **200,130,808** | | 200,130,562 | |
| | | **1,887,472,747** | | 1,937,818,245 | |
| **Creditors due within one year** | 9 | **(267,466,934)** | | (266,776,871) | |
| **Net current assets (including long term debtors)** | | | **1,620,005,813** | | 1,671,041,374 |
| **Total assets less current liabilities** | | | **1,620,005,813** | | 1,671,041,374 |
| **Creditors due after one year** | 10 | | **(1,674,865,806)** | | (1,731,204,139) |
| **Net liabilities** | | | **(54,859,993)** | | (60,162,765) |
| **Capital and reserves** | | | | | |
| Called up share capital | 11 | | **12,500** | | 12,500 |
| Hedging and translation reserve | | | **(55,265,589)** | | (60,562,328) |
| Profit and loss account | | | **393,096** | | 387,063 |
| **Total equity** | | | **(54,859,993)** | | (60,162,765) |

The financial statements of Broadgate Financing PLC, company number 05316365, on pages 7 to 20, were approved by the Board of Directors and authorised for issued on 28 July 2016 and signed on its behalf by:

Director

H. Shah

## Broadgate Financing PLC

## STATEMENT OF CHANGES IN EQUITY
## for the year ended 31 March 2016

| | Called up shares capital | Hedging and translation reserve | Profit and loss account | Total equity |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Balance as at 1 April 2014** | 12,500 | (40,059,276) | 380,821 | (39,665,955) |
| Profit for the year | - | - | 6,242 | 6,242 |
| Derivative valuation movements on net investments | - | (10,488,233) | - | (10,488,233) |
| Taxation on hedging translation movements | - | (10,014,819) | - | (10,014,819) |
| **Balance as at 31 March 2015** | 12,500 | (60,562,328) | 387,063 | (60,162,765) |
| Profit for the year | - | - | 6,033 | 6,033 |
| Derivative valuation movements on net investments | - | 5,296,739 | - | 5,296,739 |
| **Balance as at 31 March 2016** | **12,500** | **(55,265,589)** | **393,096** | **(54,859,993)** |

# NOTES TO THE ACCOUNTS
## for the year ended 31 March 2016

### 1. Accounting policies

This company is incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is York House, 45 Seymour Street, London, W1H 7LX.

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

**Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these 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 set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted FRS 101 for the first time.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 March 2016, the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. The prior period financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year as set out in note 3. No material adjustments have been made.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of The British Land Company PLC. Details of the parent in whose consolidated financial statements the company is included in are shown in note 15 to the financial statements.

The company has taken advantage of the following disclosure exemptions under FRS 101:

(a) The requirements of IAS 1 to provide a Balance Sheet at the beginning of the year in the event of a prior year adjustment;

(b) The requirements of IAS 1 to provide a Statement of Cash flows for the year;

(c) The requirements of IAS 1 to provide a statement of compliance with IFRS;

(d) The requirements of IAS 1 to disclose information on the management of capital;

(e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;

(f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

(g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;

(h) The requirements of IFRS 7 to disclose financial instruments; and

(i) The requirements of paragraphs 91-99 of IFRS13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, equivalent disclosures are given in the group accounts of Broadgate REIT Limited. The group accounts of Broadgate REIT Limited are available to the public and can be obtained as set out in note 15.

## 1. Accounting policies (continued)

### Basis of preparation (continued)

The net liability position of the balance sheet at the year end 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 at the year end. 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.

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.

### Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing the annual financial statements.

### Financial assets

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

### Foreign currencies

The company's financial statements are presented in pounds sterling, which is the functional currency of the company.

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

### Financial liabilities - borrowings

Debt instruments 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 IAS39, 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 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*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

## 1. Accounting policies (continued)

### Taxation (continued)

*Deferred tax*

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value, on an undiscounted basis.

The company recognises deferred tax assets on derivative revaluations to the extent that future matching taxable profits are expected to arise.

## 2. Critical accounting judgements and estimation uncertainty

Determining the carrying amount of some assets requires estimation of the effect of uncertain future events. The major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets are noted below.

*Trade and other debtors*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, the Directors consider factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

## 3. Explanation of transition to FRS 101

This is the first year that the company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Following transition from UK GAAP to FRS 101 no comparative figures were identified to be restated. As a result, it was not deemed necessary to present tables reconciling the transition within these financial statements. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 March 2015 and the date of transition to FRS 101 was therefore 1 April 2014.

## 4. Profit on ordinary activities before taxation

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| Profit on ordinary activities before taxation is stated after charging:<br>Fees payable to company's auditors | | |
| - audit of company's financial statements | **3,796** | 3,796 |

Audit fees relating to the year ended 31 March 2016 and 2015 are paid to PricewaterhouseCoopers LLP.

A notional charge of £3,796 (2015: £3,796) per company is deemed payable to PricewaterhouseCoopers LLP in respect of the audit of the financial statements. Actual amounts payable to PricewaterhouseCoopers LLP are paid by Bluebutton Properties UK Limited.

No non-audit fees were incurred in the year ended 31 March 2016 (2015: £nil).

## 5. Interest payable and receivable and similar charges/income

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| **Interest payable on** | | |
| Bank loans and overdrafts | **6,545** | 6,227 |
| Bonds | **(73,225,907)** | (74,210,549) |
| Derivatives | **(13,154,972)** | (14,819,228) |
| | **(86,374,334)** | (89,023,550) |
| Group loans | **(213,482)** | (124,776) |
| **Total interest payable** | **(86,587,816)** | (89,148,326) |
| **Interest receivable on** | | |
| Cash and deposits | **929,629** | 1,022,787 |
| Group loans and receivables | **85,666,729** | 88,134,440 |
| **Total interest receivable** | **86,596,358** | 89,157,227 |

## 6. Staff costs

No director received any remuneration for services to the company in either year.

Average number of employees, excluding directors, of the company during the period was nil (2015: nil).

## 7. Tax on profit on ordinary activities

| | 2016 £ | 2015 £ |
|---|---|---|
| **Current tax** | | |
| UK corporation tax | **1,508** | 1,659 |
| **Total current taxation charge** | **1,508** | 1,659 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | - | - |
| Total deferred tax charge | - | - |
| **Total tax charge** | **1,508** | 1,659 |

The tax assessed for the year is the same (2015: the same) as the standard rate of corporation tax in the UK of 20% (2015: 21%).

| **Tax reconciliation** | 2016 £ | 2015 £ |
|---|---|---|
| Profit on ordinary activities before taxation | **7,541** | 7,901 |
| Tax on profit on ordinary activities at UK corporation tax rate of 20% (2015: 21%) | **1,508** | 1,659 |
| **Total tax charge** | **1,508** | 1,659 |

Included in the tax charge is a net charge of £nil (2015: £nil) attributable to property sales.

The following corporation tax rates have been substantively enacted: 20% effective from 1 April 2015, reducing to 19% effective from 1 April 2017 and 18% effective 1 April 2020. In the Budget on 16 March 2016, the Chancellor announced additional planned reductions to 17% effective from 1 April 2020. This will reduce the Company's future current tax charge accordingly.

## 8. Debtors

| | 2016 £ | 2015 £ |
|---|---|---|
| **Current debtors (receivable within one year)** | | |
| Amounts owed by group companies - current account with Broadgate (Funding) 2005 Limited | **50,689,237** | 49,955,185 |
| Prepayments and accrued income | **20,027,542** | 20,418,102 |
| | **70,716,779** | 70,373,287 |
| **Long-term debtors (receivable after more than one year)** | | |
| Amounts owed by group companies - Long term loans | **1,616,625,160** | 1,667,314,396 |
| | **1,616,625,160** | 1,667,314,396 |

## 9. Creditors due within one year

| | 2016 £ | 2015 £ |
|---|---|---|
| Term Loan | **185,000,000** | 185,000,000 |
| Debentures loans (see note 10) | **50,689,237** | 49,955,185 |
| Amounts owed to group companies - current accounts | **14,729,453** | 14,701,792 |
| Amounts owed to associated companies - current accounts | **2,998** | - |
| Other creditors | **11,001** | 10,000 |
| Accruals and deferred income | **17,034,245** | 17,109,894 |
| | **267,466,934** | 266,776,871 |

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

The term loan of £185m represents a revolving liquidity facility with The Royal Bank Of Scotland PLC. The cash received is held on deposit.

## NOTES TO THE ACCOUNTS (CONTINUED)
## for the year ended 31 March 2016

### 10. Creditors due after one year (including borrowings)

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Loans due 1 to 2 years | **51,315,973** | 50,689,237 |
| due 2 to 5 years | **139,067,847** | 156,214,855 |
| due after 5 years | **1,426,241,339** | 1,460,410,304 |
| Interest rate derivative liabilities * | **58,240,647** | 63,889,743 |
| | **1,674,865,806** | 1,731,204,139 |

*Includes contracted cash flow with a maturity within one year at fair value.

**Hedge accounting**

The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt. At 31 March 2016 the market value of these derivatives, which have been designated cash flow hedges under IAS39, is a liability of £58.2m (2015: £63.9m liability). The valuation movement reflects the reduction in Sterling interest rates since the beginning of the year.

**The Treasury Function**

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.

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2016 was £nil (2015: £nil). The table below summarises variable rate debt hedged at 31 March 2016.

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Outstanding: after one year | **256,272,550** | 292,492,390 |
| after two years | **220,052,710** | 256,272,550 |
| after five years | **130,977,150** | 147,613,500 |

**Borrowings repayment analysis**

| | 2016 | 2015 |
|---|---|---|
| Repayments due: | | |
| Within one year | **235,689,237** | 234,955,185 |
| 1-2 years | **51,315,973** | 50,689,237 |
| 2-5 years | **139,067,847** | 156,214,855 |
| | **426,073,057** | 441,859,277 |
| After 5 years | **1,426,241,339** | 1,460,410,304 |
| Total borrowings | **1,852,314,396** | 1,902,269,581 |
| Fair value of interest rate derivatives | **58,240,647** | 63,889,743 |
| Net debt | **1,910,555,043** | 1,966,159,324 |

## 10. Creditors due after one year (including borrowings) continued

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

| | 2016 £ | 2015 £ |
|---|---|---|
| Class A1 Floating Rate Bonds due 2032 | **190,908,900** | 204,545,250 |
| Class A2 4.949% Bonds due 2031 | **224,419,230** | 235,281,690 |
| 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 B4.999% Bonds due 2033 | **365,419,586** | 365,426,131 |
| Class C1 Floating Rate Bonds due 2022 | **78,333,490** | 97,916,510 |
| Class C2 5.098% Bonds due 2035 | **209,983,190** | 212,850,000 |
| Class D Floating Rate Bonds due 2025 | **23,250,000** | 26,250,000 |
| Total borrowings | **1,852,314,396** | 1,902,269,581 |
| Fair value of interest rate derivative liabilities | **58,240,647** | 63,889,743 |
| Total secured borrowings | **1,910,555,043** | 1,966,159,324 |

At 31 March 2016, taking into account the effect of derivatives, 100% (2015: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £3,693m (2015: £3,411m) and cash of £nil (2015: £nil). Including derivatives, the weighted average interest rate of the bonds is 5.03% (2015: 5.05%). The weighted average maturity of the bonds is 12.1 years (2015: 12.7 years).

On 2 March 2005 the company issued Bonds with a nominal value of £2,080m for proceeds of £2,081m.

At 31 March 2016 the company was financed by £1,667m bonds (2015: £1,717m).

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.

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

| | 2016 £ | 2015 £ |
|---|---|---|
| Secured bonds at fair value | **1,900,877,799** | 2,013,240,417 |

## 10. Creditors due after one year (including borrowings) (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 2025 and 2036. Including debt amortisation 77.0% (2015: 76.8%) of the total borrowings is due for payment after 5 years.

The company aims to ensure that potential debt providers understand the business and a transparent approach is adopted with lenders so they can understand the level of their exposure within the overall context of the group.

Details of bond covenants are outlined in the bonds Offering Circular, accessible via
http://www.britishland.com/investors/strategic-partnerships/broadgate-financing-plc.aspx.

**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 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 31 March 2016 amounted to £200m (2015: £200m) and are placed with European Financial institutions with BBB+ or better credit ratings. At 31 March 2016, 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 (2015: £200m). This represents 10.60% (2015: 10.40%) of gross assets.

The company's principal credit risk relates to an intra-group loan to Broadgate (Funding) 2005 Limited. At 31 March 2016 this loan stood at £1,667m (2015: £1,902m). The purpose of this loan is to provide funding to fellow subsidiaries of the Broadgate REIT Limited group.

At 31 March 2016, the fair value of all interest rate derivatives which had a positive value was £nil (2015: £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.

## 11. Called up share capital

| | 2016 | 2015 |
|---|---|---|
| **Issued share capital - allotted, called up and fully paid** | **£** | **£** |
| **Ordinary shares of £1.00 each called up to the extent of £0.25 each** | | |
| Balance as at 1 April and 31 March: 50,000 shares | **12,500** | 12,500 |

## 12. Capital commitments

The company had capital commitments contracted as at 31 March 2016 of £nil (2015: £nil).

## 13. Contingent liabilities

The company had no contingent liabilities as at 31 March 2016 (2015: £nil).

## 14. Subsequent events

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy and real estate markets, with increased volatility expected in financial markets. This does not impact the fair value of assets and liabilities, including investment properties where relevant, reported at the balance sheet date of 31 March 2016.

## 15. 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 accounts 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.