

Registration number: 07018582

Bluebutton Properties UK Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020



Bluebutton Properties UK Limited

Contents

Strategic Report	1 to 2
Directors' Report	3 to 4
Independent Auditors' Report	5 to 7
Profit and Loss Account	8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 23

Bluebutton Properties UK Limited

Strategic Report for the Year Ended 31 March 2020

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

Business review and principal activities

Bluebutton Properties UK Limited ("the company") is a wholly owned subsidiary of Broadgate REIT Limited and operates as a constituent of Broadgate REIT Limited group of companies ("the group"). Broadgate REIT Limited operates as a joint venture between Euro Bluebell LLP, an affiliate of GIC, Singapore's sovereign wealth fund, and BL Bluebutton 2014 Limited, a wholly owned subsidiary of The British Land Company PLC.

The company's principal activity is property investment and investment holding in the United Kingdom (UK). The company administers some of the estate wide costs for the group which includes marketing, property management and other property related costs.

As shown in the company's Profit and Loss Account on page 8, the company's turnover of -£79,129 has decreased by £577,172 compared with turnover of £498,043 in the prior year. This is a result of a decrease in service charge income during the year.

Loss on ordinary activities before taxation is £14,097,678 compared to a loss on ordinary activities before taxation of £3,206,019 in the prior year. The increase in loss is a result of an increase in administrative expenses and the impairment of investment in subsidiaries.

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

The impairment of investments in the year was £9,251,825 (2019: impairment/write back of £nil). This was based upon the underlying net asset value compared to the carrying value of investments held as detailed in the accounting policies of the company on page 14. Details of the movement can be found in note 11 to the company's balance sheet.

The revaluation of investment properties in the year was a surplus of £224,000 (2019: surplus of £31,198).

Bluebutton Properties UK Limited and its subsidiary undertakings own investment property of £4.5 billion held at fair value using externally appraised valuations by Cushman & Wakefield, and a nominal value of external bonds of £1.2 billion secured on properties of the Group valued at £4.1 billion.

The Balance Sheet on page 10 shows that the company's financial position at the year end has, in net liability terms, increased compared with the prior year.

The company holds investments in a number of freehold properties within the Broadgate REIT Limited group. The value of investment properties held as at 31 March 2020 has increased by £224,000 compared to 31 March 2019 as shown in note 11 to the company's Balance Sheet. Details of how investment properties are valued can also be found in note 11 to the company's balance sheet. The movement is determined by the prevailing market conditions at the balance sheet date.

The expected future developments of the company are determined by the strategy of the group.

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 Board of the group uses total return, to monitor the performance of the group. This is a measure of growth in total equity per share, adding back any current year dividend.

Principal risks and uncertainties

This company is part of a large property investment group. As such, the fundamental underlying risks for this company are those of the property group as discussed below.

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

Bluebutton Properties UK Limited

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

- demand for space from occupiers against available supply;
- identification and execution of investment and development strategies which are value enhancing;
- availability of financing or refinancing at an acceptable cost;
- economic cycles, including their impact on tenant covenant quality, interest rates, inflation and property values;
- legislative changes, including planning consents and taxation;
- engagement of development contractors with strong covenants;
- key staff changes; and
- environmental and health and safety policies.

These opportunities also represent risks, the most significant being change to the value of the property portfolio. This risk has high visibility to directors and is considered and managed on a continuous basis. Directors 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.

The financial risks for the company are managed in accordance with the group financial risk management policy, as disclosed in the consolidated group financial statements. The general risk environment in which the group operates has heightened over the course of the year, which is largely due to the continued level of uncertainty associated with the future impact of the UK's exit from the EU, the significant deterioration in the UK retail market and weaker investment markets.

The outbreak of COVID-19, declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, creates an unprecedented degree of uncertainty over both the severity of the above risks and the effectiveness of the above mitigating actions. The decline in economic activity resulting from the pandemic is expected to heighten the risk of tenants becoming financially distressed, this will directly impact the degree of certainty around the valuation of investment properties at year end which in turn will directly impact the degree of certainty around the carrying value of investments in subsidiaries.

The company has no third party debt. It therefore has no interest rate exposure.

25 February 2021

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

DocuSigned by:
David Lockyer
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Director
David Lockyer

Bluebutton Properties UK Limited

Directors' Report for the Year Ended 31 March 2020

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

Directors of the company

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

M Cosgrave

D Devani (resigned 24 October 2019)

H Shah

D Richards

N I Cahoon

D I Lockyer

D Nigam (appointed 24 October 2019)

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.

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.

Bluebutton Properties UK Limited

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

Going concern

The balance sheet shows that the company has net current liabilities and net liabilities. This is due to amounts owed to other subsidiaries within the group. The directors have reviewed the company's working capital and cash flow requirements including the impact of COVID-19, and along with considering that the company is part of a wider Group of companies whereby the company will not be called upon to repay its intercompany debt unless it has sufficient cash to do so. As a consequence of this, the directors feel that the company can continue to trade for the foreseeable future and is well placed to manage its business risks successfully in the current economic climate. Accordingly, they believe the going concern basis is an appropriate one.

Subsequent Events

Details of significant events since the Balance Sheet date, if any, are contained in note 19.

Disclosure of information to the auditors

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

Reappointment of independent auditors

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

Approved by the Board on 25 February 2021 and signed on its behalf by:

DocuSigned by:

David Lockyer

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Director

David Lockyer

Independent auditors' report to the members of Bluebutton Properties UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Bluebutton Properties UK Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2020; the Profit and Loss Account, the Statement of Comprehensive Income, 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.

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

Emphasis of matter - Significant estimation uncertainty in relation to the valuation of investment property and investments

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Notes 3 (Significant accounting judgements and key sources of estimation uncertainty), 10 (Investment properties) and 11 (Investments) to the financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of investment properties of £304k and to the valuation of underlying investment properties held by its equity investments included in Investments on the Balance Sheet as at 31 March 2020. The third party valuers engaged by management and by management of its investments have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

Independent auditors' report to the members of Bluebutton Properties UK Limited (continued)

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Bluebutton Properties UK Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 February 2021

Bluebutton Properties UK Limited**Profit and Loss Account for the Year Ended 31 March 2020**

	Note	2020 £	2019 £
Turnover	4	(79,129)	498,043
Cost of sales		<u>79,885</u>	<u>528,574</u>
Gross profit		756	1,026,617
Administrative expenses		<u>(5,148,061)</u>	<u>(4,178,446)</u>
Operating loss		<u>(5,147,305)</u>	<u>(3,151,829)</u>
Revaluation of investment properties	10	224,000	31,198
Impairment of investments	11	<u>(9,251,825)</u>	<u>-</u>
Loss on ordinary activities before interest and taxation		(14,175,130)	(3,120,631)
Interest receivable and similar income	5	109,478	70,395
Interest payable and similar expenses	6	<u>(32,026)</u>	<u>(155,783)</u>
Loss on ordinary activities before taxation		(14,097,678)	(3,206,019)
Taxation	9	<u>(20,801)</u>	<u>(13,375)</u>
Loss for the year		<u>(14,118,479)</u>	<u>(3,219,394)</u>

Turnover and results were derived from continuing operations within the United Kingdom.

The notes on pages 12 to 23 form an integral part of these financial statements.

Bluebutton Properties UK Limited

Statement of Comprehensive Income for the Year Ended 31 March 2020

	2020 £	2019 £
Loss for the year	<u>(14,118,479)</u>	<u>(3,219,394)</u>
Total comprehensive expense for the year	<u><u>(14,118,479)</u></u>	<u><u>(3,219,394)</u></u>

The notes on pages 12 to 23 form an integral part of these financial statements.

Bluebutton Properties UK Limited

(Registration number: 07018582)

Balance Sheet as at 31 March 2020

			(As restated)*
	Note	31 March 2020 £	31 March 2019 £
Fixed assets			
Investment properties	10	304,000	80,000
Investments	11	88,808,659	98,059,484
		<u>89,112,659</u>	<u>98,139,484</u>
Current assets			
Debtors	12	1,481,569,107	785,835,888
Cash at bank and in hand	13	16,631,055	33,969,719
		<u>1,498,200,162</u>	<u>819,805,607</u>
Creditors due within one year	14	(1,599,674,727)	(916,188,518)
Net current liabilities		<u>(101,474,565)</u>	<u>(96,382,911)</u>
Net (liabilities)/assets		<u>(12,361,906)</u>	<u>1,756,573</u>
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and loss account		<u>(12,362,906)</u>	<u>1,755,573</u>
Total shareholders' (deficit)/funds		<u>(12,361,906)</u>	<u>1,756,573</u>

*See note 20 for details regarding the restatement.

25 February 2021

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

DocuSigned by:

David Lockyer

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Director
David Lockyer

The notes on pages 12 to 23 form an integral part of these financial statements.

Bluebutton Properties UK Limited**Statement of Changes in Equity for the Year Ended 31 March 2020**

	Share capital £	Profit and loss account £	Total £
Balance at 1 April 2018	1,000	4,974,967	4,975,967
Loss for the year	-	(3,219,394)	(3,219,394)
Total comprehensive expense for the year	-	(3,219,394)	(3,219,394)
Balance at 31 March 2019	<u>1,000</u>	<u>1,755,573</u>	<u>1,756,573</u>
 Balance at 1 April 2019	 1,000	 1,755,573	 1,756,573
Loss for the year	-	(14,118,479)	(14,118,479)
Total comprehensive expense for the year	-	(14,118,479)	(14,118,479)
Balance at 31 March 2020	<u>1,000</u>	<u>(12,362,906)</u>	<u>(12,361,906)</u>

The notes on pages 12 to 23 form an integral part of these financial statements.

Bluebutton Properties UK Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

1 General information

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

The address of its registered office is:
York House
45 Seymour Street
London
W1H 7LX

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these 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").

The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Instances in which advantage of the FRS 101 disclosure exemptions have been taken are set out below.

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

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Broadgate REIT Limited.

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

Bluebutton Properties UK Limited

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

2 Accounting policies (continued)

- (i) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, equivalent disclosures are given in the group financial statements of Broadgate REIT Limited. The group financial statements of Broadgate REIT Limited are available to the public and can be obtained as set out in note 21.

Going concern

The balance sheet shows that the company has net current liabilities and net liabilities. This is due to amounts owed to other subsidiaries within the group. The directors have reviewed the company's working capital and cash flow requirements including the impact of COVID-19, and along with considering that the company is part of a wider Group of companies whereby the company will not be called upon to repay its intercompany debt unless it has sufficient cash to do so. As a consequence of this, the directors feel that the company can continue to trade for the foreseeable future and is well placed to manage its business risks successfully in the current economic climate. Accordingly, they believe the going concern basis is an appropriate one.

Adoption status of relevant new financial reporting standards and interpretations

During the year the company adopted the following standard:

IFRS 16 - Leases

The new standard results in almost all leases held as lessee being recognised on the balance sheet, as the new distinction between operating and finance leases is removed. The accounting for lessors has not significantly changed. The company is a holding company and therefore has not engaged in any leasing activity. As such, the adoption of this new accounting policy has not had a material impact on the financial statements.

Apart from the changes in the standard highlighted above, no other standards, interpretations and amendments effective for the first time from 1 April 2019 have had a material effect on the financial statements.

Turnover

Rental income from investment property

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. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of 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 that 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 premia 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 dilapidations 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.

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).

Bluebutton Properties UK Limited

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

2 Accounting policies (continued)

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequently 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 Profit and Loss Account as a fair value movement.

Where properties held for investment are appropriated to trading stock, they are transferred at market value. If properties held for trading are appropriated to investment, they are transferred at book value.

Interest payable and receivable

Interest payable and receivable is recognised as incurred under the accruals concept. Commitment fees on non-utilised facilities are also included within interest payable.

Investments

Fixed asset investments are stated at the lower of cost and the underlying net asset value of the investments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Debtors

Trade and other debtors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. The Company calculates the expected credit loss for debtors based on lifetime expected credit losses under the IFRS 9 simplified approach.

Creditors

Trade and other creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

3 Significant accounting judgements and key sources of estimation uncertainty

Fixed asset investments are stated at the lower of cost and the underlying net asset value of the investments. In the year ended 31 March 2020, less certainty - and a higher degree of caution - can be attached to the underlying net asset value of the company's investments which hold investment property, than would normally be the case. The third party valuers for properties recognised at 31 March 2020 include a material valuation uncertainty clause in their reports. The clause highlights significant estimation uncertainty regarding the valuation of investment property due to the COVID-19 pandemic. The valuations as at the current balance sheet date should therefore be treated with additional caution. The significant estimation uncertainty regarding the valuation of investment property results in estimation uncertainty in the underlying net asset value of the investments which carry investment property.

In accounting for net rental income, the group is required to judge the recoverability of any income accrued and provides against the credit risk on these amounts. The potential for management to make judgements or estimates relating to those items which would have a significant impact on the financial statements is considered, by the nature of the group's business, to be limited.

Bluebutton Properties UK Limited**Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)****4 Turnover**

The analysis of the company's turnover for the year from continuing operations is as follows:

	2020 £	2019 £
Rental income from investment property	6,122	6,110
Service charge income	<u>(85,251)</u>	<u>491,933</u>
	<u><u>(79,129)</u></u>	<u><u>498,043</u></u>

5 Interest receivable and similar income

	2020 £	2019 £
Other finance income	<u>109,478</u>	<u>70,395</u>
	<u><u>109,478</u></u>	<u><u>70,395</u></u>

6 Interest payable and similar expenses

	2020 £	2019 £
Other finance costs	1,135	1,430
Refinancing close out costs	<u>30,891</u>	<u>154,353</u>
	<u><u>32,026</u></u>	<u><u>155,783</u></u>

7 Auditors' remuneration

A notional charge of £3,890 (2019: £4,040) is deemed payable to PricewaterhouseCoopers LLP in respect of the audit of the financial statements for the year ended 31 March 2020.

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

8 Staff costs

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

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

Bluebutton Properties UK Limited**Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)****9 Tax on loss on ordinary activities**

	2020 £	2019 £
Current taxation		
UK corporation tax	<u>20,801</u>	<u>13,375</u>
Tax charge in the profit and loss account	<u>20,801</u>	<u>13,375</u>
	2020 £	2019 £
Tax reconciliation		
Loss on ordinary activities before taxation	<u>(14,097,678)</u>	<u>(3,206,019)</u>
Tax on loss on ordinary activities at UK corporation tax rate of 19% (2019: 19%)	<u>(2,678,559)</u>	<u>(609,144)</u>
Effects of:		
REIT exempt income and gains	984,073	628,447
Decrease/(increase) in fair value of property & investments	1,715,287	(5,928)
Group relief	(17,424)	-
Consideration paid for group relief	<u>17,424</u>	<u>-</u>
Total tax charge	<u>20,801</u>	<u>13,375</u>

On 17 March 2020 legislation was substantially enacted confirming that the tax rate would not be reduced from 1 April 2020 but would remain at 19%.

Bluebutton Properties UK Limited**Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)****10 Investment properties**

£

Fair value

1 April 2019	80,000
Revaluation	<u>224,000</u>
31 March 2020	<u>304,000</u>

Fair value

1 April 2018	80,000
Additions	(31,198)
Revaluation	<u>31,198</u>
31 March 2019	<u>80,000</u>

Analysis of cost and valuation**31 March 2020**

Cost	34,860
Valuation	<u>269,140</u>
Net book value	<u>304,000</u>

31 March 2019

Cost	34,860
Valuation	<u>45,140</u>
Net book value	<u>80,000</u>

At 31 March 2020 the book value of freehold investment properties owned by the company was £200,000 (2019: (£40,000)) and the book value of long leasehold investment properties owned by the company was £104,000 (2019: £40,000).

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 or 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 and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

Bluebutton Properties UK Limited**Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)****10 Investment properties (continued)**

Properties were valued to fair value at 31 March 2020 by Cushman & Wakefield, independent valuers not connected with the company, in accordance with the RICS Valuation - Professional Standards 2014, Ninth Edition, published by The Royal Institution of Chartered Surveyors.

The outbreak of COVID-19, declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, the external valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 means that external valuers are faced with an unprecedented set of circumstances on which to base a judgement.

The valuations are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to the valuations provided than would normally be the case. For the avoidance of doubt, the inclusion of the "material valuation uncertainty" declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that - in the current extraordinary circumstances - less certainty can be attached to valuations than would otherwise be the case.

The impact of changes in unobservable inputs (Level 3) on the fair value of the Group's property portfolio can be found in note 9 of the Broadgate REIT Limited consolidated accounts.

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

	31 March 2020 £	31 March 2019 £
Leases less than one year	6,110	6,110
Leases between one and five years	24,440	24,440
Leases greater than five years	<u>5,931,016</u>	<u>5,937,070</u>
	<u><u>5,961,566</u></u>	<u><u>5,967,620</u></u>

11 Investments

	Shares in subsidiaries £	Investments in Associates £	Total £
Underlying net asset value of investment			
1 April 2019	98,015,723	43,761	98,059,484
Additions	1,000	-	1,000
Impairment of investments	<u>(9,251,825)</u>	<u>-</u>	<u>(9,251,825)</u>
31 March 2020	<u><u>88,764,898</u></u>	<u><u>43,761</u></u>	<u><u>88,808,659</u></u>
Underlying net asset value of investment			
1 April 2018	3	-	3
Additions	98,015,720	-	98,015,720
Transfers	<u>-</u>	<u>43,761</u>	<u>43,761</u>

Bluebutton Properties UK Limited**Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)****11 Investments (continued)**

	Shares in subsidiaries £	Investments in Associates £	Total £
31 March 2019	98,015,723	43,761	98,059,484
Provision for underlying net asset change			
Impairment of investments	(9,251,825)	-	(9,251,825)
31 March 2020	(9,251,825)	-	(9,251,825)
31 March 2019	-	-	-
At cost			
31 March 2020	98,016,723	43,761	98,060,484
31 March 2019	98,015,723	43,761	98,059,484

On 5 April 2019, Bluebutton Properties UK Limited purchased 100% of issued share capital of Bluebutton Developer Company (2012) Limited from Bluebutton Properties Limited for consideration of £1,000. Bluebutton Properties Limited is another subsidiary in the Broadgate REIT Limited Group.

Details of the subsidiaries as at 31 March 2020 are as follows:

Subsidiary	Principal activity	Interest	Country
British Land Broadgate 2005 Limited*	Holding company	100.0%	United Kingdom
Broadgate Property Holdings Limited	Holding company	100.0%	United Kingdom
Broadgate Financing PLC	Funding company	100.0%	United Kingdom
Broadgate (Funding) 2005 Limited	Funding company	100.0%	United Kingdom
Broadgate (Lending) Limited	Short term funding	100.0%	United Kingdom
Broadgate (Cash Management) Limited	Cash management	100.0%	United Kingdom
Bluebutton Circle Retail PHC 2013 Limited*	Property investment	100.0%	United Kingdom
Broadgate (PHC 2) Limited*	Property investment	100.0%	United Kingdom
Broadgate (PHC 3) Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 5) 2005 Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 5) Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 6) 2005 Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 7) Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 8) 2008 Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 9) Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 11) 2005 Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 14) Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 15a) Limited	Property investment	100.0%	United Kingdom
Broadgate (PHC 15b) Limited*	Property investment	100.0%	United Kingdom

Bluebutton Properties UK Limited**Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)****11 Investments (continued)**

Subsidiary	Principal activity	Interest	Country
Broadgate (PHC 15c) Limited*	Property investment	100.0%	United Kingdom
Broadgate (PHC 16) 2005 Limited	Property investment	100.0%	United Kingdom
Broadgate PHC 2010 Limited	Property investment	100.0%	United Kingdom
201 Bishopsgate Limited	Property investment	100.0%	United Kingdom
Broadgate South Management Limited	Estate management	89.0%	United Kingdom
Broadgate Management (Bishopsgate) Limited	Estate management	75.0%	United Kingdom
Exchange Square Management Limited	Estate management	65.0%	United Kingdom
Estate Management (Brick) Limited	Dormant	100.0%	United Kingdom
Broadgate (PHC 11)	Dormant	100.0%	United Kingdom
Barstep Limited	Dormant	100.0%	United Kingdom
Broadgate Eldon Properties Limited*	Property investment	100.0%	United Kingdom
Bluebutton (12702) Limited*	Property investment	100.0%	United Kingdom

*Companies with 100% direct holding

The carrying value of investments is the lower of cost and the underlying net asset value. Therefore, where the company's investments hold investment property, the underlying net asset value of those investments is dependent on the valuation of the investment property held. The outbreak of Covid-19, declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, the external valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that external valuers are faced with an unprecedented set of circumstances on which to base a judgement. The valuations across all asset classes are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to the valuations provided than would normally be the case. The external valuers have confirmed, the inclusion of the "material valuation uncertainty" declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that - in the current extraordinary circumstances - less certainty can be attached to valuations than would otherwise be the case.

As a result, less certainty can be attached to the carrying value of investments which hold investment property than would otherwise be the case.

All investments based in the United Kingdom have a registered address of York House, 45 Seymour Street, London, W1H 7LX.

Bluebutton Properties UK Limited**Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)****12 Debtors**

	31 March 2020 £	31 March 2019 £
Trade debtors	286,456	-
Provision for impairment of trade receivables	(402)	-
Amounts due from related parties	1,480,225,100	785,548,537
Prepayments	-	1,296
Other debtors	606,576	65,773
Corporation tax asset	32,271	90,412
VAT	419,106	129,870
	<u>1,481,569,107</u>	<u>785,835,888</u>

Debtors from related parties relate to amounts due from group companies which are repayable on demand. There is no interest charged on these balances.

13 Cash and cash equivalents

	31 March 2020 £	31 March 2019 £
Cash at bank	16,631,055	23,785,719
Short-term deposits	-	10,184,000
	<u>16,631,055</u>	<u>33,969,719</u>

14 Creditors due within one year

		(As restated)
	31 March 2020 £	31 March 2019 £
Trade creditors	232,532	-
Accrued expenses	763,280	737,215
Amounts due to related parties	1,597,324,520	914,805,850
Social security and other taxes	1,295,406	73,408
Other creditors	58,989	572,045
	<u>1,599,674,727</u>	<u>916,188,518</u>

Refer to Note 20 for details of the restatement.

Bluebutton Properties UK Limited**Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)****15 Share capital****Allotted, called up and fully paid shares**

	No.	31 March 2020 £	No.	31 March 2019 £
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

16 Capital commitments

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

17 Contingent liabilities

The company is jointly and severally liable with British Land Broadgate 2005 Limited and Bluebutton (12702) Limited for all monies falling due under the VAT group registration.

18 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.

During the year, British Land Property Management Limited received £3,949,130 (2019: £3,005,033) for assets management services and £760,863 (2019: £742,716) for administration services, from Bluebutton Properties UK Limited. At year end, £nil (2019: £nil) is included in trade creditors owing to British Land Property Management Limited. British Land Property Management Limited is a wholly owned subsidiary of The British Land Company PLC.

19 Subsequent events

There have been no significant events since the year end.

20 Prior year restatement

It was identified that £914,805,850 of amounts due to related parties was incorrectly classified as creditors due after more than one year in the prior year. Amounts due to related parties are repayable on demand and as a result the comparatives have been restated to reflect £914,805,850 as a creditor due within one year.

Bluebutton Properties UK Limited

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

21 Parent and ultimate parent undertaking

The immediate parent company during the year ended 31 March 2020 is Broadgate REIT 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 financial statements are available and which include the company. The ultimate holding company and controlling party is Broadgate REIT Limited. Group financial statements for this company are available on request from British Land, York House, 45 Seymour Street, London, W1H 7LX.