
Broadgate Financing PLC

Annual Report and Accounts

Year ended 31 March 2014

Company number: 5316365

Broadgate Financing PLC

STRATEGIC REPORT for the year ended 31 March 2014

Business review and principal activities

The company is a wholly owned subsidiary of Broadgate Property Holdings Limited and operates as a constituent of the Bluebutton Properties Limited group of companies ("the group"). Bluebutton Properties Limited operates as a joint venture between The British Land Company PLC and Euro Clover Private Limited. The company's principal activity is to provide funding to fellow subsidiaries of Bluebutton Properties Limited. During the year to 31 March 2014, Euro Clover Private Limited, a company ultimately controlled by GIC, Singapore's sovereign wealth fund, acquired the 50% interest in Bluebutton Properties Limited previously owned by BRE/Brick Limited, a company ultimately controlled by Blackstone Real Estate Partners Europe II and Blackstone Real Estate Partners VI, as described in note 18.

As shown in the company's profit and loss account on page 5, the company's profit before tax has remained consistent with the prior year. External interest payable has reduced by £0.9m due to bond amortisation in the period though this is offset by an increase in commitment fees of £0.7m. The increase in commitment fees mirrors the increase in interest receivable of £0.7m which is principally due to the term loan having been placed on deposit for a full year. Interest charged on the loan to Broadgate (Funding) 2005 Limited is at the same rate as the interest paid on the bonds, therefore group interest receivable has reduced by £0.9m.

No dividends (2013 : £nil) were paid in the year.

The balance sheet on page 7 shows that the company's financial position at the year end is, in net liability terms, a decrease from the prior year.

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 property group generate returns to shareholders through long-term investment decisions requiring the evaluation of opportunities arising in the following areas:

- 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; 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 senior executives and is considered and managed on a continuous basis. Executives use their knowledge and experience to knowingly accept a measured degree of market risk.

The group's preference for prime assets and their secure long term contracted rental income, primarily with upward only rent review clauses, presents lower risks than many other property portfolios.

Broadgate Financing PLC

**STRATEGIC REPORT
for the year ended 31 March 2014**

Principal risks and uncertainties (continued)

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.

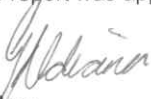
Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. This risk is managed through day to day monitoring of future cash flow requirements to ensure that the company has enough resources to repay all future amounts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

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

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

The company holds three derivatives as at 31 March 2014 (2013: three) to fix the LIBOR rate on external debt at approximately 4.86% (2013: 4.87%). The fair value of interest rate derivatives at the year end is a liability of £53.7m (2013: £81.8m liability).

This report was approved by the Board on 23 July 2014



N Ekpo
Secretary

Broadgate Financing PLC

REPORT OF THE DIRECTORS for the year ended 31 March 2014

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 31 March 2014.

Going concern

The directors consider the company to be a going concern and the accounts are prepared on this basis. Details of this are shown in note 1 of the financial statements.

Subsequent events

Details of significant events since the balance sheet date, if any, are contained in note 17.

Environment

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 include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Directors

The directors who served during the year were:

A Braine
L M Bell

Directors' responsibilities statement

The directors are responsible 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 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.

Broadgate Financing PLC

**REPORT OF THE DIRECTORS
for the year ended 31 March 2014**

Disclosure of information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP was the auditor of the company for the year ended 31 March 2014. A resolution to reappoint Deloitte LLP as auditors will be considered at the forthcoming Annual General Meeting.

This report was approved by the Board on 23 July 2014



N Ekpo
Secretary

Broadgate Financing PLC

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
Broadgate Financing PLC
for the year ended 31 March 2014**

We have audited the financial statements of Broadgate Financing PLC for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



William Crane BSc ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, UK

28 July 2014

Broadgate Financing PLC

**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2014**

	Note	2014 £	2013 £
Administrative expenses		(1,000)	(1,044)
Operating loss		<u>(1,000)</u>	<u>(1,044)</u>
Loss on ordinary activities before interest		<u>(1,000)</u>	<u>(1,044)</u>
Interest receivable			
Group	3	90,735,518	91,630,349
External - other	3	924,228	277,494
Interest payable			
Group	3	(69,988)	(77,405)
External - bank overdrafts and loans (including derivatives)	3	(91,580,723)	(91,821,310)
Profit on ordinary activities before taxation	2	<u>8,035</u>	<u>8,084</u>
Taxation	5	(1,848)	(1,940)
Profit for the financial year	13	<u><u>6,187</u></u>	<u><u>6,144</u></u>

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2014

		2014	2013
		£	£
Profit on ordinary activities after taxation		6,187	6,144
Derivative valuation movements on net investments	13	27,732,877	(4,998,888)
Deferred tax (debited) credited on derivative valuation movements on net investments	11,13	(7,880,785)	432,600
Total recognised gains and losses relating to the financial year		<u>19,858,279</u>	<u>(4,560,144)</u>

Broadgate Financing PLC

**BALANCE SHEET
as at 31 March 2014**

	Note	2014		2013	
		£	£	£	£
Fixed assets					
Investment properties	6		-		-
Investments	7		-		-
			-		-
Current assets					
Debtors - due within one year	8	69,626,618		67,703,205	
Debtors - due after more than one year	8	1,727,284,400		1,783,781,272	
Cash and deposits		200,130,484		200,130,312	
		1,997,041,502		2,051,614,789	
Creditors due within one year	9		(319,437,875)		(345,253,355)
Net current assets (including long term debtors)			1,677,603,627		1,706,361,434
Total assets less current liabilities			1,677,603,627		1,706,361,434
Creditors due after one year	10		(1,717,269,582)		(1,765,885,668)
Net liabilities			(39,665,955)		(59,524,234)
Capital and reserves					
Called up share capital	12		12,500		12,500
Hedging and translation reserve	13		(40,059,276)		(59,911,368)
Profit and loss account	13		380,821		374,634
Shareholder's deficit	13		(39,665,955)		(59,524,234)

The financial statements of Broadgate Financing PLC, company number 5316365, were approved by the Board of Directors on *23rd July* 2014 and signed on its behalf by:

Director



Broadgate Financing PLC

Notes to the accounts for the year ended 31 March 2014

1. Accounting policies

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

These financial statements are designed to cover a wide variety of companies and circumstances. As a result some notes or some entries in the primary statements or the notes may not be relevant for this company and so may be left blank intentionally.

Accounting basis

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards and under the historical cost convention as modified by the revaluation of investment properties and other fixed asset investments.

Basis of preparation

The net liability position of the balance sheet at the year end is as a result of market swap rates being below the fixed rate payable on the company's interest rate swaps. This has had a detrimental effect on the fair value of the company's interest rate derivatives at the year end. The interest rate swaps fix the rate payable on the company's liabilities at a rate slightly below the interest on loans receivable. The change in mark to market is not envisaged to have an impact on the company's cash flow for the foreseeable future.

Having reviewed the company's forecast working capital and cash flow requirements, in addition to making enquiries and examining areas which could give risk to financial exposure, the directors have a reasonable expectation that the company has adequate resources to continue its operations for the foreseeable future. As a result they continue to adopt the going concern basis in preparing the accounts.

Financial assets

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

Cash flow statement

The company is exempt under FRS 1 (Revised) from preparing a cash flow statement.

Financial liabilities - borrowings

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.

Interest payable and receivable

Interest payable and receivable is recognised as incurred under the accruals concept. Interest payable includes financing charges which are spread over the period to redemption, using the effective interest method. Commitment fees on non-utilised facilities are also included within interest payable.

Broadgate Financing PLC

Notes to the accounts for the year ended 31 March 2014

1. Accounting policies (continued)

Investments

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

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. Profit on ordinary activities before taxation

Auditor's remuneration

A notional charge of £3,796 (2013: £3,796) per company is deemed payable to Deloitte LLP in respect of the audit of the financial statements. Actual amounts payable to Deloitte LLP are paid by Bluebutton Properties UK Limited.

No non-audit fees (2013 : £nil) were paid to Deloitte LLP.

Broadgate Financing PLC

Notes to the accounts for the year ended 31 March 2014

3. Interest Payable and receivable	2014	2013
	£	£
Interest payable on		
Bank loans and overdrafts	(1,260,125)	(610,434)
Bonds	(73,831,225)	(74,116,976)
Derivatives	(16,489,373)	(17,093,900)
	<u>(91,580,723)</u>	<u>(91,821,310)</u>
Group loans	(69,988)	(77,405)
Total interest payable	<u>(91,650,711)</u>	<u>(91,898,715)</u>
Interest receivable on		
Cash and deposits	924,228	277,494
Group loans and receivables	90,735,518	91,630,349
Total interest receivable	<u>91,659,746</u>	<u>91,907,843</u>

4. Staff costs

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

Average number of employees, excluding directors, of the company during the year was nil (2013 : nil).

5. Taxation	2014	2013
	£	£
Current tax		
UK corporation tax	1,848	1,940
Adjustments in respect of prior years	-	-
Total current taxation charge (credit)	<u>1,848</u>	<u>1,940</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Prior year items	-	-
Total deferred tax charge (credit)	<u>-</u>	<u>-</u>
Total taxation charge (credit)	<u>1,848</u>	<u>1,940</u>
Tax reconciliation		
Profit on ordinary activities before taxation	<u>8,035</u>	<u>8,084</u>
Tax on profit on ordinary activities at UK corporation tax rate of 23% (2013: 24%)	1,848	1,940
Effects of:		
REIT conversion charge	-	-
REIT exempt income and gains	-	-
Capital allowances	-	-
Tax losses and other timing differences	-	-
(Income not taxable) expenses not deductible for tax purposes	-	-
Transfer pricing adjustments	-	-
Group relief (claimed) surrendered for nil consideration	-	-
Consideration paid for group relief claimed	-	-
Adjustments in respect of prior years	-	-
Current tax charge (credit)	<u>1,848</u>	<u>1,940</u>

Included in the tax charge is a net charge of £nil (2013: £nil) attributable to property sales.

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date

Broadgate Financing PLC

**Notes to the accounts
for the year ended 31 March 2014**

6. Investment properties

	Development £	Freehold £	Long leasehold £	Short leasehold £	Total £
At valuation					
1 April 2013	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluation surplus (deficit)	-	-	-	-	-
31 March 2014	-	-	-	-	-
Analysis of cost and valuation					
31 March 2014					
Cost	-	-	-	-	-
Revaluation	-	-	-	-	-
Net book value	-	-	-	-	-
31 March 2013					
Cost	-	-	-	-	-
Revaluation	-	-	-	-	-
Net book value	-	-	-	-	-

Properties were valued as at 31 March 2014 by Knight Frank LLP on the basis of Market Value, in accordance with the RICS Valuation – Professional Standards 2014, Ninth Edition, published by The Royal Institution of Chartered Surveyors.

Broadgate Financing PLC

**Notes to the accounts
for the year ended 31 March 2014**

7. Investments

	Shares in subsidiaries £	Other investments £	Total £
At cost or underlying net asset value of investment			
1 April 2013	-	-	-
Additions	-	-	-
Disposals	-	-	-
Provision written-back (written-down)	-	-	-
31 March 2014	<u>-</u>	<u>-</u>	<u>-</u>
Provision for underlying net asset change			
1 April 2013	-	-	-
Provision written-back (written-down)	-	-	-
Disposals	-	-	-
31 March 2014	<u>-</u>	<u>-</u>	<u>-</u>
At cost			
31 March 2014	<u>-</u>	<u>-</u>	<u>-</u>
31 March 2013	<u>-</u>	<u>-</u>	<u>-</u>

Broadgate Financing PLC

**Notes to the accounts
for the year ended 31 March 2014**

8. Debtors	2014	2013
	£	£
Current debtors (receivable within one year)		
Trade debtors	-	-
Amounts owed by group companies - current account with Broadgate (Funding) 2005 Limited	48,616,087	46,564,455
Amounts owed by associated companies - current accounts	-	-
Corporation tax	-	-
Other debtors	-	-
Prepayments and accrued income	21,010,531	21,138,750
	<u>69,626,618</u>	<u>67,703,205</u>
Long-term debtors (receivable after more than one year)		
Deferred tax asset (see note 11)	10,014,819	17,895,604
Amounts owed by group companies - Long term loans	1,717,269,581	1,765,885,668
	<u>1,727,284,400</u>	<u>1,783,781,272</u>
9. Creditors due within one year	2014	2013
	£	£
Term Loan	185,000,000	185,000,000
Trade creditors	-	-
Debenture loans (see note 10)	48,616,087	46,564,455
Interest rate derivative liabilities*	53,716,694	81,782,104
Amounts owed to group companies - current accounts	14,746,232	14,747,487
Amounts owed to associated companies - current accounts	-	-
Corporation tax	3,338	3,430
Other taxation and social security	-	-
Other creditors	9,000	8,000
Accruals and deferred income	17,346,524	17,147,879
	<u>319,437,875</u>	<u>345,253,355</u>

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

Amounts owed to fellow group companies are repayable on demand. There is no interest charged on these balances.

The term loan of £185m represents a revolving liquidity facility with The Royal Bank Of Scotland PLC. The cash received is held on deposit.

Broadgate Financing PLC
Notes to the accounts
for the year ended 31 March 2014

10. Creditors due after one year (including borrowings)		2014	2013
		£	£
Debtures and loans	due 1 to 2 years	49,955,185	48,616,087
	due 2 to 5 years	154,061,528	151,960,394
	due after 5 years	1,513,252,869	1,565,309,187
		<u>1,717,269,582</u>	<u>1,765,885,668</u>

Hedge accounting

The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt. At 31 March 2014 the market value of these derivatives, which have been designated cash flow hedges under FRS 26, is a liability of £53.7m (2013: £81.8m liability). The valuation movement reflects the reduction in Sterling interest rates since the beginning of the year.

The Treasury Function

The company borrows in Sterling at both fixed and floating rates of interest, using interest rate derivatives to hedge the interest rate risk on variable rate debt.

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2014 was £nil (2013 :£nil). The table below summarises variable rate debt hedged at 31 March 2014.

		2014	2013
		£	£
Outstanding:	after one year	328,711,760	364,931,600
	after two years	292,492,390	328,711,760
	after five years	183,833,340	220,052,710

Secured bonds repayment analysis

Repayments due:			
Within one year		48,616,087	46,564,455
1-2 years		49,955,185	48,616,087
2-5 years		154,061,528	151,960,394
		<u>252,632,800</u>	<u>247,140,936</u>
After 5 years		1,513,252,869	1,565,309,187
Total borrowings		<u>1,765,885,669</u>	<u>1,812,450,123</u>
Fair value of interest rate derivative liabilities		53,716,694	81,782,104
		<u>1,819,602,363</u>	<u>1,894,232,227</u>

Secured bonds on the assets of the Broadgate Property Holding Group

Class A1 Floating Rate Bonds due 2032	218,181,600	225,000,000	
Class A2 4.949% Bonds due 2031	245,521,710	255,178,350	
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	365,432,359	365,438,283	
Class C1 Floating Rate Bonds due 2022	117,500,000	137,083,490	
Class C2 5.098% Bonds due 2035	215,000,000	215,000,000	
Class D Floating Rate Bonds due 2025	29,250,000	39,750,000	
Total borrowings	<u>1,765,885,669</u>	<u>1,812,450,123</u>	
Fair value of interest rate derivative liabilities	53,716,694	81,782,104	
		<u>1,819,602,363</u>	<u>1,894,232,227</u>

At 31 March 2014 taking into account the effect of derivatives, 100% (2013: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £2,922m (2013: £2,716m) and cash of £nil (2013: £nil). The weighted average interest rate of the bonds is 5.06% (2013: 4.99%). The weighted average maturity of the bonds is 13.3 years (2013: 14.0 years).

Broadgate Financing PLC

Notes to the accounts for the year ended 31 March 2014

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

On 2 March 2005 the company issued Bonds with a nominal value of £2,080,000,000 for proceeds of £2,080,710,056.

At 31 March 2014 the company was financed by £1,766m bonds (2013: £1,812m).

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

Except as detailed below, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

	2014	2013
	£	£
Debenture loans	<u>1,881,186,111</u>	<u>1,964,126,606</u>

Risk Management

Capital risk management:

The company finances its operations by a mixture of equity and public debt issues to ensure that sufficient competitively priced finance is available to support the property strategy of the Bluebutton Properties Limited group.

The approach adopted has been to engage in debt financing with long term maturity dates and as such the bonds issued are due between 2025 and 2036. Including debt amortisation 85.7% (2013: 86.4%) of the total borrowings is due for payment after 5 years. There are no immediate debt refinancing requirements.

The company aims to ensure that potential debt providers understand the business and a transparent approach is adopted with lenders so they can understand the level of their exposure within the overall context of the Bluebutton Properties Limited group.

The principal bond covenant is that net rental income from secured properties should exceed debt interest and amortisation.

Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The carrying amount of financial assets recorded in the financial statements represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and deposits at 31 March 2014 amounted to £200m (2013: £200m) and are placed with European Financial institutions with A or better credit ratings. At 31 March 2014, prior to taking account of any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits and interest rate swaps was £200m (2013: £200m). This represents 10.02% (2013: 9.75%) of gross assets.

The company's principal credit risk relates to an intra-group loan to Broadgate (Funding) 2005 Limited. At 31 March 2014 this loan stood at £1,765,885,669 (2013: £1,812,450,123). The purpose of this loan is to provide funding to fellow subsidiaries of the Bluebutton Properties Limited group.

At 31 March 2014, the fair value of all interest rate derivatives which had a positive value was £nil (2013: £nil).

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:

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

Interest rate risk:

The Company's activities expose it 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.

Broadgate Financing PLC

**Notes to the accounts
for the year ended 31 March 2014**

11. Deferred tax asset	2014	2013
	£	£
1 April	17,895,604	17,463,004
Credited (debited) to hedging and translation reserve	(7,880,785)	432,600
31 March	<u>10,014,819</u>	<u>17,895,604</u>

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 recognised in the current and prior year.

12. Share capital	2014	2013
	£	£
Issued share capital - allotted, called up and fully paid		
Ordinary Shares of £1 each called up to the extent of £0.25 each		
Balance as at 1 April and as at 31 March : 50,000 shares	<u>12,500</u>	<u>12,500</u>

13. Reconciliation of movements in shareholder's funds and reserves

	Share capital	Hedging & translation reserve	Profit and loss account	Total
	£	£	£	£
Opening shareholder's funds (deficit)	12,500	(59,911,368)	374,634	(59,524,234)
Profit for the financial year	-	-	6,187	6,187
Dividends	-	-	-	-
Shares allotted in the year	-	-	-	-
Derivative valuation movements on net investments	-	27,732,877	-	27,732,877
Unrealised surplus (deficit) on revaluation of investment properties	-	-	-	-
Taxation on hedging translation movements	-	(7,880,785)	-	(7,880,785)
Realisation of prior year revaluations	-	-	-	-
Closing shareholder's funds (deficit)	<u>12,500</u>	<u>(40,059,276)</u>	<u>380,821</u>	<u>(39,665,955)</u>

Broadgate Financing PLC

Notes to the accounts for the year ended 31 March 2014

14. Capital commitments

The company had capital commitments contracted as at 31 March 2014 of £nil (2013 : £nil).

15. Contingent liabilities

The company had no contingent liabilities as at as at 31 March 2014 (2013: £nil).

16. Related parties

The company has taken advantage of the exemption granted to wholly owned subsidiaries not to disclose transactions with group companies under the provisions of Financial Reporting Standard 8.

17. Subsequent events

There have been no significant events since the year end.

18. Immediate parent and ultimate holding company

The immediate parent company is Broadgate Property Holdings Limited.

The ultimate holding company is Bluebutton Properties Limited (Jersey Registered), a joint venture between The British Land Company PLC and Euro Clover Private Limited. During the year to 31 March 2014, Euro Clover Private Limited, a company ultimately controlled by GIC, Singapore's sovereign wealth fund, acquired the 50% interest in Bluebutton Properties Limited previously owned by BRE/Brick Limited, a company ultimately controlled by Blackstone Real Estate Partners Europe II and Blackstone Real Estate Partners VI.

Bluebutton Properties UK Limited is the smallest and largest group for which group accounts are available and which include the company. The accounts of Bluebutton Properties UK Limited can be obtained from The British Land Company PLC, York House, 45 Seymour Street, London W1H 7LX.