
Broadgate Financing PLC

Annual Report and Accounts

Year ended 31 March 2012

Company number: 5316365

Broadgate Financing PLC

REPORT OF THE DIRECTORS for the year ended 31 March 2012

The directors submit their report and financial statements for the year ended 31 March 2012.

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 joint venture was formed on 3 November 2009. The company's principal activity is to provide funding to fellow subsidiaries of Bluebutton Properties Limited.

Business review

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. Within the profit and loss account significant movements relate to external interest payable and group interest receivable. External interest payable has reduced by £2.2m principally due to bond amortisation in the period. Interest is charged on the loan to Broadgate (Funding) 2005 Limited at the same rate as the interest paid on the bonds, therefore group interest receivable has also reduced by £2.2m.

No dividends (2011: £nil) were paid in the year.

The balance sheet on page 7 shows that the company has net liabilities of £55.0m at 31 March 2012. Net liabilities have increased since the prior year principally due to adverse movements in the fair value of interest rate derivatives.

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

Risk management

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:

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

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. In order to manage this risk, management regularly monitors 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 2012 (2011: three) to fix the LIBOR rate on external debt at approximately 4.87% (2011: 4.88%). The fair value of interest rate derivatives at the year end is a liability of £76.7m (2011: £46.4m liability).

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.

Broadgate Financing PLC

REPORT OF THE DIRECTORS for the year ended 31 March 2012

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

Directors

The directors who served during the year were:

A Braine

L M Bell

G C Roberts (resigned 30 June 2011)

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.

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
2. the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties it faces

Payments policy

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. Suppliers' days outstanding at 31 March 2012 were 29 (2011 : 34).

Broadgate Financing PLC

**REPORT OF THE DIRECTORS
for the year ended 31 March 2012**

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

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the Annual General Meeting.

This report was approved by the Board on 30 July 2012



N Ekpo
Secretary

Broadgate Financing PLC

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
Broadgate Financing PLC
for the year ended 31 March 2012**

We have audited the financial statements of Broadgate Financing PLC for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses 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. 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 2012 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.

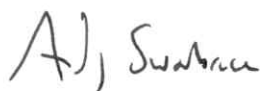
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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.



Andrew Swarbrick BA FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, UK

30 July 2012

Broadgate Financing PLC

**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2012**

	Note	2012 £	2011 £
Administrative expenses		(997)	(1,000)
Operating loss		<u>(997)</u>	<u>(1,000)</u>
Loss on ordinary activities before interest		<u>(997)</u>	<u>(1,000)</u>
Interest receivable			
Group - loans and receivables	3	94,671,112	96,916,224
External - other	3	113,731	99,419
Interest payable			
Group	3	(113,732)	(99,418)
External - bank overdrafts and loans (including derivatives)	3	(94,661,685)	(96,906,573)
Profit on ordinary activities before taxation	2	<u>8,429</u>	<u>8,652</u>
Taxation	5	(2,192)	(2,423)
Profit for the financial year	13	<u><u>6,237</u></u>	<u><u>6,229</u></u>

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2012

		2012	2011
		£	£
Profit on ordinary activities after taxation		6,237	6,229
Derivative valuation movements on net investments	13	(30,942,442)	6,108,608
Deferred tax credited (debited) on derivative valuation movements on net investments	11,13	6,577,937	(2,547,723)
Total recognised gains and losses relating to the financial year		<u>(24,358,268)</u>	<u>3,567,114</u>

Broadgate Financing PLC

BALANCE SHEET
as at 31 March 2012

	Note	2012		2011	
		£	£	£	£
Fixed assets					
Investment properties	6	-	-	-	-
Investments	7	-	-	-	-
Current assets					
Debtors - due within one year	8	68,719,667	68,445,630		
Debtors - due after more than one year	8	1,829,913,127	1,870,100,867		
Cash and deposits		15,130,061	15,121,679		
		<u>1,913,762,855</u>	<u>1,953,668,176</u>		
Creditors due within one year	9	(156,276,822)	(125,058,198)		
Net current assets (includes long term debtors)		1,757,486,033	1,828,609,978		
Total assets less current liabilities		<u>1,757,486,033</u>	<u>1,828,609,978</u>		
Creditors due after one year	10	(1,812,450,123)	(1,859,215,800)		
Net liabilities		<u>(54,964,090)</u>	<u>(30,605,822)</u>		
Capital and reserves					
Called up share capital	12	12,500	12,500		
Hedging and translation reserve	13	(55,345,080)	(30,980,575)		
Profit and loss account	13	368,490	362,253		
Shareholders' deficit	13	<u>(54,964,090)</u>	<u>(30,605,822)</u>		

The financial statements of Broadgate Financing PLC, company number 5316365, were approved by the Board of Directors on 30 July 2012 and signed on its behalf by:

Lo Bell

Lo Bell
Director

Broadgate Financing PLC

Notes to the accounts for the year ended 31 March 2012

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 2012

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. Profit on ordinary activities before taxation

Auditor's remuneration

A notional charge of £1,240 (2011: £1,200) 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 at group level by Bluebutton Properties UK Limited.

No non-audit fees (2011 : £nil) were paid to Deloitte LLP.

Broadgate Financing PLC

**Notes to the accounts
for the year ended 31 March 2012**

3. Interest Payable and receivable	2012	2011
	£	£
Interest payable on		
Bank loans and overdrafts	(407,000)	(407,000)
Bonds	(76,242,058)	(76,051,647)
Derivatives	<u>(18,012,627)</u>	<u>(20,447,926)</u>
	(94,661,685)	(96,906,573)
Group loans	<u>(113,732)</u>	<u>(99,418)</u>
Total interest payable	<u>(94,775,417)</u>	<u>(97,005,991)</u>
Interest receivable on		
Cash and deposits	113,731	99,419
Group loans and receivables	<u>94,671,112</u>	<u>96,916,224</u>
Total interest receivable	<u>94,784,843</u>	<u>97,015,643</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 (2011 - nil).

5. Taxation	2012	2011
	£	£
Current tax		
UK corporation tax	2,192	2,423
Adjustments in respect of prior years	-	-
Total current taxation charge (credit)	<u>2,192</u>	<u>2,423</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Prior year items	-	-
Total deferred tax charge (credit)	-	-
Total taxation charge (credit)	<u>2,192</u>	<u>2,423</u>

Tax reconciliation

Profit on ordinary activities before taxation	<u>8,429</u>	<u>8,652</u>
Tax on profit on ordinary activities at UK corporation tax rate of 26% (2011: 28%)	2,192	2,423
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	-	-
Adjustments in respect of prior years	-	-
Current tax charge (credit)	<u>2,192</u>	<u>2,423</u>

Included in the tax charge is a net charge of £nil (2011: £nil) attributable to property sales.

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These rate reductions became substantively enacted in March 2012 and July 2012, respectively. The UK Government also proposed to further reduce the standard rate of the UK Corporation tax to 22% effective 1 April 2014, but this change has not yet been substantively enacted. The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

Broadgate Financing PLC

**Notes to the accounts
for the year ended 31 March 2012**

6. Investment properties

	Development £	Freehold £	Long leasehold £	Short leasehold £	Total £
At valuation					
1 April 2011	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluation surplus (deficit)	-	-	-	-	-
31 March 2012	-	-	-	-	-
Analysis of cost and valuation					
31 March 2012					
Cost	-	-	-	-	-
Revaluation	-	-	-	-	-
Net book value	-	-	-	-	-
1 April 2011					
Cost	-	-	-	-	-
Revaluation	-	-	-	-	-
Net book value	-	-	-	-	-

Properties were valued as at 31 March 2012 by Knight Frank LLP on the basis of Market Value, in accordance with the Appraisal and Valuation Standards, sixth edition, published by The Royal Institution of Chartered Surveyors.

Broadgate Financing PLC

Notes to the accounts
for the year ended 31 March 2012

7. Investments

	Shares in subsidiaries £	Other investments £	Total £
At cost or underlying net asset value of investment			
1 April 2011	-	-	-
Additions	-	-	-
Disposals	-	-	-
Provision written-back (written-down)	-	-	-
31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>
Provision for underlying net asset change			
1 April 2011	-	-	-
Provision written-back (written-down)	-	-	-
Disposals	-	-	-
31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>
At cost			
31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>
1 April 2011	<u>-</u>	<u>-</u>	<u>-</u>

Broadgate Financing PLC

**Notes to the accounts
for the year ended 31 March 2012**

8. Debtors	2012	2011
	£	£
Current debtors (receivable within one year)		
Trade debtors	-	-
Amounts owed by group companies - Broadgate (Funding) 2005 Limited	46,765,677	46,169,728
Amounts owed by associated companies - current accounts	-	-
Corporation tax	-	-
Other debtors	-	-
Prepayments and accrued income	21,953,990	22,275,902
	<u>68,719,667</u>	<u>68,445,630</u>

Included in prepayments and accrued income is an amount of £nil (2011 : £nil), relating to lease incentives, and an amount of £nil (2011: £nil) relating to a fixed and guaranteed rent review debtor, which are amortised over the period to the next rent review which may be due after more than one year.

Long-term debtors (receivable after more than one year)

Deferred tax asset (see note 11)	17,463,004	10,885,067
Amounts owed by group companies - Long term loans	1,812,450,123	1,859,215,800
	<u>1,829,913,127</u>	<u>1,870,100,867</u>

9. Creditors due within one year	2012	2011
	£	£
Trade creditors	-	-
Debenture loans (see note 10)	46,765,677	46,169,728
Interest rate derivative liabilities*	76,726,928	46,436,544
Amounts owed to group companies - current accounts	14,774,587	14,764,391
Amounts owed to associated companies - current accounts	-	-
Corporation tax	2,192	3,913
Other taxation and social security	-	-
Other creditors	7,000	6,000
Accruals and deferred income	18,000,438	17,677,622
	<u>156,276,822</u>	<u>125,058,198</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.

Broadgate Financing PLC
Notes to the accounts
for the year ended 31 March 2012

10. Creditors due after one year (including borrowings)		2012	2011
		£	£
Debentures and loans	due 1 to 2 years	46,564,455	46,765,677
	due 2 to 5 years	149,260,508	145,135,726
	due after 5 years	1,616,625,160	1,667,314,397
		1,812,450,123	1,859,215,800

Hedge accounting

The company uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt. At 31 March 2012 the market value of these derivatives, which have been designated cash flow hedges under FRS 26, is a liability of £76.7m (2011: £46.4m 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 2012 was £nil (2011 :£nil). The table below summarises variable rate debt hedged at 31 March 2012.

		2012	2011
		£	£
Outstanding:	after one year	401,833,490	439,416,510
	after two years	364,931,600	401,833,490
	after five years	256,272,550	292,492,390

Borrowings repayment analysis

Repayments due:			
Within one year		46,765,677	46,169,728
1-2 years		46,564,455	46,765,677
2-5 years		149,260,508	145,135,726
		242,590,640	238,071,131
After 5 years		1,616,625,160	1,667,314,397
Total borrowings		1,859,215,800	1,905,385,528
Fair value of interest rate derivative liabilities		76,726,928	46,436,544
		1,935,942,728	1,951,822,072

Secured bonds on the assets of the Broadgate Property Holding Group

Class A1 Floating Rate Bonds due 2032	225,000,000	225,000,000
Class A2 4.949% Bonds due 2031	264,283,110	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	365,516,180	365,518,038
Class C1 Floating Rate Bonds due 2022	156,666,510	176,250,000
Class C2 5.098% Bonds due 2035	215,000,000	215,000,000
Class D Floating Rate Bonds due 2025	57,750,000	75,750,000
Total borrowings	1,859,215,800	1,905,385,528
Fair value of interest rate derivative liabilities	76,726,928	46,436,544
	1,935,942,728	1,951,822,072

At 31 March 2012 taking into account the effect of derivatives, 100% (2011: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £2,666m (2011: £2,566m) and cash of £nil (2011: £nil). The weighted average interest rate of the bonds is 5.01% (2011: 5.02%). The weighted average maturity of the bonds is 14.6 years (2011: 15.3 years).

Broadgate Financing PLC

Notes to the accounts for the year ended 31 March 2012

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 2012 the company was financed by £1,859m bonds (2011: £1,905m).

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:

	2012 £	2011 £
Debenture loans	<u>1,782,478,465</u>	<u>1,718,401,165</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 87.0% (2011: 87.5%) of the total borrowings is due for payment after 5 years. There are no immediate debt refinancing requirements.

The company maintains an undrawn revolving liquidity facility which provides financial liquidity. This facility is only available for requirements of the Broadgate securitisation. At 31 March 2012 this facility was £185.0m (2011: £185.0m).

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 2012 amounted to £15.1m (2011: £15.1m) and are placed with European Financial institutions with A or better credit ratings. At 31 March 2012, 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 £15.0m (2011: £15.0m). This represents 0.8% (2011: 0.8%) of gross assets.

The company's principal credit risk relates to an intra-group loan to Broadgate (Funding) 2005 Limited. At 31 March 2012 this loan stood at £1,859,215,800 (2011: £1,905,385,528). The purpose of this loan is to provide funding to fellow subsidiaries of the Bluebutton Properties Limited group.

At 31 March 2012, the fair value of all interest rate derivatives which had a positive value was £nil (2011: £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 2012**

11. Deferred tax asset	2012	2011
	£	£
1 April	10,885,067	13,432,790
Credited (debited) to hedging and translation reserve	6,577,937	(2,547,723)
31 March	<u>17,463,004</u>	<u>10,885,067</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	2012	2011
	£	£

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 and as at 31 March : 50,000 shares	<u>12,500</u>	<u>12,500</u>
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13. Reconciliation of movements in shareholders' funds and reserves

	Share capital	Hedging & translation reserve	Profit and loss account	Total
	£	£	£	£
Opening shareholders' funds (deficit)	12,500	(30,980,575)	362,253	(30,605,822)
Profit for the financial year	-	-	6,237	6,237
Dividends	-	-	-	-
Share issues in the year	-	-	-	-
Derivative valuation movements on net investments	-	(30,942,442)	-	(30,942,442)
Unrealised surplus (deficit) on revaluation of investment properties	-	-	-	-
Taxation on hedging translation movements	-	6,577,937	-	6,577,937
Closing shareholders' funds (deficit)	<u>12,500</u>	<u>(55,345,080)</u>	<u>368,490</u>	<u>(54,964,090)</u>

Broadgate Financing PLC

Notes to the accounts for the year ended 31 March 2012

14. Capital commitments

The company had capital commitments contracted as at 31 March 2012 of £nil (2011 : £nil).

15. Contingent liabilities

The company had no contingent liabilities as at as at 31 March 2012 (2011: £nil).

16. Related parties

There were no related party disclosures either during the year or at the year end as defined by 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 BRE/Brick Limited.

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.