
Broadgate Financing PLC

Interim Management Report and Accounts

Six months ended 30 September 2015

Company number: 5316365

Broadgate Financing PLC

INTERIM MANAGEMENT REPORT for the six months ended 30 September 2015

The directors submit their Interim Management Report and Accounts for the six months ended 30 September 2015.

Principal activities

Broadgate Financing PLC ("the company") is a wholly owned subsidiary of Broadgate Property Holdings Limited and operates as a constituent of the Broadgate REIT Limited group of companies ("the group"). Broadgate REIT Limited operates as a joint venture between Euro Bluebell LLP, an affiliate of GIC, Singapore's sovereign wealth fund, and BL Bluebutton 2014 Limited, a wholly owned subsidiary of The British Land Company PLC. The company's principal activity is to provide funding to fellow subsidiaries of Broadgate Property Holdings Limited.

Business review

As shown in the company's profit and loss account on page 3, the company's profit before tax has remained broadly consistent with the prior half year.

At 30 September 2015, taking into account the effect of derivatives, interest payable on the external bonds remains 100% fixed. Derivatives are not used speculatively and accordingly valuation movements are taken through the hedging and translation reserve. The profit and loss account reserves position is £389,439 at 30 September 2015.

No dividends were paid by the Company in the 6 months ended 30 September 2015 (30 Sep 2014: £nil).

The balance sheet on page 5 shows that the company has net liabilities of £53.4m at 30 September 2015. Net liabilities have decreased since 31 March 2015, predominantly as a result of derivative valuation movements.

During the half-yearly review, the Company transitioned from UK GAAP to FRS 101 - Reduced Disclosure Framework and has taken advantage of disclosure exemptions allowed under this framework. The company's parent undertaking, Broadgate REIT Limited, was notified and did not object to the use of EU-adopted IFR disclosure exemptions. Following transition, no comparative figures were identified to be restated.

Risk and Uncertainties

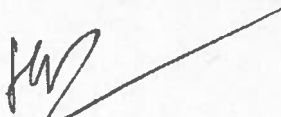
The company is part of a large property investment group. As such, the underlying risks for this company are those of the property investment group. The key risks of this group are the performance of the properties, tenant defaults and the credit risk of counterparties for any large cash deposits within 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

(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

Report on the interim management report and accounts

Our conclusion

We have reviewed Broadgate Financing PLC's interim management report and accounts (the "interim financial statements") in the half-yearly financial report of Broadgate Financing PLC for the 6 month period ended 30 September 2015. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with FRS 104 "Interim Financial Reporting" issued by the Financial Reporting Council and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed statement of financial position as at 30 September 2015;
- the condensed income statement and statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report have been prepared in accordance with FRS 104 "Interim Financial Reporting" issued by the Financial Reporting Council and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Company is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 "Reduced disclosure framework – Disclosure exemptions from EU-adopted IFRS for qualifying entities".

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the interim financial statements, 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 Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

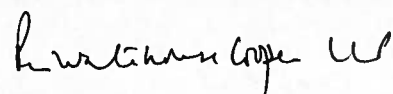
Our responsibility is to express a conclusion on the interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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 enquiries, 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.

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 interim financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants
London
27 November 2015

Broadgate Financing PLC

**CONDENSED INCOME STATEMENT
for the six months ended 30 September 2015**

	Note	Six months ended 30 September 2015 Unaudited £	Six months ended 30 September 2014 Unaudited £
Administrative expenses		(501)	(501)
Operating loss		(501)	(501)
Interest receivable			
Group	2	43,587,461	44,919,575
External	2	431,362	523,278
Interest payable			
Group	2	(74,993)	(42,878)
External	2	(43,940,954)	(45,396,885)
Profit on ordinary activities before taxation		2,376	2,589
Taxation		-	(544)
Profit for the financial period		2,376	2,045

All 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 Broadgate Property Holdings Limited in the United Kingdom.

Broadgate Financing PLC

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2015**

	Six months ended 30 September 2015 Unaudited £	Six months ended 30 September 2014 Unaudited £
Profit on ordinary activities after taxation	2,376	2,045
Derivative valuation movements on net investments	6,748,821	(295,527)
Deferred tax (debited) credited on derivative valuation movements on net investments	-	59,105
Total comprehensive income for the period	<u>6,751,197</u>	<u>(234,377)</u>

Broadgate Financing PLC**CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 September 2015**

	Note	30 September 2015 Unaudited £	£	31 March 2015 Audited £	£
Current assets					
Debtors - due within one year	3	70,889,575		70,373,287	
Debtors - due after more than one year	3	1,642,127,420		1,667,314,396	
Cash and cash equivalents		200,130,714		200,130,562	
		<u>1,913,147,709</u>		<u>1,937,818,245</u>	
Current liabilities	4	<u>(324,431,857)</u>		<u>(330,666,614)</u>	
Net current assets (includes long term debtors)		1,588,715,852		1,607,151,631	
Total assets less current liabilities		<u>1,588,715,852</u>		<u>1,607,151,631</u>	
Non current liabilities	5	(1,642,127,420)		(1,667,314,396)	
Net liabilities		<u>(53,411,568)</u>		<u>(60,162,765)</u>	
Capital and reserves					
Share capital	7	12,500		12,500	
Hedging and translation reserve		(53,813,507)		(60,562,328)	
Retained earnings		389,439		387,063	
Shareholder's deficit		<u>(53,411,568)</u>		<u>(60,162,765)</u>	

Broadgate Financing PLC**STATEMENT OF CHANGES IN EQUITY
as at 30 September 2015****Six month movements in equity**

	Share capital £	Hedging & translation reserve £	Profit and loss account £	Total £
Balance as at 1 April 2015	12,500	(60,562,328)	387,063	(60,162,765)
Profit for the financial period	-	-	2,376	2,376
Derivatives valuation movement	-	6,748,821	-	6,748,821
Balance as at 30 September 2015	12,500	(53,813,507)	389,439	(53,411,568)
Balance as at 1 April 2014	12,500	(40,059,276)	380,821	(39,665,955)
Profit for the financial period	-	-	2,045	6,242
Derivatives valuation movement	-	(295,527)	-	(10,488,233)
Taxation on hedging translation movements	-	59,105	-	(10,014,819)
Balance as at 30 September 2014	12,500	(40,295,698)	382,866	(60,162,765)
Prior year movement in equity				
Balance as at 1 April 2014	12,500	(40,059,276)	380,821	(39,665,955)
Profit for the financial period	-	-	6,242	6,242
Derivatives valuation movement	-	(10,488,233)	-	(10,488,233)
Taxation on hedging translation movements	-	(10,014,819)	-	(10,014,819)
Balance as at 31 March 2015	12,500	(60,562,328)	387,063	(60,162,765)

Broadgate Financing PLC

Notes to the accounts for the six months ended 30 September 2015

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 2015 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.

These financial statements were prepared in accordance with Financial Reporting Standard 104 Interim financial reporting ("FRS104"). The company will be preparing its financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101") for the year ending 31 March 2016.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has taken advantage of the FRS 101 disclosure exemption as appropriate.

Transition to FRS 101

This is the first half-yearly report that the company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Following transition from UK GAAP to FRS 101, no comparative figures were identified to be restated. As a result, it was not deemed necessary to present tables reconciling the transition within these financial statements. The last financial statements under previous GAAP (UK GAAP) were for the year ended 31 March 2015 and the date of transition for FRS 101 was therefore 1 April 2014.

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.

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

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 2015**

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 at the balance sheet date. Taxable profit may differ from net profit as reported in the income statement because it may exclude items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable at a later date, on the differences between the balance sheet value and tax base value, on an undiscounted basis.

2. Interest Payable and receivable

	Six months ended 30 Sep 2015	Six months ended 30 Sep 2014
	Unaudited	Unaudited
	£	£
Interest payable on		
Bank loans and overdrafts	(635,928)	(686,679)
Bonds	(36,522,327)	(37,042,328)
Derivatives	(6,782,835)	(7,667,878)
	<u>(43,941,090)</u>	<u>(45,396,885)</u>
Group loans	(74,993)	(42,878)
Total interest payable	<u>(44,016,082)</u>	<u>(45,439,763)</u>
Interest receivable on		
Cash and deposits	431,362	523,278
Group loans and receivables	43,587,461	44,919,575
Total interest receivable	<u>44,018,823</u>	<u>45,442,853</u>

3. Debtors

	30 Sep 2015	31 Mar 2015
	Unaudited	Audited
	£	£
Current debtors (receivable within one year)		
Amounts owed by group companies - Broadgate (Funding) 2005 Limited	50,353,716	49,955,185
Prepayments and accrued income	20,535,860	20,418,102
	<u>70,889,575</u>	<u>70,373,287</u>
Long-term debtors (receivable after more than one year)		
Amounts owed by group companies - Broadgate (Funding) 2005 Limited	1,642,127,420	1,667,314,396
	<u>1,642,127,420</u>	<u>1,667,314,396</u>

4. Current liabilities

	30 Sep 2015	31 Mar 2015
	Unaudited	Audited
	£	£
Term Loan	185,000,000	185,000,000
Debenture loans (see note 5)	50,353,716	49,955,185
Interest rate derivative liabilities	56,982,825	63,889,743
Amounts owed to group companies - current accounts	14,736,211	14,701,792
Other creditors	10,501	10,000
Accruals and deferred income	17,348,605	17,109,894
	<u>324,431,857</u>	<u>330,666,614</u>

Interest rate derivative liabilities include contracted cash flows with a maturity greater than one year at fair value.

Amounts owed to fellow group companies are repayable on demand.

Term loan of £185m is a fully drawn revolving liquidity facility with The Royal Bank of Scotland PLC. The cash drawn down from this liquidity facility is held on deposit.

Broadgate Financing PLC
Notes to the accounts
for the six months ended 30 September 2015

5. Non current liabilities (including borrowings)		30 Sep 2015	31 Mar 2015
		Unaudited	Audited
		£	£
Debtures and loans	due 1 to 2 years	50,960,538	50,689,237
	due 2 to 5 years	147,660,034	156,214,855
	due after 5 years	1,443,506,848	1,460,410,304
		<u>1,642,127,420</u>	<u>1,667,314,396</u>

Hedge accounting

The company uses interest rates swaps to hedge exposure to the variability in cash flows on floating rate debt. At 30 September 2015 the market value of these derivatives, which have been designated cash flow hedges, is a liability of £57.0m (31 March 2015: £63.9m).

The Treasury Function

The company borrows in Sterling at both fixed and floating rates of interest and uses 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 2015 was £nil (31 March 2015: £nil). The table below summarises variable rate debt hedged at 30 September 2015.

		30 Sep 2015	31 Mar 2015
		Unaudited	Audited
		£	£
Outstanding:	at one year	274,382,460	292,492,390
	at two years	238,163,090	256,272,550
	at five years	139,295,550	147,613,500
		<u>139,295,550</u>	<u>147,613,500</u>

Borrowings repayment analysis

Borrowings are repayable as follows:

Within one year	50,353,716	49,955,185
1 to 2 years	50,960,538	50,689,237
2 to 5 years	147,660,034	156,214,855
	<u>248,974,288</u>	<u>256,859,277</u>
After 5 years	1,443,506,848	1,460,410,304
Total borrowings	1,692,481,136	1,717,269,581
Fair value of interest rate derivative liabilities	56,982,825	63,889,743
	<u>1,749,463,961</u>	<u>1,781,159,324</u>

Broadgate Financing PLC

**Notes to the accounts
for the six months ended 30 September 2015**

5. Non current liabilities (including borrowings) - continued

Secured bonds on the assets of the Broadgate Property Holdings Group	30 Sep 2015 Unaudited £	31 Mar 2015 Audited £
Class A1 Floating Rate Bonds due 2032	197,727,300	204,545,250
Class A2 4.949% Bonds due 2031	229,929,840	235,281,690
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	365,532,186	365,426,131
Class C1 Floating Rate Bonds due 2022	88,125,000	97,916,510
Class C2 5.098% Bonds due 2035	211,416,810	212,850,000
Class D Floating Rate Bonds due 2025	24,750,000	26,250,000
Total borrowings	<u>1,692,481,136</u>	<u>1,717,269,581</u>
Fair value of interest rate derivative liabilities	56,982,825	63,889,743
	<u>1,749,463,961</u>	<u>1,781,159,324</u>

At 30 September 2015 taking into account the effect of derivatives, 100% (31 March 2015: 100%) of the bonds were at a fixed rate. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £3,616m (31 March 2015: £3,411m). The weighted average interest rate of the bonds is 5.04% (31 March 2015: 5.05%). The weighted average maturity of the bonds is 12.4 years (31 March 2015: 12.7 years).

Broadgate Financing PLC

Notes to the accounts for the six months ended 30 September 2015

5. Non current liabilities (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 2015	31 Mar 2015
	Unaudited	Audited
	£	£
Fair value of bonds	<u>1,934,837,881</u>	<u>2,013,240,417</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 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 85.3% (31 March 2015: 85.0%) 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 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 2015 amounted to £200m (31 March 2015: £200m) and are placed with European Financial institutions with A or better credit ratings. At 30 September 2015, 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 2015: £200m). This represents 10.45% (31 March 2015: 10.40%) of the Company's gross assets.

The company's principal credit risk relates to an intra-group loan to Broadgate (Funding) 2005 Limited. At 30 September 2015 this loan totalled £1,692,481,136 (31 March 2015: £1,717,269,581). The purpose of this loan is to provide funding to fellow subsidiaries of the Broadgate Property Holdings Limited group.

At 30 September 2015, the fair value of all interest rate derivatives which had a positive value was £nil (31 March 2015: £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 2015**

6. Deferred tax asset	30 Sep 2015	31 Mar 2015
	Unaudited	Audited
	£	£
Opening	-	10,014,819
Credited to hedging and translation reserve	-	(10,014,819)
Closing	<u>-</u>	<u>-</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

	30 Sep 2015	31 Mar 2015
	Unaudited	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	<u>12,500</u>	<u>12,500</u>

8. Capital commitments

The company had capital commitments contracted at 30 September 2015 of £nil (31 March 2015 - £nil).

9. Immediate parent and ultimate holding company

The immediate parent company is Broadgate Property Holdings Limited.

The ultimate parent company is Broadgate REIT Limited. Broadgate REIT Limited operates as a joint venture between Euro Bluebell LLP, an affiliate of GIC, Singapore's sovereign wealth fund, and BL Bluebutton 2014 Limited, a wholly owned subsidiary of The British Land Company PLC.

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