BROADGATE FINANCING PLC

Interim Management Report and Accounts

Six months ended 30 September 2012

Company number: 5316365

BROADGATE FINANCING PLC

INTERIM MANAGEMENT REPORT
for the six months ended 30 September 2012

The directors submit their Interim Management Report and Accounts for the six months ended 30 September 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 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 3, the company's profit before tax has remained consistent with the prior half year. Within the profit and loss account significant movements relate to external interest payable and group interest receivable. External interest payable has reduced by £1.5m due to bond amortisation in the period. Interest is charged on the loan to Broadgate (Funding) 2005 Limited at broadly the same rate as the interest paid on the bonds, therefore group interest receivable has also reduced by £1.5m.

At 30 September 2012, taking into account the effect of derivatives, interest payable on the external bonds remains 100% fixed. 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 £372,000.

No dividends were paid in the current period (30 Sep 2012: £nil).

The balance sheet on page 5 shows that the company has net liabilities of £63.5m at 30 September 2012. Net liabilities have increased since 31 March 2012 principally due to adverse movements in the fair value of interest rate derivatives.

Risk and Uncertainties

The company is part of a large property investment group. As such, the fundamental underling risks for this company are those of the property investment group. The key risks of this group 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. Braine
Director

INDEPENDENT REVIEW REPORT TO BROADGATE FINANCING PLC
for the six months ended 30 September 2012

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 2012 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 10 . 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 2012 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

Deloitte LLP
Chartered Accountants and Statutory Auditors
Cambridge, UK
29 November 2012

BROADGATE FINANCING PLC

CONDENSED PROFIT AND LOSS ACCOUNT
for the six months ended 30 September 2012

Year ended 31 March 2012 Audited £		Note	Six months ended 30 September 2012 Unaudited £	Six months ended 30 September 2011 Unaudited £
(997)	Administrative expenses		-	-
(997)	**Operating loss**		-	-
	Interest receivable			
94,671,112	Group	2	46,517,022	48,046,136
113,731	External - other	2	46,084	41,420
	Interest payable			
(113,732)	Group	2	(46,084)	(41,420)
(94,661,685)	External - debentures	2	(46,512,418)	(48,041,360)
8,429	**Profit on ordinary activities before taxation**		4,604	4,776
(2,192)	Taxation		(1,105)	(1,337)
6,237	**Profit for the financial period**		3,499	3,439

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 2012

Year ended 31 March 2012 Audited £		Six months ended 30 September 2012 Unaudited £	Six months ended 30 September 2011 Unaudited £
6,237	**Profit on ordinary activities after taxation**	3,499	3,439
(30,942,442)	Derivative valuation movements on net investments	(10,197,469)	(33,803,142)
6,577,937	Deferred tax credited on derivative valuation movements on net investments	1,628,273	8,788,817
(24,358,268)	**Total recognised gains and losses relating to the financial period**	(8,565,697)	(25,010,886)

CONDENSED BALANCE SHEET
as at 30 September 2012

	Note	30 September 2012 Unaudited £	£	31 March 2012 Audited £	£
Current assets					
Debtors - due within one year	3	68,859,924		68,719,667	
Debtors - due after more than one year	3	1,808,098,648		1,829,913,127	
Cash and deposits		15,130,265		15,130,061	
		1,892,088,837		1,913,762,855	
Creditors due within one year	4	(166,611,253)		(156,276,822)	
Net current assets (includes long term debtors)			1,725,477,584		1,757,486,033
Total assets less current liabilities			1,725,477,584		1,757,486,033
Creditors due after one year	5		(1,789,007,371)		(1,812,450,123)
Net liabilities			(63,529,787)		(54,964,090)
Capital and reserves					
Called up share capital	8		12,500		12,500
Hedging and translation reserve	8		(63,914,276)		(55,345,080)
Profit and loss account	8		371,989		368,490
Shareholders' deficit	8		(63,529,787)		(54,964,090)

Notes to the accounts
for the six months ended 30 September 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 period.

Accounting basis

The information for the year ended 31 March 2012 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. The net liability position of the balance sheet 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. 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. 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 - 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.

Notes to the accounts
for the six months ended 30 September 2012

1. Accounting policies (continued)

Taxation

Current tax is based on taxable profit for the period 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. Interest Payable and receivable

	Six months ended 30 Sep 2012 Unaudited £	Six months ended 30 Sep 2011 Unaudited £
Interest payable on		
Bank loans and overdrafts	(202,965)	(201,824)
Bonds	(37,965,659)	(38,429,943)
Derivatives	(8,343,794)	(9,409,593)
	(46,512,418)	(48,041,360)
Group loans	(46,084)	(41,420)
Total interest payable	(46,558,502)	(48,082,780)
Interest receivable on		
Cash and deposits	46,084	41,420
Group loans and receivables	46,517,022	48,046,136
Total interest receivable	46,563,106	48,087,556

3. Debtors

	30 Sep 2012 Unaudited £	31 Mar 2012 Audited £
Current debtors (receivable within one year)		
Amounts owed by group companies - Broadgate (Funding) 2005 Limited	46,966,188	46,765,677
Prepayments and accrued income	21,893,736	21,953,990
	68,859,924	68,719,667
Long-term debtors (receivable after more than one year)		
Deferred tax asset (see note 6)	19,091,277	17,463,004
Amounts owed by group companies - Long term loans	1,789,007,371	1,812,450,123
	1,808,098,648	1,829,913,127

4. Creditors due within one year

	30 Sep 2012 Unaudited £	31 Mar 2012 Audited £
Debenture loans (see note 5)	46,966,188	46,765,677
Interest rate derivative liabilities*	86,999,789	76,726,928
Amounts owed to group companies - current accounts	14,754,768	14,774,587
Corporation tax	4,787	2,192
Other creditors	7,000	7,000
Accruals and deferred income	17,878,721	18,000,438
	166,611,253	156,276,822

* Includes contracted cash flows with a maturity greater than one year at fair value.
Amounts owed to fellow group companies are repayable on demand.

5. Creditors due after one year (including borrowings)

		30 Sep 2012 Unaudited £	31 Mar 2012 Audited £
Debentures and loans	due 1 to 2 years	46,886,173	46,564,455
	due 2 to 5 years	150,954,316	149,260,508
	due after 5 years	1,591,166,882	1,616,625,160
		1,789,007,371	1,812,450,123

Hedge accounting

The company uses interest rates swaps to hedge exposure to the variability in cash flows on floating rate debt. At 30 September 2012 the market value of these derivatives, which have been designated cash flow hedges under FRS 26, is a liability of £87.0m (31 March 2012: £76.7m).

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 exposure on the floating rate loans.

The ineffectiveness recognised in the income statement on cash flow hedges for the 6 months ended 30 September 2012 was £nil (31 March 2012: £nil). The table below summarises variable rate debt hedged at 30 September 2012.

		30 Sep 2012 Unaudited £	31 Mar 2012 Audited £
Outstanding:	at one year	383,041,510	401,833,490
	at two years	346,822,140	364,931,600
	at five years	238,163,090	256,272,550

Borrowings repayment analysis

Borrowings are repayable as follows:

	30 Sep 2012	31 Mar 2012
Within one year	46,966,188	46,765,677
1-2 years	46,886,173	46,564,455
2-5 years	150,954,316	149,260,508
	244,806,677	242,590,640
After 5 years	1,591,166,882	1,616,625,160
Total borrowings	1,835,973,559	1,859,215,800
Fair value of interest rate derivative liabilities	86,999,789	76,726,928
	1,922,973,348	1,935,942,728

Notes to the accounts
for the six months ended 30 September 2012

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

Secured bonds on the assets of the Broadgate Property Holdings Group	30 Sep 2012 Unaudited £	31 Mar 2012 Audited £
Class A1 Floating Rate Bonds due 2032	225,000,000	225,000,000
Class A2 4.949% Bonds due 2031	259,798,140	264,283,110
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	365,550,419	365,516,180
Class C1 Floating Rate Bonds due 2022	146,875,000	156,666,510
Class C2 5.098% Bonds due 2035	215,000,000	215,000,000
Class D Floating Rate Bonds due 2025	48,750,000	57,750,000
Total borrowings	1,835,973,559	1,859,215,800
Fair value of interest rate derivative liabilities	86,999,789	76,726,928
	1,922,973,348	1,935,942,728

At 30 September 2012 taking into account the effect of derivatives, 100% (31 March 2012: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £2,685m (31 March 2012: £2,666m) and cash and deposits of £nil (31 March 2012: £nil). The weighted average interest rate of the bonds is 5.00% (31 March 2012: 5.01%). The weighted average maturity of the bonds is 14.3 years (31 March 2012: 14.6 years).

At 30 September 2012 the company was financed by £1,836m bonds (31 March 2012: £1,859m bonds).

5. 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.

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:

	30 Sep 2012 Unaudited £	31 Mar 2012 Audited £
Fair Value of Debenture loans	1,904,656,292	1,782,478,465

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.

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 86.7% (31 March 2012: 87.0%) 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 30 September 2012 this facility was £185.0m (31 March 2012: £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 30 September 2012 amounted to £15.1m (31 March 2012: £15.1m) and are placed with European Financial institutions with A or better credit ratings. At 30 September 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 (31 March 2012: £15.0m). This represents 0.8% (31 March 2012: 0.8%) of gross assets.

The company's principal credit risk relates to an intra-group loan to Broadgate (Funding) 2005 Limited. At 30 September 2012 this loan stood at £1,835,973,559 (31 March 2012: £1,859,215,800). The purpose of this loan is to provide funding to fellow subsidiaries of the Bluebutton Properties Limited group.

At 30 September 2012, the fair value of all interest rate derivatives which had a positive value was £nil (31 March 2012: £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.

6. Deferred tax asset

	30 Sep 2012 Unaudited £	31 Mar 2012 Audited £
Opening	17,463,004	10,885,067
Credited to hedging and translation reserve	1,628,273	6,577,937
Closing	19,091,277	17,463,004

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 period and prior year.

7. Share capital

	30 Sep 2012 Unaudited £	31 Mar 2012 Audited £
Issued share capital - allotted, called up and partly paid		
Ordinary Shares of £1 each called up to the extent of £0.25 each		
Opening and closing balance: 50,000 shares	12,500	12,500

8. Reconciliation of movements in shareholders' funds and reserves

	Share capital £	Hedging & translation reserve £	Profit and loss account £	Total £
Opening shareholders' deficit- audited	12,500	(55,345,080)	368,490	(54,964,090)
Profit for the financial period			3,499	3,499
Derivatives valuation movement		(10,197,469)		(10,197,469)
Taxation on hedging and translation movements		1,628,273		1,628,273
Closing shareholders' deficit- unaudited	**12,500**	**(63,914,276)**	**371,989**	**(63,529,787)**

9. Capital commitments

The company had capital commitments contracted at 30 Sep 2012 of £nil (31 Mar 2012 - £nil).

10. 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.