

## **Broadgate Financing PLC**

*£225,000,000 Class A1 Floating Rate Bonds due 2032*  
*£315,000,000 Class A2 4.949 per cent. Bonds due 2031*  
*£175,000,000 Class A3 4.851 per cent. Bonds due 2033*  
*£400,000,000 Class A4 4.821 per cent. Bonds due 2036*  
*£365,000,000 Class B 4.999 per cent. Bonds due 2033*  
*£235,000,000 Class C1 Floating Rate Bonds due 2022*  
*£215,000,000 Class C2 5.098 per cent. Bonds due 2035*  
*£150,000,000 Class D Floating Rate Bonds due 2025*

### **Annual Update as at 31<sup>st</sup> March 2007**

**24 May 2007**

This annual update is not, and is not accompanied by, an invitation to underwrite, subscribe or otherwise acquire or dispose of any investment, and does not advise any person to engage in one of those activities.

This annual update does not, and is not accompanied by, an invitation to effect any transaction with any person, or make use of any services provided by any person.

This annual update is not, and is not accompanied by, any inducement.

This annual update does not refer to, and is not accompanied by, a reference to any price of any investments or any yield on any such investments.

## Overview

Broadgate, the premier City of London estate, is owned by British Land. It comprises 15 office buildings and related retail, leisure and ancillary space totalling over four million sq ft of space.

Further details on the estate itself can be found at [www.britishland.com](http://www.britishland.com)

## Quarterly Report

Quarterly reports giving details of payments of principal interest together with calculations of gross and net coverage ratios are provided on the British Land website.

## Asset Performance

For half-year ended:	31 <sup>st</sup> March 2007
Valuation:	£3.569 billion
Top up Net initial yield:	4.8% <sup>1</sup>
Rent per annum:	£169m
Contracted Reversionary Income per annum:	£179m
Average contracted rent p.s.f. (office space/ excluding vacancies):	£46.80 psf
Average headline ERV p.s.f. (office space):	£44 - £55 psf
Vacancy rate:	1.7%

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<sup>1</sup> Assumes top up of rent free periods and guaranteed minimum uplifts to first review after purchasers' costs.

## Rent Reviews

7 rent reviews were settled during the year to 31<sup>st</sup> March 2007 on 1,232,277 sq ft, with a combined rent of £63.49m.

Principal rent reviews settled were:

Building	Tenant	Sq Ft	New Rent psf	Old Rent psf	RR Date
155 Bishopsgate	HBOS	38,449	£50.63	£50.63	Aug 2005
Exchange House	Societe Generale	69,108	£53.26	£53.26	Oct 2005
Exchange House	F & C	35,162	£53.43	£53.43	Oct 2005
Exchange House	Herbert Smith	230,262	£54.80	£54.80	Dec 2005
175 Bishopsgate	EBRD	360,880	£52.00	£52.00	Nov 2006
1-2 Broadgate	Lehman Bros	336,457	£50.75	£48.30	Dec 2006
4 Broadgate	Henderson	161,959	£51.67	£51.67	Dec 2006

No office reviews were outstanding as at 31 March 2007.

## Lease Renewals/ Breaks

In April 2006 Baring Investment Services surrendered a lease over 38,040sq ft at 155 Bishopsgate. A premium of £8.1m was received in respect of this surrender, this amount is retained in the rental receipts account and is released in line with the amount of rent which would have been payable under the lease. This accommodation has now been refurbished prior to re-letting and is currently being marketed at a quoting rent of £57.50 psf.

The surrender of Williams de Broe and Lehmans on Level 6 and Level 5 and Part Level 7 at 6 Broadgate respectively was agreed. Premiums received totalled £8.35m, this amount is retained in the rental receipts account and is released in line with the amount of rent which would have been payable under the lease. A back-to-back re-letting occurred to UBS at a rent of £45 psf on each floor until lease expiry in 2013 and without review.

Executive Offices have served notice to break their lease at 199 Bishopsgate on 14,000 sq ft from July 2007. Terms have been agreed to renew under a management contract. The new agreement will be from July 2007 until 31 August 2010, determinable on 3 months notice. Under the new agreement Broadgate will receive up to £600,000 priority return plus 50% surplus, dependent on turnover.

## **New Lettings**

During the year to 31 March 2007, a new letting of 6,790sq ft at 10 Exchange Square was concluded with Legg Mason at £50.00 psf.

In May 2007 the last remaining vacant floor of 10 Exchange Square was let to Herbert Smith at £55.00 per sq ft until December 2020 with 15 months rent free.

Since the year end, terms have been agreed to restructure RCM's lease on 14,000 sq ft at 155 Bishopsgate. The original lease was due to expire in September 2008 and terms have been agreed to extend this until July 2019 at a rent equating to £54.50 psf together with 20 months rent free. This shows an uplift from £41.00 psf passing rent.

## **Subsequent events**

On 10 May 2007 it was announced that terms have been agreed to surrender Henderson's lease at 4 Broadgate as part of their relocation to British Land's 201 Bishopsgate development which is adjacent to the securitised estate. The relocation is anticipated to take place in December 2008 following fit-out of their new premises.

After the year end, in April 2007 BL began marketing for sale the landmark building at 175 Bishopsgate currently the headquarters of the European Bank for Reconstruction and Development. Contracts have recently been exchanged for the sale to KanAm Grund for £406.3 million, with completion due in June. The securitisation documentation contains rights of repayment, cash collateralisation and property substitution in the event of property sales. Agreement has been reached with the rating agencies, subject to documentation, to substitute British Land's newly constructed "Willis Building" for 175 Bishopsgate. The Willis Building is a 491,000 sq ft building located at 51 Lime Street, EC3, with all office accommodation pre-let to the leading insurance broker Willis Group.

## Financial Summary

Market Value of Mortgaged Properties <sup>1</sup>	£3,569m
Net Annual Rents receivable <sup>1</sup>	£169m

## Debt Outstanding<sup>2</sup>

	£'m
AAA	1,100.91
AA	365.0
A	450.0
BBB	143.25
Total	<b>2059.16</b>

## Interest Payable<sup>3</sup>

	£'m
AAA	54.0
AA	18.2
A	23.6
BBB	8.2
Total	<b>104.0</b>

## Amortisation Payable<sup>3</sup>

	£'m
AAA	6.6
AA	-
A	-
BBB	3.0
Total	<b>9.6</b>

## Interest Cover Ratios<sup>3</sup>

AAA	3.07
AA	2.31
A	1.75
Total	<b>1.61</b>

## DSCR Ratios<sup>3</sup>

AAA	2.74
AA	2.12
A	1.63
Total	<b>1.47</b>

## LTV Ratios

AAA	30.85%
AA	41.07%
A	53.68%
Total	<b>57.70%</b>

1. Market values and net annual rents receivable are as at 31<sup>st</sup> March 2007 and are provided by Knight Frank.
2. Debt outstanding is at 5<sup>th</sup> April 2007, the last interest payment date.
3. Interest in respect of Fixed Rate Bonds is annualised based on interest paid on the next interest payment date, 5<sup>th</sup> April 2007.

Interest in respect of Floating Rate Bonds is calculated using the closing balance (after amortisation) on the last interest payment and fixed annual interest rate payable under the interest rate swap transactions which protect against interest rate risk arising from those Floating Rate Bonds.

Amortisation for all bonds is annualised based on amortisation paid on last interest payment date, 5<sup>th</sup> April 2007.