
BROADGATE FINANCING PLC

Interim Management Report and Accounts

Six months ended 30 September 2011

Company number: 5316365

BROADGATE FINANCING PLC

**INTERIM MANAGEMENT REPORT
for the six months ended 30 September 2011**

The directors submit their Interim Management Report and Accounts for the six months ended 30 September 2011.

Principal activities

The company is a wholly owned subsidiary of Broadgate Property Holdings Limited, whose ultimate holding company is Bluebutton Properties Limited (Jersey Registered). Bluebutton Properties Limited operates as a joint venture between The British Land Company PLC and BRE/Brick Limited. The company's principal activity is to provide funding to fellow subsidiaries of Bluebutton Properties Limited.

Business review

At 30 September 2011, taking into account the effect of derivatives, interest payable on the external bonds remains 100% fixed. Funds loaned to Broadgate (Funding) 2005 Limited are charged with a margin resulting in a profit (page 3). The derivatives are not used speculatively and accordingly valuation movements are taken through the hedging and translation reserve. Adjusting the total reserves for the derivative valuation and associated deferred tax gives a stable profit and loss account reserves position of approximately £366,000.

No dividends were paid in the current period (30 Sep 2010: £nil).

Risk and Uncertainties

The key risks of the company are the performance of the properties, tenant defaults and the credit risk of counterparties for any large cash deposits within the securitisation upon which the company is dependent for receipt of principal and interest, and the strength of the derivative counterparty upon which the company is dependent for fixing its interest rate exposure. These risks are mitigated by the preference for tenants with strong covenants on long leases and by using highly rated counterparties and monitoring those ratings.

Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with pronouncements on interim reporting issued by the Accounting Standards Board; and

(b) the interim management report includes a fair review of the information required by Section DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

By order of the Board

T. Baird 
Director

BROADGATE FINANCING PLC

**INDEPENDENT REVIEW REPORT TO BROADGATE FINANCING PLC
for the six months ended 30 September 2011**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 which comprises the condensed profit and loss account, the condensed balance sheet, the condensed statement of total recognised gains and losses and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.


Deloitte LLP

Chartered Accountants and Statutory Auditors
Cambridge, UK

29 November 2011

BROADGATE FINANCING PLC

**CONDENSED PROFIT AND LOSS ACCOUNT
for the six months ended 30 September 2011**

Year ended 31 March 2011 Audited £		Six months ended 30 September 2011 Unaudited £	Six months ended 30 September 2010 Unaudited £
(1,000)	Administrative expenses		
(1,000)	Operating loss		
	Interest receivable		
96,916,224	Group	48,046,136	49,298,986
99,419	External - other	41,420	45,973
	Interest payable		
(99,418)	Group	(41,420)	(45,973)
(96,906,573)	External - debentures	(48,041,360)	(49,294,086)
8,652	Profit on ordinary activities before taxation	4,776	4,900
(2,423)	Taxation	(1,337)	117
6,229	Profit for the financial period	3,439	5,017

Turnover and results are derived from continuing operations within the United Kingdom. The company has only one significant class of business, that of to provide funding to fellow subsidiaries of Bluebutton Properties Limited in the United Kingdom.

BROADGATE FINANCING PLC

**CONDENSED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the six months ended 30 September 2011**

Year ended 31 March 2011 Audited £		Six months ended 30 September 2011 Unaudited £	Six months ended 30 September 2010 Unaudited £
6,229	Profit on ordinary activities after taxation	3,439	5,017
6,108,608	Derivative valuation movement	(33,803,142)	(21,669,109)
(2,547,723)	Deferred tax movement on interest rate derivatives	8,788,817	6,067,351
3,567,114	Total recognised gains and losses relating to the financial period	(25,010,886)	(15,596,741)

BROADGATE FINANCING PLC**CONDENSED BALANCE SHEET
as at 30 September 2011**

	Note	30 September 2011 Unaudited £	£	31 March 2011 Audited £	£
Current assets					
Debtors - due within one year	2	68,987,225		68,445,630	
Debtors - due after more than one year	2	1,855,647,443		1,870,100,867	
Cash and deposits		15,121,572		15,121,679	
		<u>1,939,756,240</u>		<u>1,953,668,176</u>	
Creditors due within one year	3	<u>(159,399,389)</u>		<u>(125,058,198)</u>	
Net current assets		1,780,356,851		1,828,609,978	
Total assets less current liabilities		<u>1,780,356,851</u>		<u>1,828,609,978</u>	
Creditors due after one year	4	(1,835,973,559)		(1,859,215,800)	
Net liabilities		<u>(55,616,708)</u>		<u>(30,605,822)</u>	
Capital and reserves					
Called up share capital	7	12,500		12,500	
Hedging and translation reserve	7	(55,994,900)		(30,980,575)	
Profit and loss account	7	365,692		362,253	
Shareholders' deficit	7	<u>(55,616,708)</u>		<u>(30,605,822)</u>	

BROADGATE FINANCING PLC

Notes to the accounts for the six months ended 30 September 2011

1. Accounting policies

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

Accounting basis

The information for the year ended 31 March 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

A copy of the statutory accounts for that year has been delivered to the Registrar of companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006

Basis of preparation

The Company's business activities, financial position and financing structure are discussed on page 1. The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Though the Company's balance sheet is currently showing a net liabilities position this is entirely due to the fair value of the derivatives and the Directors believe that this will not affect the Company's ability to meet its continuing obligations as they fall due. They thus continue to adopt the going concern basis of accounting in preparing the financial statements.

The financial information included in this announcement has been prepared on a going concern basis using accounting policies consistent with applicable United Kingdom law and Accounting Standards. The same accounting policies, presentation and methods of computation are followed in the half - yearly report as applied in the company's latest annual audited financial statements. The current period financial information presented in this document is unaudited.

Financial assets

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

Cash flow statement

The company is exempt under FRS 1 (Revised) from preparing a cashflow statement, as its results are included in those of Bluebutton Properties UK Limited.

Financial liabilities

Debt instruments are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method.

Derivative financial instruments

As defined by FRS 26, derivative financial instruments are measured at fair value in the balance sheet. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly in the hedging reserve. Any ineffective portion is recognised in the profit and loss account.

BROADGATE FINANCING PLC

**Notes to the accounts
for the six months ended 30 September 2011**

1. Accounting policies (continued)

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). In particular the group (including this company) became a REIT on 1 January 2007 where income and gains on qualifying assets are exempt from taxation. On 3 November 2009, the sale of 50% of the group to a non-REIT entity resulted in now only 50% of the income and gains on qualifying assets being exempt from taxation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. Debtors

	30 Sep 2011	31 Mar 2011
	Unaudited	Audited
	£	£
Current debtors (receivable within one year)		
Amounts owed by group companies - current account with Broadgate (Funding) 2005 Ltd	46,499,618	46,169,728
Prepayments and accrued income	22,487,607	22,275,902
	<u>68,987,225</u>	<u>68,445,630</u>
Long-term debtors (receivable after more than one year)		
Deferred tax asset (see note 5)	19,673,884	10,885,067
Amounts owed by group companies - Long term loans	1,835,973,559	1,859,215,800
	<u>1,855,647,443</u>	<u>1,870,100,867</u>
3. Creditors due within one year		
	30 Sep 2011	31 Mar 2011
	Unaudited	Audited
	£	£
Debenture loans (see note 4)	46,499,618	46,169,728
Interest rate derivative liabilities*	80,086,824	46,436,544
Amounts owed to group companies - current accounts	14,745,904	14,764,391
Corporation tax	5,250	3,913
Other creditors	6,000	6,000
Accruals and deferred income	18,055,793	17,677,622
	<u>159,399,389</u>	<u>125,058,198</u>

* Includes contracted cash flows with a maturity greater than one year at fair value.

Amounts owed to fellow group companies are repayable on demand.

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Notes to the accounts for the six months ended 30 September 2011

4. Creditors due after one year (including borrowings)		30 Sep 2011	31 Mar 2011
		Unaudited	Audited
		£	£
Debentures and loans	due 1 to 2 years	46,966,188	46,765,677
	due 2 to 5 years	146,879,951	145,135,726
	due after 5 years	1,642,127,420	1,667,314,397
		1,835,973,559	1,859,215,800

Hedge accounting

The company uses interest rates swaps to hedge exposure to the variability in cash flows on floating rate debt. At 30 September 2011 the market value of these derivatives, which have been designated cash flow hedges under FRS 26, is a liability of £80.1m (31 March 2011: £46.4m).

The Treasury Function

The company finances its operations by a mixture of equity and public debt issues. The company borrows in Sterling at both fixed and floating rates of interest, using interest rate derivatives to hedge the interest rate exposure on the floating rate loans.

Risk Management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. In order to manage this risk, management regularly monitors all amounts that are owed to the company to ensure that amounts are paid in full and on time.

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. This risk is managed through day to day monitoring of future cash flow requirements to ensure that the company has enough resources to repay all future amounts outstanding.

The Company's activities expose it primarily to interest rate risk. The group uses interest rate swap contracts to hedge these exposures. The group does not use derivative financial instruments for speculative purposes.

The ineffectiveness recognised in the income statement on cash flow hedges for the 6 months ended 30 September 2011 was £nil (31 March 2011: £nil). The table below summarises variable rate debt hedged at 30 September 2011.

		30 Sep 2011	31 Mar 2011
		Unaudited	Audited
		£	£
Outstanding:	after one year	420,625,000	439,416,510
	after two years	383,041,510	401,833,490
	after five years	274,382,460	292,492,390

Borrowings repayment analysis

Borrowings are repayable as follows:

Within one year	46,499,618	46,169,728
1-2 years	46,966,188	46,765,677
2-5 years	146,879,951	145,135,726
	240,345,757	238,071,131
After 5 years	1,642,127,420	1,667,314,397
Total	1,882,473,177	1,905,385,528
Fair value of interest rate derivative liabilities	80,086,824	46,436,544
	1,962,560,001	1,951,822,072

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Notes to the accounts for the six months ended 30 September 2011

4. Creditors due after one year (including borrowings) - continued

	30 Sep 2011 Unaudited	31 Mar 2011 Audited
	£	£
Secured on the assets of the Broadgate Property Holdings Group		
Class A1 Floating Rate Bonds due 2032 *	225,000,000	225,000,000
Class A2 4.949% Bonds due 2031	268,638,300	272,867,490
Class A3 4.851% Bonds due 2033	175,000,000	175,000,000
Class A4 4.821% Bonds due 2036	400,000,000	400,000,000
Class B 4.999% Bonds due 2033	365,626,387	365,518,038
Class C1 Floating Rate Bonds due 2022 *	166,458,490	176,250,000
Class C2 5.098% Bonds due 2035	215,000,000	215,000,000
Class D Floating Rate Bonds due 2025 *	66,750,000	75,750,000
Total borrowings	1,882,473,177	1,905,385,528
Fair value of interest rate derivative liabilities	80,086,824	46,436,544
	1,962,560,001	1,951,822,072

* At 30 September 2011 taking into account the effect of derivatives, 100% (31 March 2011: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £2,650m (31 March 2011: £2,566m) and cash and deposits of £nil (31 March 2011: £nil). The weighted average interest rate of the bonds is 5.01% (31 March 2011: 5.02%). The weighted average maturity of the bonds is 14.9 years (31 March 2011: 15.3 years).

At 30 September 2011 the company was financed by £1,882m bonds (31 March 2011: £1,905m bonds).

The market value of the bonds at 30 September 2011 was £98.0m less than the book value (31 March 2011: £187.0m less than the book value).

There is an undrawn 364 day revolving liquidity facility totalling £185m which is only available for requirements of the Broadgate securitisation.

The fair values of the bonds have been established by obtaining quoted market prices from brokers. The derivatives have been valued by calculating the present value of future cash flows, using appropriate market discount rates, by an independent treasury advisor.

5. Deferred tax asset	30 Sep 2011 Unaudited	31 Mar 2011 Audited
	£	£
1 April 2011	10,885,067	13,432,790
Debited / (credited) to hedging and translation reserve	8,788,817	(2,547,723)
30 September 2011	19,673,884	10,885,067

The Directors consider that a deferred tax asset, that relates primarily to timing differences arising with respect to the revaluation of interest rate derivatives, is required to be provided for in the current year.

6. Share capital

	30 Sep 2011 Unaudited	31 Mar 2011 Audited
	£	£
Issued share capital - allotted, called up and partly paid		
Ordinary Shares of £1 each called up to the extent of £0.25 each		
Balance as at 1 April 2011 and as at 30 September 2011: 50,000 shares	12,500	12,500

BROADGATE FINANCING PLC

Notes to the accounts for the six months ended 30 September 2011

7. Reconciliation of movements in shareholders' funds and reserves

	Share capital	Hedging & translation reserve	Profit and loss account	Total
	£	£	£	£
Opening shareholders' deficit - audited	12,500	(30,980,575)	362,253	(30,605,822)
Profit for the financial period			3,439	3,439
Derivatives valuation movement		(33,803,142)		(33,803,142)
Taxation on hedging and translation movements		8,788,817		8,788,817
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' deficit - unaudited	12,500	(55,994,900)	365,692	(55,616,708)

8. Capital commitments

The company had capital commitments contracted at 30 Sep 2011 of £nil (31 Mar 2011 - £nil).

9. Immediate parent and ultimate holding company

The immediate parent company is Broadgate Property Holdings Limited.

Bluebutton Properties UK Limited is the smallest and largest group for which group accounts are available and which include the company. The ultimate holding company is Bluebutton Properties Limited (Jersey Registered), a joint venture between The British Land Company PLC and BRE/Brick Limited. The accounts of Bluebutton Properties UK Limited are available on request from The British Land Company PLC, York House, 45 Seymour Street, London, W1H 7LX.