Registration number: 05316365

# Broadgate Financing PLC

Annual Report and Financial Statements

for the Year Ended 31 March 2020

**Broadgate Financing PLC**

# Contents

## Broadgate Financing PLC

# Strategic Report for the Year Ended 31 March 2020

The directors present their Strategic Report for the year ended 31 March 2020.

**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 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 within the group.

As shown in the company's Profit and Loss Account on page 10, the company has no turnover and this has remained consistent with the prior year. Profit on ordinary activities before taxation is £6,276 compared to a profit on ordinary activities before taxation of £6,654 in the prior year.

Dividends of £nil (2019: £nil) were paid in the year.

The Balance Sheet on page 12 shows that the company's financial position at the year end has, in net assets terms, increased compared with the prior year, predominantly as a result of interest received.

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.

For more information also see Broadgate REIT Limited group annual report.

The performance of the group, which includes the company, is discussed in the group’s annual report which does not form part of this report.

**Key performance indicators**
The directors measure how the group, of which this company is a member, is delivering its strategy through the key performance indicators.

The directors consider the primary measure of performance of the group to be net asset value.

**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 default and credit risk of counterparties for holding cash deposits. These risks are mitigated by preference for tenants with strong covenants on long leases and by using highly rated Financial Institutions for placing cash deposits.

These risks have high visibility to senior executives and are 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.

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 outbreak of COVID-19 has created a unprecedented degree of uncertainty over both the severity of the above risks and the effectiveness of the above mitigating actions. The decline in economic activity resulting from the pandemic has heightened the risk of tenants becoming financially distressed. The pandemic has also reduced the degree of certainty around the valuation of the properties, and around the availability and pricing of finance.

# Strategic Report for the Year Ended 31 March 2020 (continued)

Approved by the Board on 26 May 2020 and signed on its behalf by:

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H Shah
Director

# Directors' Report for the Year Ended 31 March 2020

The directors present their report and the audited financial statements for the year ended 31 March 2020.

**Directors of the company**
The directors, who held office during the year, and up to the date of signing the financial statements, were as follows:

H Shah

D Richards

D Lockyer

**Directors' responsibilities statement**
The directors acknowledge their responsibilities 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 the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 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 the 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.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Environmental matters**
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 the safe disposal of manufacturing waste, recycling and reducing energy consumption.

**Going concern**
The directors have reviewed the company's forecast working capital and cash flow requirements in light of the COVID-19 pandemic and in addition to making enquiries and examining areas which could give risk to financial exposure. The company has access to the drawn down term loan of £92m to meet certain shortfalls on bond service, if there was a shortfall from the rent received. Broadgate Financing PLC is part of the Broadgate REIT Limited group which expects to have sufficient resources to meet the debt requirements of the company despite the current economic climate. Therefore, the directors have a reasonable expectation that the company has adequate resources to continue its operations for at least twelve months after the signing of the these financial statements and as a result they continue to adopt the going concern basis in preparing the accounts.

**Subsequent Events**
Details of significant events since the Balance Sheet date, if any, are contained in note 17.

# Directors' Report for the Year Ended 31 March 2020 (continued)

**Disclosure of information to the auditors**
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

**Reappointment of 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.

Approved by the Board on 26 May 2020 and signed on its behalf by:

.........................................

H Shah
Director

# *Independent auditors' report to the members of Broadgate Financing PLC*

## Report on the audit of the financial statements

### Opinion

In our opinion, Broadgate Financing PLC's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2020; the Profit and Loss Account, the Statement of Comprehensive Income, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 April 2019 to 31 March 2020.

### Our audit approach

#### *Overview*


- Overall materiality: £13,995,000 (2019: £14,746,000), based on 1% of total assets.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole.
- COVID-19.

#### *The scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

### *Capability of the audit in detecting irregularities, including fraud*

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by management and internal audit;
- Understanding of management's internal controls designed to prevent and detect irregularities, risk-based monitoring of customer processes;
- Assessment of matters reported on the Company's whistleblowing helpline and the results of management's investigation of such matters;
- Reviewing the Company's litigation register in so far as it related to non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of interest income on bank deposits, a balance which would otherwise be immaterial;
- Testing transactions entered into outside of the normal course of the Company's business;

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

### *Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| ***Key audit matter*** | ***How our audit addressed the key audit matter*** |
|---|---|
| *COVID-19* | |
| Refer to page 1 (Strategic Report – Principal risks and uncertainties) and pages 15 and 21 (Notes to the financial statements – Note 2 Accounting policies and Note 12 Loans and borrowings).<br><br>The outbreak of the novel coronavirus (known as COVID 19) in many countries is rapidly evolving and the socio-economic impact is unprecedented. It has been declared as a global pandemic and is having a major impact on economies and financial markets. The efficacy of government measures will materially influence the length of economic disruption, but it is probable there will be a recession in the United Kingdom.<br><br>The Company's bonds are secured on properties of the Company's parent Group (Broadgate REIT Limited) valued at £4,105m. The property valuations of £4,105m as at 31 March 2020 against which the bonds are secured are reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global due to the COVID-19 global pandemic. Consequently, less certainty - and a higher degree of caution - should be attached to the valuations provided than would normally be the case. In | We evaluated the Company's updated risk assessment and considered whether it addresses the relevant threats posed by COVID-19. We also evaluated management's assessment and corroborated evidence of the operational impacts, considering their consistency with other available information and our understanding of the business.<br><br>Our conclusions relating to going concern and other information are set out in the 'Conclusions relating to Going Concern' and 'Reporting on other information' sections of our report, respectively, below.<br><br>We have assessed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal risks and uncertainties statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit.<br><br>In respect of going concern, we assessed the Directors' going concern analysis in light of COVID-19 and obtained evidence to support the key assumptions used in preparing the going concern model, including the base and downside case scenarios. We challenged the key assumptions and the |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| order to conclude that it is appropriate for the financial statements to be drawn up on a going concern basis, the Directors have prepared an analysis of the impact of COVID-19 on the revenues, profits, cash flows and liquidity position of the Company for the next 12 months.<br>Management's analysis includes base and downside case scenarios and a robust analysis of planned mitigating actions.<br>In making their assessment management took into account the covenant headroom on the Company's loan facilities. After considering all of these factors, management have concluded that preparing the financial statements on a going concern basis remains appropriate.<br>No material uncertainty in relation to going concern exists. | reasonableness of the mitigating actions used in preparing the analysis.<br>In conjunction with the above, we have reviewed management's analysis of liquidity and recalculated loan covenant compliance to satisfy ourselves that no breaches are anticipated over the going concern period of assessment.<br>We considered whether changes to working practices brought about by COVID-19 had had an adverse impact on the effectiveness of management's business process and IT controls. Our planned tests of controls did not identify any evidence of material deterioration in the control environment. |

### *How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

### *Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| ***Overall materiality*** | £13,995,000 (2019: £14,746,000). |
| ***How we determined it*** | 1% of total assets. |
| ***Rationale for benchmark applied*** | We believe that total assets are the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. |

We agreed with the directors that we would report to them misstatements identified during our audit above £699,700 (2019: £737,300) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Responsibilities for the financial statements and the audit

*Responsibilities of the directors for the financial statements*

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the 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.

## Other required reporting

### Companies Act 2006 exception reporting

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Appointment

We were appointed by the directors on 27 March 2015 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 March 2015 to 31 March 2020.

Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 May 2020

**Broadgate Financing PLC**

# Profit and Loss Account for the Year Ended 31 March 2020

| | Note | 2020 £ | 2019 £ |
|---|---|---|---|
| **Turnover** | | **-** | - |
| Administrative expenses | | **(1,000)** | (1,000) |
| **Operating loss** | | **(1,000)** | (1,000) |
| **Loss on ordinary activities before interest and taxation** | | **(1,000)** | (1,000) |
| Interest receivable and similar income | 4 | **76,701,509** | 109,234,930 |
| Interest payable and similar expenses | 5 | **(76,694,233)** | (109,227,276) |
| **Profit on ordinary activities before taxation** | | **6,276** | 6,654 |
| Tax on profit on ordinary activities | 8 | **(1,192)** | (1,264) |
| **Profit for the year** | | **5,084** | 5,390 |

Turnover and results were derived from continuing operations within the United Kingdom. The company has only one class of business, that of to provide funding to fellow subsidiaries within the group.

The notes on pages 14 to 22 form an integral part of these financial statements.

# Statement of Comprehensive Income for the Year Ended 31 March 2020

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Profit for the year | **5,084** | 5,390 |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Gain on interest rate derivatives | - | 4,530,473 |
| Interest rate derivatives transferred to income statement (cash flow hedges) | - | 30,686,000 |
| | - | 35,216,473 |
| Total comprehensive income for the year | **5,084** | 35,221,863 |

The notes on pages 14 to 22 form an integral part of these financial statements.

## Broadgate Financing PLC

**(Registration number: 05316365)**

# Balance Sheet as at 31 March 2020

| | Note | 31 March 2020 £ | 31 March 2019 £ |
|---|---|---|---|
| **Current assets** | | | |
| Debtors due within one year | 9 | **33,496,422** | 38,395,470 |
| Cash at bank and in hand | 10 | **150,574,079** | 150,573,967 |
| Tax asset | 9 | **1,848** | 1,848 |
| Debtors due after more than one year | 9 | **1,215,496,740** | 1,285,735,154 |
| | | **1,399,569,089** | 1,474,706,439 |
| Creditors due within one year | 11 | **(91,458,791)** | (44,510,811) |
| **Total assets less current liabilities** | | **1,308,110,298** | 1,430,195,628 |
| Loans and borrowings | 12 | **(1,307,683,740)** | (1,429,774,154) |
| **Net assets** | | **426,558** | 421,474 |
| **Capital and reserves** | | | |
| Share capital | 13 | **12,500** | 12,500 |
| Profit and loss account | | **414,058** | 408,974 |
| **Total shareholders' funds** | | **426,558** | 421,474 |

Approved by the Board on 26 May 2020 and signed on its behalf by:

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H Shah

Director

The notes on pages 14 to 22 form an integral part of these financial statements.

# Statement of Changes in Equity for the Year Ended 31 March 2020

| | Share capital £ | Cash flow hedging reserve £ | Profit and loss account £ | Total £ |
|---|---|---|---|---|
| **Balance at 1 April 2018** | 12,500 | (35,216,473) | 403,584 | **(34,800,389)** |
| Profit for the year | - | - | 5,390 | **5,390** |
| 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 year | - | 35,216,473 | 5,390 | **35,221,863** |
| **Balance at 31 March 2019** | 12,500 | - | 408,974 | **421,474** |

| | Share capital £ | Cash flow hedging reserve £ | Profit and loss account £ | Total £ |
|---|---|---|---|---|
| At 1 April 2019 | **12,500** | **-** | **408,974** | **421,474** |
| Profit for the year | **-** | **-** | **5,084** | **5,084** |
| Total comprehensive income for the year | - | **-** | **5,084** | **5,084** |
| **Balance at 31 March 2020** | **12,500** | **-** | **414,058** | **426,558** |

The notes on pages 14 to 22 form an integral part of these financial statements.

## 1 General information

The company is a public limited company limited by share capital and 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 financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of derivative financial instruments. 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.

**Summary of disclosure exemptions**
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

## 2 Accounting policies (continued)

(i) The requirements of paragraphs 91-99 of IFRS 13 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 financial statements of Broadgate REIT Limited. The group financial statements of Broadgate REIT Limited are available to the public and can be obtained as set out in note 18.

**Going concern**
The directors have reviewed the company's forecast working capital and cash flow requirements in light of the COVID-19 pandemic and in addition to making enquiries and examining areas which could give risk to financial exposure. The company has access to the drawn down term loan of £92m to meet certain shortfalls on bond service, if there was a shortfall from the rent received. Broadgate Financing PLC is part of the Broadgate REIT Limited group which expects to have sufficient resources to meet the debt requirements of the company despite the current economic climate. Therefore, the directors have a reasonable expectation that the company has adequate resources to continue its operations for at least twelve months after the signing of the these financial statements and as a result they continue to adopt the going concern basis in preparing the accounts.

**Taxation**
Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs 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).

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.

**Financial assets and liabilities**
Trade debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. On initial recognition the Group calculates the expected credit loss for debtors based on lifetime expected credit losses under the IFRS 9 simplified approach.

Loans and receivables classified as amortised cost are measured using the effective interest method, less any impairment. Interest is recognised by applying the effective interest rate.

Debt instruments are stated at their net proceeds on issue. Finance charges including premia payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method. Exceptional finance charges incurred due to early redemption (including premia) are recognised in the Consolidated Income Statement when they occur.

As defined by IFRS 9, cash flow and fair value hedges are initially recognised at fair value at the date the derivative contracts are entered into, and subsequently remeasured at fair value. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly through other comprehensive income as a movement in the hedging and translation reserve. Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges are recorded in the Consolidated Income Statement, along with any changes in the fair value of the hedged item that is attributable to the hedged risk. Any ineffective portion of all derivatives is recognised in the Consolidated Income Statement. Changes in the fair value of derivatives that are not in a designated hedging relationship under IFRS 9 are recorded directly in the Consolidated Income Statement. These derivatives are carried at fair value on the balance sheet.

Cash equivalents are limited to instruments with a maturity of less than three months.

## 2 Accounting policies (continued)

**Impairment of financial assets**
The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**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.

Premiums payable and receivable on early redemption are recognised as finance charges and income when incurred.

## 3 Significant accounting judgements and key sources of 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.

## 4 Interest receivable and similar income

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Interest income on bank deposits | **1,127,823** | 1,181,134 |
| Premium income on early repayment due from related parties | **12,087,180** | 6,014,610 |
| Derivative close out costs due from related parties | **-** | 30,686,000 |
| Interest receivable on amounts due from related parties | **63,486,506** | 71,353,186 |
| | **76,701,509** | 109,234,930 |

## 5 Interest payable and similar expenses

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Interest on derivatives | - | 4,391,982 |
| Interest payable on bonds and borrowings | **64,549,417** | 68,052,145 |
| Premium costs on early repayment | **12,087,180** | 6,014,610 |
| Derivative close out costs* | - | 30,686,000 |
| Interest payable on amounts due to related parties | **57,636** | 82,539 |
| | **76,694,233** | 109,227,276 |

* Hedging instruments were closed out when the relevant floating rate bonds were repaid on 5 October 2018.

## 6 Auditors' remuneration

A notional charge of £5,452 (2019: £4,040) is deemed payable to PricewaterhouseCoopers LLP in respect of the audit of the financial statements for the year ended 31 March 2020. Actual amounts payable to PricewaterhouseCoopers LLP are paid by Bluebutton Properties UK Limited. Bluebutton Properties UK Limited is a holding company within the group.

No non-audit fees (2019: £nil) were paid to PricewaterhouseCoopers LLP.

## 7 Staff costs

No director (2019: nil) received any remuneration for services to the company in either year. The remuneration of the directors was borne by another company, for which no apportionment or recharges were made. The value of this service was negligible.

Average number of employees, excluding directors, of the company during the year was nil (2019: nil).

## 8 Taxation

Tax charged in the profit and loss account

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax | **1,192** | 1,264 |

## 8 Taxation (continued)

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| **Tax reconciliation** | | |
| Profit on ordinary activities | **6,276** | 6,654 |
| Tax on profit on ordinary activities at UK corporation tax rate of 19% (2019 : 19%) | **1,192** | 1,264 |
| Income tax expense | **(1,192)** | (1,264) |

## 9 Debtors

| | 31 March 2020<br>£ | 31 March 2019<br>£ |
|---|---|---|
| **Debtors due within one year** | | |
| Amounts due from related parties | **18,992,996** | 23,173,628 |
| Accrued income | **14,503,426** | 15,221,842 |
| Corporation tax asset | **1,848** | 1,848 |
| | **33,498,270** | 38,397,318 |
| **Debtors due after more than one year** | | |
| Amounts due from related parties - Long term loans | **1,215,496,740** | 1,285,735,154 |
| | **1,215,496,740** | 1,285,735,154 |

The company's interest on outstanding debt is discussed in note 12 and applied to amounts owing from related parties in the same manner. Amounts due from related parties relate to amounts owed from group companies and are repayable on demand. Interest is charged at 0.01% on interest receivable from Broadgate (Funding) 2005 Limited. There is no interest charged on the remainder of amounts owed by related parties.

## 10 Cash and cash equivalents

| | 31 March 2020<br>£ | 31 March 2019<br>£ |
|---|---|---|
| Cash at bank | **131,079** | 130,967 |
| Short-term deposits | **150,443,000** | 150,443,000 |
| | **150,574,079** | 150,573,967 |

Short term deposits mature within 3 months and therefore meet the definition of cash and cash equivalents.

# Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

## 11 Creditors due within one year

| | 31 March 2020 £ | 31 March 2019 £ |
|---|---|---|
| Accruals | **14,564,911** | 15,280,467 |
| Amounts due to related parties | **14,797,618** | 14,730,575 |
| Term loan | **51,852,000** | - |
| Borrowings | **10,238,475** | 14,484,504 |
| Other creditors | **5,787** | 15,265 |
| | **91,458,791** | 44,510,811 |

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.

## 12 Loans and borrowings

| | 2020 £ | 2019 £ |
|---|---|---|
| **Loans** | | |
| Loans due 1 to 2 years | **10,606,771** | 15,265,245 |
| Loans due 2 to 5 years | **67,673,970** | 50,243,793 |
| Loans due after 5 years | **1,229,402,999** | 1,364,265,116 |
| | **1,307,683,740** | 1,429,774,154 |

Amounts due after five years includes £92,187,000 in relation to the non-current portion of the term loan of £144,039,000 which represents a revolving liquidity facility with NatWest Markets PLC. The cash received is held on deposit.

## 12 Loans and borrowings (continued)

| | 2020 £ | 2019 £ |
|---|---|---|
| **Borrowings repayment analysis** | | |
| Borrowing repayments due within one year | **62,090,475** | 14,484,504 |
| Borrowing repayments due within 1-2 years | **10,606,771** | 15,265,245 |
| Borrowing repayments due within 2-5 years | **67,673,970** | 50,243,793 |
| | **140,371,216** | 79,993,542 |
| After 5 years | **1,229,402,999** | 1,364,265,116 |
| Total borrowings | **1,369,774,215** | 1,444,258,658 |
| **Gross debt** | **1,369,774,215** | 1,444,258,658 |

| | 2020 £ | 2019 £ |
|---|---|---|
| **Borrowings repayment analysis** | | |
| Class A2 4.949% bonds due 2031 | **86,916,690** | 158,522,490 |
| 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 4.999% bonds due 2033 | **365,301,715** | 365,313,979 |
| Class C2 5.098% bonds due 2035 | **198,516,810** | 201,383,190 |
| **Total secured bond borrowings** | **1,225,735,215** | 1,300,219,659 |
| Other borrowings | | |
| Term loan | **144,039,000** | 144,039,000 |
| **Total secured borrowings** | **1,369,774,215** | 1,444,258,659 |

## 12 Loans and borrowings (continued)

At 31 March 2020, 100% (2019: 100% taking into account the effect of derivatives) of the bonds were fixed. The bonds amortise from 2005 and are expected to be repaid by 2033. Legal repayment is required by 2036. The bonds are secured on properties of the group valued at £4,105m (2019: £3,602m) and cash of £nil (2019: £nil). The property valuations of £4,105m as at 31 March 2020 against which the bonds are secured are reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global due to the COVID-19 global pandemic. Consequently, less certainty - and a higher degree of caution - should be attached to the valuations provided than would normally be the case.

At 31 March 2020 the company was financed by £1,225m bonds (2019: £1,300m). The weighted average interest rate of the bonds is 4.93% (2019: 4.93% including derivatives). The weighted average maturity of the bonds is 10.4 years (2019: 11.0 years).

The fair values of the bonds have been established by obtaining quoted market prices from brokers.

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:

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Secured bonds at fair value | **1,582,511,892** | 1,614,373,908 |

**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 from 2005 and are expected to be repaid by 2033. Legal repayment is required by 2036. Including debt amortisation 90% (2019: 94.5%) of the total Broadgate REIT group 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 publicly available Offering Circular.

**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.

## 13 Share capital

**Allotted, called up and fully paid shares**

| | No. | 31 March 2020 £ | No. | 31 March 2019 £ |
|---|---|---|---|---|
| Ordinary shares of £0.25 each | 50,000 | 12,500 | 50,000 | 12,500 |

## 14 Capital commitments

The total amount contracted for but not provided in the financial statements was £nil (2019: £nil).

## 15 Contingent liabilities

The company has no contingent liabilities as at 31 March 2020 of £nil (2019: £nil).

## 16 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.

## 17 Subsequent events

There have been no subsequent events since 31 March 2020.

## 18 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.