

Registration number: 115787

Broadgate REIT Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2021

Broadgate REIT Limited

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Broadgate REIT Limited

Directors' Report for the Year Ended 31 March 2021

The directors present their annual report on the affairs of Broadgate REIT Limited ("the Company") and its subsidiaries (together "the Group"), together with the audited consolidated financial statements for the year ended 31 March 2021.

Incorporation

Broadgate REIT Limited is incorporated in Jersey under the Companies (Jersey) Law 1991. On 24 March 2015 the Company's shares were admitted to the official list of the Channel Islands Securities Exchange Authority Limited ("CISE") which was rebranded in March 2017 as The International Stock Exchange ("TISE").

Broadgate REIT Limited is resident in the United Kingdom and is qualified as a UK real estate investment trust ("REIT").

Principal activity

The principal activity of the Group and its subsidiaries is that of property investment in the United Kingdom.

Directors of the Group

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

N Cahoon

M Cosgrave

D Nigam

D Lockyer

H Shah

D Richards

None of the directors hold any direct personal interest in the shares of the Company. Each director is, however, connected with one or other of the two shareholders of the Company for the purposes of the listing rules of the TISE and is therefore considered to be interested in the shares held by such shareholder.

Statement of directors' responsibilities

The directors are responsible for preparing the Group financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year. 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 applicable accounting standards have 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 confirm they have complied with all the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Broadgate REIT Limited

Directors' Report for the Year Ended 31 March 2021 (continued)

Results for the year

The Group made a loss after tax of £112m (2020: £237m profit after tax). Net profit has decreased due to downward property valuations totalling £173m. Group revenue for the year to 31 March 2021 was £225m, an increase from Group revenue of £203m earned in the prior year. This is mainly due to the practical completion of 100 Liverpool Street in September 2020 and the resulting occupancy by tenants. The investment property 135 Bishopsgate also reached practical completion in January 2020, as such the first full year of revenue was recognised during the year ended 31 March 2021.

Dividends

The Company declared dividends in respect of the year ended 31 March 2021 totalling £44m (2020: £35m).

Risk Management

The Covid-19 pandemic has created an unprecedented degree of uncertainty over both the severity of the Group's principal risks and the effectiveness of the mitigating actions for these risks. See note 13 for the principal risks of the Group. The decline in economic activity resulting from the pandemic has heightened the risk of tenants becoming financially distressed.

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.

Subsequent events

Details of subsequent events since the Balance Sheet date, if any, are contained in note 16.

Going concern

The Group finances its operations by a mixture of equity, public debt issues and loans provided by shareholders. Whilst the Group is in a net current liability position, this is principally as a result of shareholder loans which have no predetermined repayment date and are therefore treated as current liabilities. The directors have received letters of support from the shareholders confirming that they do not intend to call for repayment of these loans within twelve months of the signing of these financial statements. In preparing these financial statements the directors have considered the headroom on debt service covenants and reviewed the forecast cash flows of the Group, which take into account assumptions relating to the Covid-19 pandemic. As such the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation despite the current economic climate for at least twelve months after the signing of these financial statements. As a result they continue to adopt the going concern basis in preparing the Annual Report and the financial statements.

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.

Broadgate REIT Limited

Directors' Report for the Year Ended 31 March 2021 (continued)

Secretary

The secretary of the Company during the year ended 31 March 2021 and subsequently was British Land Company Secretarial Limited.

25.05.2021 | 21:56 BST
Approved by the Board on and signed on its behalf by:

DocuSigned by:



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Director
Hursh Shah



Independent auditors' report to the members of Broadgate REIT Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Broadgate REIT Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 March 2021; the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 Group 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

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. The Group financial statements are prepared on a consolidated basis, and the audit team carries out an audit over the consolidated Group balances in support of the Group audit opinion.

Key audit matters

- Valuation of investment and development properties (Group)
- Taxation (Group)
- Covid-19 (Group and Company)

Materiality

- Overall Group materiality: £46,740,000 (2020: £47,760,000) based on 1% of total assets.
- Overall Company materiality: £34,640,000 (2020: £33,700,000) based on 1% of total assets.
- Performance materiality: £35,055,000 (Group) and £25,980,000 (Company).

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.

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.

Revenue recognition, which was a key audit matter last year, is no longer included because of our refined risk assessment concluded the spreading of tenant incentives and guaranteed rent increases were no longer an area of significant focus due to the strong level of rental collection from the Group's mainly office tenants. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investment and development properties (Group)</i></p> <p>Refer to Notes to the financial statements – Note 2 (Accounting policies), Note 3 (Critical accounting judgement and key sources of estimation uncertainty) and Note 9 (Investment properties). The Group's investment property portfolio includes mainly offices and some retail properties in London. The total property portfolio valuation for the Group was £4,501 million as at 31 March 2021. The valuations were carried out by third party valuers Cushman & Wakefield (the "Valuers"). The Valuers were engaged by the directors and performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. In determining the valuation of a property, the Valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. For developments, the residual</p>	<p>Given the inherent subjectivity involved in the valuation of the property portfolio, and therefore the need for deep market knowledge when determining the most appropriate assumptions and the technicalities of valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this area. Assessing the Valuers' expertise and objectivity. We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fees and other contractual arrangements that might exist between the Group and the Valuers. We found no evidence to suggest that the objectivity of the Valuers was compromised. Assumptions and estimates used by the Valuers. We read the valuation reports for all the properties and confirmed that the valuation approach</p>

<p>appraisal method is used, by estimating the fair value of the completed project using a capitalisation method less estimated costs to completion and a risk premium. The valuation of the Group's property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental streams for that particular property. The wider challenges currently facing the real estate occupier and investor markets as a result of Covid-19 further contributed to the subjectivity for the year ended 31 March 2021. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area.</p>	<p>for each was in accordance with RICS standards. We obtained details of each property held by the Group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We compared the investment yields used by the Valuers with the range of expected yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that were not so readily comparable with published benchmarks, such as estimated rental value. We spoke with the Valuers to discuss and challenge their approach to the valuations, particularly in light of Covid-19, the key assumptions and their rationale behind the more significant valuation movements during the year. Where assumptions were outside the expected range or showed unexpected movements based on our knowledge, we undertook further investigations, held further discussions with the Valuers and obtained evidence to support explanations received. The valuation commentaries provided by the Valuers and supporting evidence, enabled us to consider the property specific factors that may have had an impact on value, including recent comparable transactions where appropriate. We observed that alternative assumptions had been considered and evaluated by management and the Valuers, before determining the final valuation. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence. Information and standing data. We performed testing on the standing data in the Group's information systems concerning the valuation process. We carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the Valuers by management. For operating properties, we agreed tenancy information to supporting evidence on a sample basis. We agreed the amounts per the valuation reports to the accounting records and the financial statements. We have no issues to report in respect of this work.</p>
<p><i>Taxation (Group)</i></p> <p>Refer to the Notes to the financial statements - Note 3 (Critical accounting judgements and key sources of estimation uncertainty) and Note 8 (Taxation).</p> <p>The REIT regime grants companies tax exempt status provided the REIT meets the rules within the regime. The rules are complex and the tax exempt status has a significant impact on the financial statements. The complexity of the rules creates a risk of an inadvertent breach and the Group's profit becoming subject to tax.</p> <p>The Group's status as a REIT underpins its business model and shareholder returns. For this reason, it warrants special audit focus. The obligations of the REIT regime include requirements to comply with balance of business, dividend and income cover tests.</p>	<p>We confirmed our understanding of management's approach to ensuring compliance with the REIT regime rules and we involved our internal taxation specialists to verify the accuracy of the application of the rules.</p> <p>We obtained management's calculations and supporting documentation, verified the inputs to their calculations and re-performed the Group's annual REIT compliance tests.</p> <p>We used our knowledge of tax circumstances and, by reading relevant correspondence between the Group and Her Majesty's Revenue & Customs and the Group's external tax advisors, we are satisfied that the assumptions and judgements used by the Group in determining the tax provisions are reasonable.</p> <p>We have no issues to report in respect of this work.</p>
<p><i>Covid-19 (Group and Company)</i></p> <p>Refer to the Directors' Report – Going concern and Notes to the financial statements – Note 2 Accounting policies (Going concern).</p> <p>The Covid-19 pandemic has continued to impact the operations of the Group and Company during the reporting</p>	<p>We evaluated the Group's updated risk assessment and analysis 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</p>

period, reducing property valuations. The extent of the negative impact of the pandemic on future performance is difficult to predict as government intervention continues, such as the UK rent moratorium, and wider structural challenges in the retail sector remain.

In order to assess the impact of Covid-19 on the business, management have updated their risk assessment and prepared an analysis of the potential impact on the revenues, profits, cash flows, operations and liquidity position of the Group and Company for the next 12 months and over the next five years.

The analysis and related assumptions have been used by management in its assessment of the level of provisions required against certain balance sheet items, as well as underpinning the Group's and Company's going concern.

There are two key areas most impacted by the increased estimation uncertainty:

- The valuation of investment and development properties.
- The going concern forecast of the Group and Company.

In making their assessment, management took into account the covenant headroom on the Group's secured loan facilities. The Group is in a net current liability position, principally as a result of shareholder loans which have no predetermined repayment date and are therefore treated as current liabilities. The Directors are satisfied that the shareholders will not call for a repayment of these loans within 12 months signing these financial statements. After considering all of these factors, management have concluded that preparing the financial statements on a going concern basis remains appropriate.

consistency with other available information and our understanding of the business. We assessed the disclosures presented in the Annual Report in relation to Covid-19 by reading the other information and assessing its consistency with the financial statements and the evidence we obtained in our audit.

We considered the appropriateness of the disclosures around the increased uncertainty on its accounting estimates and consider these to be adequate. Refer to our key audit matter above for details of how we considered Covid-19 in our procedures in respect of the valuation of investment and development properties. In respect of going concern, we assessed the directors' going concern analysis, particularly in light of Covid-19, and obtained evidence to support the key assumptions used in preparing the going concern model, including assessing covenant headroom within the base and downside case scenarios.

We challenged the key assumptions and the reasonableness of the mitigating actions used in preparing the analysis. 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. Management's analysis includes base and downside case scenarios and a robust analysis of planned mitigating actions. As the Group is in a net current liability position we obtained evidence to support the directors' assertion that they are satisfied the shareholders will not call for a repayment of these loans within 12 months of the signing of these financial statements. 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.

We have no issues to report in respect of this work.

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 Group and the Company, the accounting processes and controls, and the industry in which they operate.

We took into account the structure of the Group and the Company, the accounting processes and controls in place, as well as the industry in which they operate. The Group's properties are spread across a number of subsidiaries with the Group financial statements being a consolidation of these entities. All of the work was carried out by the Group audit team to ensure sufficient coverage and appropriate audit evidence for our opinion on the Group financial statements as a whole.

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:

	Financial statements - Group	Financial statements - Company
<i>Overall materiality</i>	£46,740,000 (2020: £47,760,000).	£34,640,000 (2020: £33,700,000).
<i>How we determined it</i>	1% of total assets	1% of total assets
<i>Rationale for benchmark applied</i>	A key determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment and development properties. On this basis, and consistent with the prior year, we set an overall Group materiality level based on total assets.	The Company's main activity is the holding of investments in subsidiaries. Given this, and consistent with the prior year, we set an overall Company materiality level based on total assets.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £35,055,000 for the Group financial statements and £25,980,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £2,337,000 (Group audit) (2020: £2,388,000) and £1,732,000 (Company audit) (2020: £1,685,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Corroborated key assumptions (e.g. liquidity forecasts and financing arrangements) to underlying documentation and ensured this was consistent with our audit work in these areas;
- Considered management's forecasting accuracy by comparing how the forecasts made at the half year compare to the actual performance in the second half of the year;
- Understood and assessed the appropriateness of the key assumptions used both in the base case and in the severe but plausible downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Tested the integrity of the underlying formulas and calculations within the going concern and cash flow models;
- Considered the appropriateness of the mitigating actions available to management in the event of the downside scenario materialising. Specifically, we focused on whether these actions are within the Group's control and are achievable;
- Reviewed the disclosures provided relating to the going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained; and
- Obtained evidence for the directors' assertion that the shareholders' loans will not be called within 12 months of the date of signing the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 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.

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 2021 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 Group and Company and their 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 Statement of directors' responsibilities, 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 Group's and 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 Group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010 and the Jersey Financial Services Commission, 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 financial statements such as the Companies (Jersey) Law 1991. 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, management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment and development properties (see related key audit matters). 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;
- Reviewing the Group's and Company's litigation register in so far as it related to non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Risk Committee and the Audit Committee;
- Review of tax compliance with the involvement of our tax specialists in the audit;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses;
- Testing transactions entered into outside of the normal course of the Group's and Company's business;
- Challenging assumptions and judgements made by management in their significant areas of estimation; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted by unexpected users and posted on unexpected days.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 Article 113A of the Companies (Jersey) Law 1991 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 (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; or

- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sandra Dowling
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Recognized Auditor
London
25 May 2021

Broadgate REIT Limited

Consolidated Income Statement for the Year Ended 31 March 2021

	Note	2021 £ m	2020 £ m
Revenue	4	225	203
Cost of sales		<u>(97)</u>	<u>(85)</u>
Gross profit		128	118
Administrative expenses		<u>(6)</u>	<u>(5)</u>
Operating profit		122	113
Revaluation of investment properties	9	<u>(173)</u>	<u>200</u>
(Loss)/profit on ordinary activities before interest and taxation		(51)	313
Finance income	5	-	1
Finance costs	5	<u>(61)</u>	<u>(77)</u>
(Loss)/profit on ordinary activities before tax		(112)	237
Taxation	8	<u>-</u>	<u>-</u>
(Loss)/profit for the financial year		<u>(112)</u>	<u>237</u>

The above results were derived from continuing operations.

Broadgate REIT Limited**Consolidated Statement of Comprehensive Income for the Year Ended 31
March 2021**

	2021 £ m	2020 £ m
(Loss)/profit for the year	<u>(112)</u>	<u>237</u>
Total comprehensive income for the year	<u><u>(112)</u></u>	<u><u>237</u></u>

Broadgate REIT Limited
(Registration number: 115787)
Consolidated Statement of Financial Position as at 31 March 2021

	Note	31 March 2021 £ m	31 March 2020 £ m
Non-current assets			
Investment properties	9	<u>4,501</u>	<u>4,539</u>
		4,501	4,539
Current assets			
Trade and other receivables	11	13	32
Cash and cash equivalents		<u>160</u>	<u>209</u>
		<u>173</u>	<u>241</u>
Current liabilities			
Trade and other payables	12	(94)	(121)
Loans and borrowings	13	<u>(998)</u>	<u>(911)</u>
		<u>(1,092)</u>	<u>(1,032)</u>
Net current liabilities		<u>(919)</u>	<u>(791)</u>
Total assets less current liabilities		3,582	3,746
Non-current liabilities			
Loans and borrowings	13	<u>(1,295)</u>	<u>(1,307)</u>
Net assets		<u>2,287</u>	<u>2,441</u>
Equity			
Share capital	14	19	19
Share premium	14	1,431	1,431
Merger reserves		(1,076)	(1,076)
Retained earnings		<u>1,913</u>	<u>2,067</u>
Total equity		<u>2,287</u>	<u>2,441</u>

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Approved by the Board on and signed on its behalf by:

DocuSigned by:

Hursh Shah

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Director
Hursh Shah

The notes on pages 19 to 36 form an integral part of these financial statements.

Broadgate REIT Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2021

	Share capital £ m	Share premium £ m	Merger reserves £ m	Retained earnings £ m	Total equity £ m
Balance at 1 April 2019	19	1,431	(1,076)	1,865	2,239
Profit for the year	-	-	-	237	237
Total comprehensive income for the year	-	-	-	237	237
Dividends in the year	-	-	-	(35)	(35)
Balance at 31 March 2020	19	1,431	(1,076)	2,067	2,441
Balance at 1 April 2020	19	1,431	(1,076)	2,067	2,441
Loss for the year	-	-	-	(112)	(112)
Total comprehensive income for the year	-	-	-	(112)	(112)
Dividends in the year	-	-	-	(44)	(44)
Balance at 31 March 2021	19	1,431	(1,076)	1,913	2,287

The notes on pages 19 to 36 form an integral part of these financial statements.

Broadgate REIT Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2021

	Note	2021 £ m	2020 £ m
Cash flows from operating activities			
Cash generated from operations	(a)	121	99
Interest received		-	2
Interest paid		(61)	(78)
Net cash flows from operating activities		<u>60</u>	<u>23</u>
Cash flows from investing activities			
Development and other capital expenditure		(144)	(292)
Indirect taxes in respect of investing activities		2	(3)
Net cash flows used in investing activities		<u>(142)</u>	<u>(295)</u>
Cash flows from financing activities			
Increase in shareholder loans		139	370
Decrease in secured bonds		(10)	(75)
Dividends paid		(44)	(33)
Decrease in drawn down liquidity facility		(52)	-
Net cash flows used in financing activities		<u>33</u>	<u>262</u>
Net decrease in cash and cash equivalents		<u>(49)</u>	<u>(10)</u>
Net decrease in cash and cash equivalents		(49)	(10)
Cash and cash equivalents at the beginning of year		<u>209</u>	<u>219</u>
Cash and cash equivalents at the end of the year		<u>160</u>	<u>209</u>
(a) Cash generated from operations			
		2021 £ m	2020 £ m
Operating profit		122	113
Spreading of tenant incentives and guaranteed rent increases		(10)	(5)
Movement in operating debtors		4	(13)
Movement in operating creditors		5	4
Cash generated from operations		<u>121</u>	<u>99</u>

The notes on pages 19 to 36 form an integral part of these financial statements.

Broadgate REIT Limited
(Registration number: 115787)
Company Statement of Financial Position as at 31 March 2021

	Note	31 March 2021 £ m	31 March 2020 £ m
Assets			
Non-current assets			
Investments	10	<u>2,004</u>	<u>2,004</u>
		2,004	2,004
Current assets			
Trade and other receivables	11	1,458	1,363
Cash and cash equivalents		<u>2</u>	<u>2</u>
		1,460	1,365
Current liabilities			
Trade and other payables	12	(2)	(1)
Shareholder loans	13	<u>(988)</u>	<u>(849)</u>
		(990)	(850)
Net current assets		<u>470</u>	<u>515</u>
Total assets less current liabilities		<u>2,474</u>	<u>2,519</u>
Net assets		<u>2,474</u>	<u>2,519</u>
Equity			
Share capital	14	19	19
Share premium	14	1,431	1,431
Retained earnings		<u>1,024</u>	<u>1,069</u>
Total equity		<u>2,474</u>	<u>2,519</u>

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Approved by the Board on and signed on its behalf by:

DocuSigned by:

923512BDC4694A4.....

Director
 Hursh Shah

Broadgate REIT Limited

Company Statement of Changes in Equity for the Year Ended 31 March 2021

	Share capital £ m	Share premium £ m	Retained earnings £ m	Total £ m
Balance at 1 April 2019	19	1,431	400	1,850
Profit for the year	-	-	704	704
Total comprehensive income for the year	-	-	704	704
Dividends in the year	-	-	(35)	(35)
Balance at 31 March 2020	19	1,431	1,069	2,519
Balance at 1 April 2020	19	1,431	1,069	2,519
Loss for the year	-	-	(1)	(1)
Total comprehensive income for the year	-	-	(1)	(1)
Dividends in the year	-	-	(44)	(44)
Balance at 31 March 2021	19	1,431	1,024	2,474

The notes on pages 19 to 36 form an integral part of these financial statements.

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

1 General information

The Company is a public limited company limited by share capital. The Company is incorporated and domiciled in Jersey under the Companies (Jersey) Law 1991. The address of its registered office is 13-14 Esplanade, St Helier, Jersey, JE1 1BD.

2 Accounting policies

Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS IC Interpretations and Companies (Jersey) Law 1991 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of investment properties and derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The consolidated financial statements include the accounts of Broadgate REIT Limited and all subsidiaries. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Company financial statements

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") as issued by the Financial Reporting Council.

The Company continues to make amendments where necessary in order to comply with Companies (Jersey) Law and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

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;

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

- (f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;
- (h) The requirements of IFRS 7 to disclose financial instruments; and
- (i) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

Adoption of new and revised standards

During the year no new accounting standards were adopted by the Company or the consolidated Group.

Going concern

The Group finances its operations by a mixture of equity, public debt issues and loans provided by shareholders. Whilst the Group is in a net current liability position, this is principally as a result of shareholder loans which have no predetermined repayment date and are therefore treated as current liabilities. The directors have received letters of support from the shareholders confirming that they will not call for repayment of these loans within twelve months of the signing of these financial statements. In preparing these financial statements, the directors have considered the headroom on debt service covenants and reviewed the forecast cash flows of the Group, which take into account assumptions relating to the Covid-19 pandemic and have been sensitised to assess any further potential impact. Forecast cash rentals on securitised properties would have to decrease by over 50% to breach the debt service covenants. As such the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation despite the current economic climate for at least twelve months after the signing of these financial statements. As a result they continue to adopt the going concern basis in preparing the Annual Report and the financial statements.

Revenue recognition

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Lease incentives, such as rent-free periods and cash contributions to tenant fit-out, are recognised on a straight line basis over the lease term being an integral part of the net consideration for the use of the investment property.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation.

Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Where a lease incentive payment, including surrender premiums paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidation and non-recoverable outgoings relating to the lease concerned is immediately reflected in income.

Service charge income is recognised on an accruals basis in line with the service being provided.

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Current and deferred income tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

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.

Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any surplus or deficit arising on revaluing investment properties is recognised in the income statement.

The cost of properties in the course of development includes attributable interest and other associated outgoings. Interest is calculated on the development expenditure by reference to specific borrowings where relevant and otherwise on the average rate applicable to short-term loans. Interest is not capitalised where no development activity is taking place. A property ceases to be treated as a development property on practical completion.

Investments

Fixed asset investments, including investments in subsidiaries and associates, are stated at the lower of cost and the underlying net asset value of the investments.

Leases

In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

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. Investments classified as fair value through profit or loss are initially recorded at fair value and are subsequently externally valued on the same basis at the balance sheet date. Any surplus or deficit arising on revaluing investments held for trading is recognised in the income statement.

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.

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. The impact of Covid-19 has given rise to an increase in lease debtors due from tenants along with a higher probability of default.

The key assumptions within the expected credit loss model include the tenants' credit risk rating and the related probability of default (i.e. the proportion of balances not expected to be recovered) assumed for each risk rating. The probability of default for a given lease debtor is also dependent on the ageing profile of lease debtors, however in the current environment as a result of Covid-19, more weighting is given to risk rating when determining expected credit losses. Tenant risk ratings are determined by management, taking into consideration information available surrounding a tenant's credit rating, financial position and historical default rates. Consideration is also given for the current impact of Covid-19 and its potential impact over the next 12 months on their business along with industry trends. Tenants are classified as high, medium or low risk based on this information. The assigned probabilities of default for these risk categories are reviewed at each balance sheet date. The same key assumptions are applied in the expected credit loss model for tenant incentives, without the consideration of the ageing profile which is not relevant for these balances. The probability of default attributed to each credit risk rating for tenant incentives is lower than that attributed to lease debtors on the basis that the associated credit risk on these balances, which relate to the tenant's future lease liabilities, is lower than that associated to current tenant debtors outstanding as a result of Covid-19.

For the year ending 31 March 2021, the balance in respect of provisions for Broadgate is immaterial.

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

Impairment of financial assets

The Group 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.

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the directors are required to make judgements and estimates that affect the financial statements.

Significant areas of estimation:

- Valuation of properties: The Group uses external professional valuers to determine the relevant amounts. The primary source of evidence for property valuations should be recent, comparable market transactions on an arms-length basis. However, the valuation of the Group's property portfolio is inherently subjective, as it is made on the basis of assumptions made by the valuers which may not prove to be accurate. See note 9.
- 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. Impairment provisioning of lease debtors (including accrued income) and lease incentives, which are presented within investment properties, is now considered to be an area of significant estimation. The impact of Covid-19 has given rise to an increase in lease debtors due from tenants along with a higher probability of default. Consequently the impairment provisions, calculated using the expected credit loss model under IFRS 9 against these balances, are higher than in previous periods.

The key assumptions within the expected credit loss model include the tenants' credit risk rating and the related probability of default (i.e. the proportion of balances not expected to be recovered) assumed for each risk rating. The probability of default for a given lease debtor is also dependent on the ageing profile of lease debtors, however in the current environment as a result of Covid-19, more weighting is given to risk rating when determining expected credit losses. Tenant risk ratings are determined by management, taking into consideration information available surrounding a tenant's credit rating, financial position and historical default rates. Consideration is also given for the current impact of Covid-19 and its potential impact over the next 12 months on their business along with industry trends. Tenants are classified as high, medium or low risk based on this information. The assigned probabilities of default for these risk categories are reviewed at each balance sheet date. The same key assumptions are applied in the expected credit loss model for tenant incentives, without the consideration of the ageing profile which is not relevant for these balances. The probability of default attributed to each credit risk rating for tenant incentives is lower than that attributed to lease debtors on the basis that the associated credit risk on these balances, which relate to the tenant's future lease liabilities, is lower than that associated to current tenant debtors outstanding as a result of Covid-19.

The key areas of accounting judgements are:

- REIT status: Broadgate REIT Limited is a Real Estate Investment Trust ("REIT") and does not pay tax on its property income or gains on property sales, provided that at least 90% of the Group's property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring the property rental business represents more than 75% of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is the directors' intention that the Group will continue as a REIT for the foreseeable future.
- Accounting for transactions: Property transactions are complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements in the legal documents for both acquisitions and disposals. Management consider each transaction separately and, when considered appropriate, seek independent accounting advice.

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

4 Revenue

The analysis of the Group's revenue for the year from continuing operations is as follows:

	2021	2020
	£ m	£ m
Rent receivable	159	133
Surrender premia	3	-
Service charge income	64	65
Spreading of tenant incentives and guaranteed rent increases	(1)	5
	225	203
	225	203

During the year, tenants occupying investment properties within the Group (Exchange House and Broadgate Circle), paid surrender premia totalling £3m, which released them from their future contracting leasing obligations.

5 Finance income and costs

	2021	2020
Group	£ m	£ m
Finance income		
Interest income	-	1
Total finance income	-	1
Finance costs		
Bonds	(60)	(76)
Other loans and overdrafts	(1)	(1)
Total finance costs	(61)	(77)
Net finance costs	(61)	(76)

6 Auditors' remuneration

	2021	2020
	£	£
Fees payable to Company's auditors (PricewaterhouseCoopers LLP) :		
- audit of Company's financial statements	34,686	34,686
- audit of Company's subsidiary financial statements	148,534	101,968
- audit related assurance services	33,380	33,380
	216,600	170,034
	216,600	170,034

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

7 Employees and directors' remuneration

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

Average number of employees, excluding directors, of the Group during the year was nil (2020: nil)

Directors' remuneration is borne by the joint venture partners for which no apportionment or recharge is made.

8 Taxation

Tax charged in the income statement

	2021 £ m	2020 £ m
Current taxation		
UK corporation tax	-	-
Total current income tax	-	-
Tax reconciliation		
(Loss)/Profit on ordinary activities before taxation	(112)	237
Tax on profit on ordinary activities at UK corporation tax rate of 19% (2020 : 19%)	(21)	45
Effects of:		
REIT exempt income and gains	21	(45)
Total tax charge	-	-

Broadgate REIT Limited converted to UK REIT status on 25 March 2015. From this date onwards all property income and gains are exempt from corporation tax.

9 Investment properties

Group	Development £m	Freehold £m	Long leasehold £m	Short leasehold £m	Total £ m
Fair value					
1 April 2020	755	36	3,748	-	4,539
Additions	47	-	55	-	102
Movements in lease incentives and rent review receivables	23	-	10	-	33
Revaluation deficit included in consolidated Income Statement	(18)	(2)	(153)	-	(173)
Reclassifications*	(619)	-	619	-	-
31 March 2021	188	34	4,279	-	4,501

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

9 Investment properties (continued)

Fair value

1 April 2019	792	36	3,196	-	4,024
Additions	244	-	56	-	300
Movements in lease incentives and rent review receivables	-	-	15	-	15
Revaluation deficit included in consolidated Income Statement	147	-	53	-	200
Reclassifications**	(428)	-	428	-	-
31 March 2020	<u>755</u>	<u>36</u>	<u>3,748</u>	<u>-</u>	<u>4,539</u>

Group	Development £m	Freehold £m	Long leasehold £m	Short leasehold £m	Total £ m
Analysis of cost and valuation					
31 March 2021					
Cost	755	36	3,882	-	4,673
Cost reclassifications*	(570)	-	570	-	-
Revaluation	-	(2)	(170)	-	(172)
Revaluation reclassifications*	3	-	(3)	-	-
Net book value	<u>188</u>	<u>34</u>	<u>4,279</u>	<u>-</u>	<u>4,501</u>
31 March 2020					
Cost	1,062	39	1,199	2	2,302
Cost reclassification**	(403)	-	403	-	-
Revaluation	121	(3)	2,121	(2)	2,237
Revaluation reclassification**	(25)	-	25	-	-
Net book value	<u>755</u>	<u>36</u>	<u>3,748</u>	<u>-</u>	<u>4,539</u>

*100 Liverpool Street reached practical completion during September 2020. As at 31 March 2021 the property has been reclassified from development to long leasehold to reflect its completed status. Development commenced at 1 Broadgate during the year.

**135 Bishopsgate reached practical completion in January 2020. As a result of this, the property was reclassified from development to long leasehold during the year ended 31 March 2020.

The different valuation method levels are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

9 Investment properties (continued)

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These levels are specified in accordance with IFRS 13 'Fair Value Measurement'. Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For those reasons, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. Some of the inputs to the valuations are defined as "unobservable" by IFRS 13 and the significant inputs are analysed in the table below.

Investment properties are valued by adopting the "investment method" of valuation. This approach involves applying capitalisation yields to current and estimated future rental streams, net of income voids arising from vacancies and rent-free periods and associated running costs. These capitalisation yields and rental values are based on comparable property and leasing transactions in the market, using the valuers' professional judgement. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

In the case of ongoing developments, the approach applied is the "residual method" of valuation, which is the investment method of valuation as described above, with a deduction for all costs necessary to complete the development, including a notional finance cost, together with a further allowance for remaining risk. Properties held for development are generally valued by adopting the higher of the residual method of valuation, allowing for all associated risks, or the investment method of valuation for the existing asset.

Properties were valued as at 31 March 2021 by Cushman & Wakefield. Properties valued at £4,086m (2020: £4,105m) were charged to secure the borrowings of Broadgate Financing PLC.

Information about fair value measurements using unobservable inputs (Level 3):

	Valuation at 31 March 2021 £m	Valuation technique	ERV per sq ft Weighted average £	Equivalent yield Weighted average %
Investment properties	4,501	Investment methodology & Residual Site valuation method (Developments only)	59	4.4
	Valuation at 31 March 2020 £m	Valuation technique	ERV per sq ft Weighted average £	Equivalent yield Weighted average %
Investment properties	4,539	Investment methodology & Residual Site valuation method (Developments only)	58	4.5

The table below shows the impact of changes in unobservable inputs (Level 3) on the fair value of the Group's property portfolio for the year ended 31 March 2021

Fair value 31 March 2021 £m	+5% ERV £m	-5% ERV £m	-25bps NEY £m	+25bps NEY £m	-5% costs £m	+5% costs £m
4,501	115	-115	179	-159	18	-18

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

9 Investment properties (continued)

Fair value 31 March 2020	+10% ERV	-10% ERV	-50bps NEY	+50bps NEY	-10% costs	+10% costs
£m	£m	£m	£m	£m	£m	£m
4,539	467	-451	764	-605	53	-54

All other factors being equal:

- a higher equivalent yield or discount rate would lead to a decrease in the valuation
- an increase in the current or estimated future rental stream would have the effect of increasing the capital value
- an increase in the costs to complete would lead to a decrease in the valuation

However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

At 31st March 2020 all of our external valuation reports included a “material valuation uncertainty” declaration, which emphasised that less certainty - and a higher degree of caution - should be attached to the valuations than would normally be the case. In light of this, we reviewed the ranges used for our sensitivity analysis, and adopted expanded ranges to reflect this increased uncertainty. No such declaration was included in our valuation reports at 31 March 2021, with our external valuers concluding that there was an adequate quantum of market evidence upon which to base opinions of value. Consequently, for the purposes of our sensitivity tables, we have determined it appropriate to revert to the ranges adopted in reporting periods in which the “material valuation uncertainty” declaration was not present, as we have the same level of certainty over our external valuations, being +/-5% for ERV, +/-25bps for NEY and +/-5% for development costs.

Information about future aggregate minimum rentals receivable under non-cancellable operating leases

The Group leases out all of its investment properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

Group	2021 £ m	2020 £ m
Less than one year	129	115
Between one and five years	474	439
Greater than five years	579	517
Total	1,182	1,071

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

10 Investments

Summary of the Company investments

	Investment in subsidiaries £m	Total £m
Underlying net asset value of investment		
1 April 2020	<u>2,004</u>	<u>2,004</u>
31 March 2021	<u><u>2,004</u></u>	<u><u>2,004</u></u>
Underlying net asset value of investment		
1 April 2019	1,839	1,839
Additions	2,004	2,004
Impairment of investments	<u>(1,839)</u>	<u>(1,839)</u>
31 March 2020	<u><u>2,004</u></u>	<u><u>2,004</u></u>

On 5 April 2019, Broadgate REIT Limited purchased Bluebutton Properties UK Limited and its subsidiaries from its subsidiary Bluebutton Properties Limited for a total consideration of £2,004m. Subsequently, the investment in Bluebutton Properties Limited was impaired.

Principal subsidiaries

The Group comprises a large number of companies so has taken advantage of exemption under TISE Listing Rule 7.6.2.4 in providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of directors, principally affect the financial statements. The wholly owned subsidiaries are:

Subsidiary	Principal activity	Interest	Country
Bluebutton Properties UK Limited*	Property Investment	100%	United Kingdom
Bluebutton Properties Limited*	Holding company	100%	Jersey
Bluebutton Developer Company (2012) Limited	Property Developer	100%	United Kingdom
British Land Broadgate 2005 Limited	Holding company	100%	United Kingdom
Broadgate Property Holdings Limited	Holding company	100%	United Kingdom
201 Bishopsgate Limited	Property Investment	100%	United Kingdom
Bluebutton (12702) Limited	Property Investment	100%	United Kingdom
Bluebutton Circle Retail PHC 2013 Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 11) 2005 Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 14) Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 15a) Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 15b) Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 15c) Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 16) 2005 Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 2) Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 3) Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 5) 2005 Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 5) Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 6) 2005 Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 7) Limited	Property Investment	100%	United Kingdom
Broadgate (PHC 8) 2008 Limited	Property Investment	100%	United Kingdom

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

10 Investments (continued)

Subsidiary	Principal activity	Interest	Country
Broadgate (PHC 9) Limited	Property Investment	100%	United Kingdom
Broadgate PHC 2010 Limited	Property Investment	100%	United Kingdom
Broadgate Eldon Properties Limited	Property Investment	100%	United Kingdom
Broadgate Financing PLC	Funding	100%	United Kingdom
Broadgate (Funding) 2005 Limited	Funding	100%	United Kingdom
Broadgate (Lending) Limited	Short term funding	100%	United Kingdom
Broadgate (Cash Management) Limited	Cash management	100%	United Kingdom

*Directly owned subsidiaries

The registered address for companies registered in the United Kingdom is York House, 45 Seymour Street, London, W1H 7LX.

The registered address for companies registered in Jersey is 26 New Street, St Helier, Jersey, JE2 3RA.

11 Trade and other receivables

	Group		Company	
	31 March 2021 £ m	31 March 2020 £ m	31 March 2021 £ m	31 March 2020 £ m
Trade and other debtors	16	16	-	-
Provisions for bad debts	(12)	-	-	-
Amounts due from related parties	-	-	1,458	1,363
Prepayments	6	5	-	-
Other receivables	-	8	-	-
VAT	2	3	-	-
	<u>12</u>	<u>32</u>	<u>1,458</u>	<u>1,363</u>

Amounts due from related parties relate to amounts owed from Group companies and are repayable on demand.

12 Trade and other payables

	Group		Company	
	31 March 2021 £ m	31 March 2020 £ m	31 March 2021 £ m	31 March 2020 £ m
Trade payables	7	15	-	-
Accruals and deferred income	70	100	-	-
Amounts due to related parties	1	-	1	1
Taxation payable	3	1	-	-
Other payables	13	5	1	-
	<u>94</u>	<u>121</u>	<u>2</u>	<u>1</u>

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

13 Loans and borrowings

	Group	
	31 March 2021 £ m	31 March 2020 £ m
Secured on the assets of the Group		
Class A2 4.949% Bonds due 2031	79	87
Class A3 4.851% Bonds due 2033	175	175
Class A4 4.821% Bonds due 2036	400	399
Class B 4.999% Bonds due 2033	365	365
Class C2 5.098% Bonds due 2035	196	199
	1,215	1,225
Other borrowings of the Group		
Term loan	92	144
Shareholder loans	988	849
	1,080	993
Gross debt of the Group	2,295	2,218
Cash and short-term deposits	(160)	(209)
	2,135	2,009
Net debt	2,135	2,009

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

13 Loans and borrowings (continued)

Reconciliation of movement in net debt to cash flow statement

	2020 £m	Cash flow £m	Non-cash £m	2021 £m
Per cash flow statement:				
Cash and short-term deposits	(209)	49	-	(160)
Secured bonds	1,225	(10)	-	1,215
Shareholder loans	849	139	-	988
Term loan	144	(52)	-	92
	<u>2,009</u>	<u>126</u>	<u>-</u>	<u>2,135</u>
	2019 £m	Cash flow £m	Non-cash £m	2020 £m
Per cash flow statement:				
Cash and short-term deposits	(219)	10	-	(209)
Secured bonds	1,298	(75)	2	1,225
Shareholder loans	479	370	-	849
Term loan	144	-	-	144
	<u>1,702</u>	<u>305</u>	<u>2</u>	<u>2,009</u>

Maturity analysis of net debt of the Group

	31 March 2021 £ m	31 March 2020 £ m
Repayable within one year and on demand	<u>998</u>	911
Due within one to two years	11	11
Due within two to five years	112	68
Due in more than five years	<u>1,172</u>	1,228
	<u>1,295</u>	1,307
Gross debt of the Group	2,295	2,218
Cash and short-term deposits	<u>(160)</u>	(209)
Net debt of the Group	<u>2,135</u>	<u>2,009</u>

At 31 March 2021, 100% of the secured bonds were fixed (2020: 100%). The bonds issued are due from 2005 and expected to be repaid by 2033. Legal repayment is required by 2036. The bonds are secured on properties of the Group valued at £4,086m (2020: £4,105m). The weighted average interest rate of the bonds is 4.93% (2020: 4.93%). The weighted average maturity of the bonds is 9.5 years (2020: 10.4 years).

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

13 Loans and borrowings (continued)

Comparison of market values and book values and fair value hierarchy

The table below provides a comparison of market value and book value along with the classification per the fair value hierarchy. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		2021		2020	
	Level	Market value £m	Book value £m	Market value £m	Book value £m
Secured bonds	2	1,454	1,216	1,582	1,225
Term loan	2	92	92	144	144
		<u>1,546</u>	<u>1,308</u>	<u>1,726</u>	<u>1,369</u>

The fair values of the bonds have been established by obtaining quoted market prices from brokers. The term loan has been valued assuming it could be renegotiated at contracted margins.

Risk Management

Capital risk management:

The Group finances its operations by a mixture of equity, public debt issues and loans provided by shareholders 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 expected to be repaid by 2033. Legal repayment is required by 2036. Including debt amortisation 89% of the total third party borrowings are due for payment after 5 years (2020: 90%).

The Group 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.

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

13 Loans and borrowings (continued)

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 Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and deposits at 31 March 2021 amounted to £160m (2020: £209m) and are placed with Financial institutions with A or better credit ratings. At 31 March 2021, prior to taking account of any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits was £59m (2020: £75m). This represents 1.26% (2020: 1.57%) of gross assets.

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

Liquidity risk:

Liquidity risk is the risk that the Group 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 Group has resources to pay future liabilities as they fall due.

The following table presents a maturity profile of the contracted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal flows.

	2021				
	Within one year £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
Bonds	11	11	113	1,080	1,215
Interest payable	60	59	171	289	579
Term loan	-	-	-	92	92
Shareholder loans	988	-	-	-	988
	1,059	70	284	1,461	2,874
	2020				
	Within one year £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
Bonds	10	11	68	1,136	1,225
Interest payable	60	60	175	344	639
Term loan	52	-	-	92	144
Shareholder loans	849	-	-	-	849
	971	71	243	1,572	2,857

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

14 Share capital and premium

Allotted, called up and fully paid shares

	31 March 2021		31 March 2020	
	No. m	£ m	No. m	£ m
Ordinary shares of £1 each	19	19	19	19
Share Premium of £1 each	1,431	1,431	1,431	1,431
	<u>1,450</u>	<u>1,450</u>	<u>1,450</u>	<u>1,450</u>

Net asset value per share at 31 March 2021 was £120 (2020: £127).

15 Capital Commitments

The Group had capital commitments contracted as at 31 March 2021 of £98m (2020: £106m).

16 Subsequent events

There have been no subsequent events since 31 March 2021.

17 Controlling parties

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.

18 Related party transactions

Related party disclosures noted below are in respect of transactions between the Group and its related parties as defined by International Accounting Standard 24.

During the year, British Land Property Management Limited received £3,580,483 (2020: £3,949,130) for asset management services, and £780,879 (2020: £760,863) for administration services, provided to Bluebutton Properties UK Limited. British Land Property Management Limited is a wholly owned subsidiary of The British Land Company PLC. The British Land Company PLC is the ultimate parent company of BL Bluebutton 2014 Limited which owns 50% of the share capital of the Company.

During the year, Broadgate (PHC 15a) Limited received £3,420,016 (2020: £3,420,016) from Storey Spaces Limited under management agreements. In addition, £3,268,359 (2020: £1,065,820) of fees were incurred under the same management agreement. Storey Spaces Limited is a wholly owned subsidiary of The British Land Company PLC.

During the year, Broadgate (PHC 15b) Limited incurred £2,837,067.73 (2020: £3,119,496) of fees with Storey Spaces Limited under management agreements.

Broadgate REIT Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

18 Related party transactions (continued)

During the year, Broadgate (PHC 15c) Limited incurred £945,026 (2020: £981,135) of fees with Storey Spaces Limited under management agreements.

During the year Bluebutton Developer Company (2012) Limited incurred £nil (2020: £3,908,088) of development fees with British Land Property Management Limited.

During the year, the Company recharged £82,951 (2020: £80,369) of administration expenses borne by the Group on behalf of Euro Bluebell LLP, holder of 50% of the share capital of the Company, to Euro Clover Private Limited, a wholly owned subsidiary of Euro Bluebell LLP.