Registration number: 05316365

Broadgate Financing PLC

Annual Report and Financial Statements

for the Year Ended 31 March 2018

Broadgate Financing PLC

Contents

Strategic Report for the Year Ended 31 March 2018

The directors present their strategic report for the year ended 31 March 2018.

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 soverign 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 £6,014 compared to a profit on ordinary activities before taxation of £7,020 in the prior year.

Dividends of £nil (2017: £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 liability terms, decreased compared with the prior year, predominantly as a result of derivative valuation movements.

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, 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.

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, 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 preference for tenants with strong covenants on long leases and by using highly rated counterparties and monitoring those ratings.

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 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 2018 (2017: three) to fix the LIBOR rate on external debt at approximately 4.85% (2017: 4.85%). The fair value of interest rate derivatives at the year end is a liability of £37.5m (2017: £51.3m liability).

Strategic Report for the Year Ended 31 March 2018 (continued)

Approved by the Board on 16/05/18 and signed on its behalf by:

....
Director

H. SHAH

Directors' Report for the Year Ended 31 March 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

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:

T Roberts

H Shah

C Forshaw (resigned 5 April 2017)

L Bell (resigned 19 January 2018)

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.

The company has indemnified its current directors. The indemnity arrangements are qualifying indemnity provisions under the Companies Act 2006 and are currently in force at the date of this Annual Report.

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 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 financial statements.

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

Directors' Report for the Year Ended 31 March 2018 (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 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 16/05/18 and signed on its behalf by:

....
Director
H-SHAH

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 2018 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 2018; the profit and loss account, the statement of comprehensive income, 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 listed 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 2017 to 31 March 2018.

Our audit approach

Overview

Materiality

- Overall materiality: £17,800,000 (2017: £18,300,000), based on 1% of total assets.p

Audit Scope

- Our 2018 audit was planned and executed having regard to the fact that the company's operations were largely unchanged in nature from the previous year. Additionally, there have been no significant changes to the accounting standards relevant to the company. In light of this, our approach to the audit in terms of scoping and areas of focus was largely unchanged.

Key Audit Matters

- We have no key audit matters to report.

Independent Auditors' Report to the Members of Broadgate Financing PLC (continued)

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.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that 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. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the Companies Act 2006 and the Listing Rules. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation and enquiries of management. 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.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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. We determined that there were no key audit matters applicable to the company to communicate in our report.

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.

In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgment to determine the extent of testing required over each balance in the financial statements.

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:

Independent Auditors' Report to the Members of Broadgate Financing PLC (continued)

Overall materiality	£17,800,000 (2017: £18,300,000)
How we determined it	1% of total assets
Rationale for benchmark applied	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £900,000 (2017: £900,000) 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 when:

- 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 2018 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.

Independent Auditors' Report to the Members of Broadgate Financing PLC (continued)

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.

Appointment

Following the recommendation of those charged with governance, 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 4 years, covering the years ended 31 March 2015 to 31 March 2018.

Independent Auditors' Report to the Members of Broadgate Financing PLC (continued)

....
John Waters (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

Date: 16 May 2018

Broadgate Financing PLC

Profit and Loss Account for the Year Ended 31 March 2018

	Note	2018 £	2017 £
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	80,337,864	83,092,579
Interest payable and similar expenses	5	(80,330,850)	(83,084,559)
Profit on ordinary activities before taxation		6,014	7,020
Tax on profit on ordinary activities	8	(1,142)	(1,404)
Profit for the year		4,872	5,616

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 23 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 March 2018

	2018 £	2017 £
Profit for the year	**4,872**	5,616
Items that may be reclassified subsequently to profit or loss		
Gain on cash flow hedges (net)	**13,352,923**	6,696,193
Total comprehensive income for the year	**13,357,795**	6,701,809

The notes on pages 14 to 23 form an integral part of these financial statements.

Broadgate Financing PLC

(Registration number: 05316365)

Balance Sheet as at 31 March 2018

	Note	31 March 2018 £	31 March 2017 £
Current assets			
Debtors due within one year	9	**70,521,068**	70,370,822
Cash at bank and in hand	10	**200,130,844**	200,130,884
Debtors due after more than one year	9	**1,513,252,868**	1,565,309,187
		1,783,904,780	1,835,810,893
Creditors due within one year	11	**(82,989,922)**	(82,382,840)
Total assets less current liabilities		**1,700,914,858**	1,753,428,053
Loans and borrowings	12	**(1,735,715,247)**	(1,801,586,237)
Net liabilities		**(34,800,389)**	(48,158,184)
Capital and reserves			
Share capital	13	**12,500**	12,500
Cash flow hedging reserve		**(35,216,473)**	(48,569,396)
Profit and loss account		**403,584**	398,712
Shareholders' deficit		**(34,800,389)**	(48,158,184)

Approved by the Board on 26/05/18 and signed on its behalf by:

....
Director
H · SHAH

The notes on pages 14 to 23 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 March 2018

	Share capital £	Cash flow hedging reserve £	Profit and loss account £	Total £
Balance at 1 April 2016	12,500	(55,265,589)	393,096	**(54,859,993)**
Profit for the year	-	-	5,616	**5,616**
Derivative valuation movements on cash flow hedges	-	6,696,193	-	**6,696,193**
Total comprehensive income for the year	-	6,696,193	5,616	**6,701,809**
Balance at 31 March 2017	12,500	(48,569,396)	398,712	**(48,158,184)**
At 1 April 2017	**12,500**	**(48,569,396)**	**398,712**	**(48,158,184)**
Profit for the year	**-**	**-**	**4,872**	**4,872**
Derivative valuation movements on cash flow hedges	**-**	**13,352,923**	**-**	**13,352,923**
Total comprehensive income for the year	**-**	**13,352,923**	**4,872**	**13,357,795**
Balance at 31 March 2018	**12,500**	**(35,216,473)**	**403,584**	**(34,800,389)**

The notes on pages 14 to 23 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 March 2018

1 General information

The company is a private company limited by share capital, incorporated and domiciled in 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 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 18.

Going concern

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 at least twelve months after the signing date of these financial statements. As a result they continue to adopt the going concern basis in preparing the accounts.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 April 2017 have had a material effect on the financial statements.

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.

2 Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents are limited to instruments to maturity of less than three months.

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.

Financial liabilities - borrowings
Debt instruments are initially stated at their net proceeds on issue and subsequently at amortised cost. 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.

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.

Fair value of interest rate derivatives

Interest rate derivatives have been valued by calculating the present value of expected future cash flows, using appropriate market discount rates, by an independent treasury advisor.

4 Interest receivable and similar income

	2018 £	2017 £
Interest income on bank deposits	**501,274**	721,470
Interest receivable on amounts owed by group companies	**79,836,590**	82,371,109
	80,337,864	83,092,579

5 Interest payable and similar expenses

	2018 £	2017 £
Interest on derivatives	**10,492,420**	11,849,755
Interest payable on amounts due to group companies	**98,964**	164,402
Interest payable on bonds and borrowings	**69,739,466**	71,070,402
	80,330,850	83,084,559

6 Auditors' remuneration

A notional charge of £7,820 (2017: £3,800) is deemed payable to PricewaterhouseCoopers LLP in respect of the audit of the financial statements for the year ended 31 March 2018. 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 (2017: £nil) were paid to PricewaterhouseCoopers LLP.

7 Staff costs

No director 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.

Average number of employees, excluding directors, of the company during the year was nil (2017: nil)

8 Tax on profit on ordinary activities

Tax charged/(credited) in the profit and loss account

	2018 £	2017 £
Current taxation		
UK corporation tax	**1,142**	1,404

	2018 £	2017 £
Tax reconciliation		
Profit on ordinary activities	**6,014**	7,020
Tax on profit on ordinary activities at UK corporation tax rate of 19% (2017 : 20%)	**1,142**	1,404
Income tax expense	**(1,142)**	(1,404)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantially enacted on 6 September 2016.

9 Debtors

	31 March 2018 £	31 March 2017 £
Amounts due from related parties	**52,056,319**	51,315,973
Accrued income	**18,462,901**	19,053,001
Corporation tax asset	**1,848**	1,848
	70,521,068	70,370,822

Debtors due after more than one year

	31 March 2018 £	31 March 2017 £
Amounts owed by group companies - Long term loans	**1,513,252,868**	1,565,309,187
	1,513,252,868	1,565,309,187

The company's interest on outstanding debt is discussed in note 12 and applied to amounts owing from related parties in the same manner.

10 Cash and cash equivalents

	31 March 2018 £	31 March 2017 £
Cash at bank	**130,844**	130,884
Short-term deposits	**200,000,000**	200,000,000
	200,130,844	200,130,884

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

11 Creditors due within one year

	31 March 2018 £	31 March 2017 £
Accruals	**16,215,169**	16,334,375
Amounts due to related parties	**14,705,434**	14,720,491
Debenture Loans	**52,056,318**	51,315,973
Other creditors	**13,001**	12,001
	82,989,922	82,382,840

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

	2018 £	2017 £
Loans		
Loans due 1 to 2 years	**52,842,563**	52,056,319
Loans due 2 to 5 years	**105,067,795**	121,991,680
Loans due after 5 years	**1,540,342,510**	1,576,261,188
Interest rate derivative liabilities	**37,462,379**	51,277,050
	1,735,715,247	1,801,586,237

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

Hedge accounting
The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt. At 31 March 2018 the market value of these derivatives, which have been designated cash flow hedges under IAS39, is a liability of £37.5m (2017: £51.3m liability). The valuation movement reflects the increase 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 2018 was £nil (2017: £nil). The table below summarises variable rate debt hedged at 31 March 2018, being the amounts pertaining to class A1, C1 and D bonds.

12 Loans and borrowings (continued)

	2018 £	2017 £
Variable rate debt		
Variable rate debt outstanding after one year	**183,833,340**	220,052,710
Variable rate debt outstanding after two years	**147,613,500**	183,833,340
Variable rate debt outstanding after five years	**97,704,450**	114,340,800

	2018 £	2017 £
Borrowings repayment analysis		
Borrowing repayments due within one year	**52,056,318**	51,315,973
Borrowing repayments due within 1-2 years	**52,842,563**	52,056,319
Borrowing repayments due within 2-5 years	**105,067,795**	121,991,680
	209,966,676	225,363,972
After 5 years	**1,540,342,510**	1,576,261,188
Total borrowings	**1,750,309,186**	1,801,625,160
Fair value of interest rate derivatives	**37,462,379**	51,277,050
Gross debt	**1,787,771,565**	1,852,902,210

	2018 £	2017 £
Borrowings repayment analysis		
Class A1 floating rate bonds due 2032	**163,636,200**	177,272,550
Class A2 4.949% bonds due 2031	**200,680,830**	212,899,050
Class A3 4.851% bonds due 2033	**175,000,000**	175,000,000
Class A4 4.821% bonds due 2036	**400,000,000**	400,000,000
Class B 4.999% bonds due 2033	**365,325,647**	365,336,750
Class C1 floating rate bonds due 2022	**39,166,510**	58,750,000
Class C2 5.098% bonds due 2035	**204,250,000**	207,116,810
Class D floating rate bonds due 2025	**17,250,000**	20,250,000
Total secured bond borrowings	**1,565,309,187**	1,616,625,160

12 Loans and borrowings (continued)

	2018 £	2017 £
Other borrowings		
Fair value of interest rate derivative liabilities	**37,462,379**	51,277,050
Term loan	**185,000,000**	185,000,000
Total secured borrowings	**1,787,771,566**	1,852,902,210

At 31 March 2018, taking into account the effect of derivatives, 100% (2017: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £3,667m (2017: £3,481m) and cash of £nil (2017: £nil). Including derivatives, the weighted average interest rate of the bonds is 5.01% (2017: 5.02%). The weighted average maturity of the bonds is 10.8 years (2017: 11.4 years).

At 31 March 2018 the company was financed by £1,565m bonds (2017: £1,617m).

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:

	2018 £	2017 £
Secured bonds at fair value	**1,883,259,680**	1,970,850,805

12 Loans and 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 2022 and 2036. Including debt amortisation 86.0% (2017: 85.0%) 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 cash equivalents at 31 March 2018 amounted to £200m (2017: £200m) and are placed with European Financial institutions with BBB+ or better credit ratings. At 31 March 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 (2017:£200m). This represents 5.61% (2017: 10.89%) of gross assets.

The company's principal credit risk relates to an intra-group loan to Broadgate (Funding) 2005 Limited. At 31 March 2018 this loan stood at £1,565m (2017: £1,617m). The purpose of this loan is to provide funding to fellow subsidiaries of the Broadgate REIT Limited group.

At 31 March 2018, the fair value of all interest rate derivatives which had a positive value was £nil (2017: £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.

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

13 Share capital

Allotted, called up and fully paid shares

	No.	31 March 2018 £	No.	31 March 2017 £
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 (2017: nil)

15 Contingent liabilities

The company has no contingent liabilities as at 31 March 2018 of £nil (2017: £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 the year end.

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.