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# **Broadgate Financing PLC**

## **Interim Management Report and Accounts**

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**Six months ended 30 September 2013**

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**Company number: 5316365**

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## **Broadgate Financing PLC**

### **INTERIM MANAGEMENT REPORT for the six months ended 30 September 2013**

The directors submit their Interim Management Report and Accounts for the six months ended 30 September 2013.

#### **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.

At 30 September 2013, 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. This gives a stable profit and loss account reserves position of approximately £378,000.

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 £44.8m at 30 September 2013. Net liabilities have decreased since 31 March 2013 principally due to favourable 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 underlying 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 Conduct Authority.

By order of the Board



Director

**INDEPENDENT REVIEW REPORT TO BROADGATE FINANCING PLC  
for the six months ended 30 September 2013**

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 2013 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 it 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 Conduct 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**

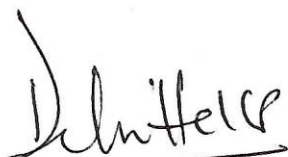
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**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 2013 is not prepared, in all material respects, in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.



**Deloitte LLP**

Chartered Accountants and Statutory Auditors  
Cambridge, UK

29 November 2013

**Broadgate Financing PLC**

**CONDENSED PROFIT AND LOSS ACCOUNT  
for the six months ended 30 September 2013**

Year ended 31 March 2013 Audited £	Note	Six months ended 30 September 2013 Unaudited £	Six months ended 30 September 2012 Unaudited £
(1,044) Administrative expenses		-	-
<hr/> <b>(1,044) Operating loss</b>		<hr/> -	<hr/> -
Interest receivable			
91,630,349 Group	<b>2</b>	46,196,233	46,517,022
277,494 External	<b>2</b>	410,738	46,084
Interest payable			
(77,405) Group	<b>2</b>	(31,213)	(46,084)
(91,821,310) External	<b>2</b>	(46,571,169)	(46,512,418)
<hr/> <b>8,084 Profit on ordinary activities before taxation</b>		<hr/> 4,589	<hr/> 4,604
(1,940) Taxation		(1,101)	(1,105)
<hr/> <b>6,144 Profit for the financial period</b>		<hr/> <b>3,488</b>	<hr/> <b>3,499</b>

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 2013**

<b>Year ended 31 March 2013 Audited £</b>		<b>Six months ended 30 September 2013 Unaudited £</b>	<b>Six months ended 30 September 2012 Unaudited £</b>
6,144	Profit on ordinary activities after taxation	3,488	3,499
(4,998,888)	Derivative valuation movements on net investments	21,325,363	(10,197,469)
432,600	Deferred tax (debited) credited on derivative valuation movements on net investments	(6,599,282)	1,628,273
<u>(4,560,144)</u>	<b>Total recognised gains and losses relating to the financial period</b>	<u>14,729,569</u>	<u>(8,565,697)</u>

**Broadgate Financing PLC**

**CONDENSED BALANCE SHEET  
as at 30 September 2013**

	Note	30 September 2013 Unaudited	£	£	31 March 2013 Audited	£	£
<b>Current assets</b>							
Debtors - due within one year	3	68,687,284			67,703,205		
Debtors - due after more than one year	3	1,753,417,520			1,783,781,272		
Cash and deposits		200,130,455			200,130,312		
		<u>2,022,235,259</u>			<u>2,051,614,789</u>		
<b>Creditors due within one year</b>	4	<u>(324,908,726)</u>			<u>(345,253,355)</u>		
<b>Net current assets (includes long term debtors)</b>			1,697,326,533			1,706,361,434	
<b>Total assets less current liabilities</b>			<u>1,697,326,533</u>			<u>1,706,361,434</u>	
<b>Creditors due after one year</b>	5		(1,742,121,198)			(1,765,885,668)	
<b>Net liabilities</b>			<u>(44,794,665)</u>			<u>(59,524,234)</u>	
<b>Capital and reserves</b>							
Called up share capital	7		12,500			12,500	
Hedging and translation reserve	8		(45,185,287)			(59,911,368)	
Profit and loss account	8		378,122			374,634	
<b>Shareholders' deficit</b>	8		<u>(44,794,665)</u>			<u>(59,524,234)</u>	

## **Broadgate Financing PLC**

### **Notes to the accounts for the six months ended 30 September 2013**

#### **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 2013 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.

**Broadgate Financing PLC**

**Notes to the accounts  
for the six months ended 30 September 2013**

**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**

	<b>Six months ended 30 Sep 2013</b>	<b>Six months ended 30 Sep 2012</b>
	<b>Unaudited £</b>	<b>Unaudited £</b>
<b>Interest payable on</b>		
Bank loans and overdrafts	(579,122)	(202,965)
Bonds	(37,516,406)	(37,965,659)
Derivatives	<u>(8,475,641)</u>	<u>(8,343,794)</u>
	(46,571,169)	(46,512,418)
Group loans	<u>(31,213)</u>	<u>(46,084)</u>
<b>Total interest payable</b>	<u>(46,602,382)</u>	<u>(46,558,502)</u>
<b>Interest receivable on</b>		
Cash and deposits	410,738	46,084
Group loans and receivables	<u>46,196,233</u>	<u>46,517,022</u>
<b>Total interest receivable</b>	<u>46,606,971</u>	<u>46,563,106</u>
<b>3. Debtors</b>	<b>30 Sep 2013</b>	<b>31 Mar 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>£</b>	<b>£</b>
<b>Current debtors (receivable within one year)</b>		
Amounts owed by group companies - Broadgate (Funding) 2005 Limited	46,886,173	46,564,455
Prepayments and accrued income	<u>21,801,111</u>	<u>21,138,750</u>
	<u>68,687,284</u>	<u>67,703,205</u>
<b>Long-term debtors (receivable after more than one year)</b>		
Deferred tax asset (see note 6)	11,296,322	17,895,604
Amounts owed by group companies - Long term loans	<u>1,742,121,198</u>	<u>1,765,885,668</u>
	<u>1,753,417,520</u>	<u>1,783,781,272</u>
<b>4. Creditors due within one year</b>	<b>30 Sep 2013</b>	<b>31 Mar 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>£</b>	<b>£</b>
Term Loan	185,000,000	185,000,000
Debenture loans (see note 5)	46,886,173	46,564,455
Interest rate derivative liabilities*	60,454,522	81,782,104
Amounts owed to group companies - current accounts	14,744,478	14,747,487
Corporation tax	4,531	3,430
Other creditors	8,000	8,000
Accruals and deferred income	<u>17,811,022</u>	<u>17,147,879</u>
	<u>324,908,726</u>	<u>345,253,355</u>

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

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

Term loan represents the draw down of the £185m on 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 six months ended 30 September 2013**

5. Creditors due after one year (including borrowings)		30 Sep 2013	31 Mar 2013
		Unaudited	Audited
		£	£
Debtures and loans	due 1 to 2 years	49,640,062	48,616,087
	due 2 to 5 years	152,994,844	151,960,394
	due after 5 years	1,539,486,292	1,565,309,187
		1,742,121,198	1,765,885,668

**Hedge accounting**

The company uses interest rates swaps to hedge exposure to the variability in cash flows on floating rate debt. At 30 September 2013 the market value of these derivatives, which have been designated cash flow hedges under FRS 26, is a liability of £60.5m (31 March 2013: £81.8m).

**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 2013 was £nil (31 March 2013: £nil). The table below summarises variable rate debt hedged at 30 September 2013.

		30 Sep 2013	31 Mar 2013
		Unaudited	Audited
		£	£
Outstanding:	at one year	346,822,140	364,931,600
	at two years	310,602,300	328,711,760
	at five years	201,943,250	220,052,710

**Borrowings repayment analysis**

Borrowings are repayable as follows:

Within one year	231,886,173	231,564,455
1-2 years	49,640,062	48,616,087
2-5 years	152,994,844	151,960,394
	434,521,079	432,140,936
After 5 years	1,539,486,292	1,565,309,187
Total borrowings	1,974,007,371	1,997,450,123
Fair value of interest rate derivative liabilities	60,454,522	81,782,104
	2,034,461,893	2,079,232,227

**Broadgate Financing PLC**

**Notes to the accounts  
for the six months ended 30 September 2013**

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

<b>Secured bonds on the assets of the Broadgate Property Holdings Group</b>	<b>30 Sep 2013</b>	<b>31 Mar 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>£</b>	<b>£</b>
Class A1 Floating Rate Bonds due 2032	225,000,000	225,000,000
Class A2 4.949% Bonds due 2031	250,421,220	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	365,544,641	365,438,283
Class C1 Floating Rate Bonds due 2022	127,291,510	137,083,490
Class C2 5.098% Bonds due 2035	215,000,000	215,000,000
Class D Floating Rate Bonds due 2025	30,750,000	39,750,000
Total borrowings	<u>1,789,007,371</u>	<u>1,812,450,123</u>
Fair value of interest rate derivative liabilities	60,454,522	81,782,104
	<u><u>1,849,461,893</u></u>	<u><u>1,894,232,227</u></u>

At 30 September 2013 taking into account the effect of derivatives, 100% (31 March 2013: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £2,793m (31 March 2013: £2,716m) and cash and deposits of £nil (31 March 2013: £nil). The weighted average interest rate of the bonds is 5.07% (31 March 2013: 4.99%). The weighted average maturity of the bonds is 13.7 years (31 March 2013: 14.0 years).

At 30 September 2013 the company was financed by £1,789m bonds (31 March 2013: £1,812m bonds).

## **Broadgate Financing PLC**

### **Notes to the accounts for the six months ended 30 September 2013**

#### **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:

	<b>30 Sep 2013</b>	<b>31 Mar 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>£</b>	<b>£</b>
Fair Value of Debenture loans	<u>1,879,059,918</u>	<u>1,964,126,606</u>

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 86.0% (31 March 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 30 September 2013 amounted to £200m (31 March 2013: £200m) and are placed with European Financial institutions with A or better credit ratings. At 30 September 2013, 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 (31 March 2013: £200m). This represents 9.89% (31 March 2013: 9.75%) of gross assets.

The company's principal credit risk relates to an intra-group loan to Broadgate (Funding) 2005 Limited. At 30 September 2013 this loan stood at £1,789,007,371 (31 March 2013: £1,812,450,123). The purpose of this loan is to provide funding to fellow subsidiaries of the Bluebutton Properties Limited group.

At 30 September 2013, the fair value of all interest rate derivatives which had a positive value was £nil (31 March 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 six months ended 30 September 2013**

<b>6. Deferred tax asset</b>	<b>30 Sep 2013</b>	<b>31 Mar 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>£</b>	<b>£</b>
Opening	17,895,604	17,463,004
Credited to hedging and translation reserve	(6,599,282)	432,600
Closing	<u>11,296,322</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 period and prior year.

**7. Share capital**

	<b>30 Sep 2013</b>	<b>31 Mar 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>£</b>	<b>£</b>
<b>Issued share capital - allotted, called up and partly paid</b>		
<b>Ordinary Shares of £1 each called up to the extent of £0.25 each</b>		
Opening and closing balance: 50,000 shares	<u>12,500</u>	<u>12,500</u>

**8. Reconciliation of movements in shareholders' funds and reserves**

	<b>Share capital</b>	<b>Hedging &amp; translation reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening shareholders' deficit - audited	12,500	(59,911,368)	374,634	(59,524,234)
Profit for the financial period	-	-	3,488	3,488
Derivatives valuation movement	-	21,325,363	-	21,325,363
Taxation on hedging and translation movements	-	(6,599,282)	-	(6,599,282)
<b>Closing shareholders' deficit - unaudited</b>	<u><b>12,500</b></u>	<u><b>(45,185,287)</b></u>	<u><b>378,122</b></u>	<u><b>(44,794,665)</b></u>

**9. Capital commitments**

The company had capital commitments contracted at 30 September 2013 of £nil (31 March 2013 - £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.