

## **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 March 2010**

**4 June 2010**

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

On 2 March 2005 Broadgate Financing PLC issued £2.080 billion of bonds (of which £1.939 billion is currently outstanding) backed by the rental income from Broadgate, the premier City of London estate. This annual report covers the twelve month period to 31 March 2010.

Further details on the estate itself can be found on the British Land website at [http://www.britishland.com/property/london\\_offices/broadgate](http://www.britishland.com/property/london_offices/broadgate)

## Joint Venture

On 3 November 2009 The British Land Company PLC ("British Land") formed a joint venture, Bluebutton Properties Limited ("Bluebutton"), with Blackstone Group LP funds to hold the Broadgate Estate, including the currently securitised assets.

As a consequence of the transaction, Broadgate Financing PLC is now an indirect subsidiary of Bluebutton.

## 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 period ended:	31 March 2010
Valuation:	£1.918 billion
Top up Net initial yield:	7.47% <sup>1</sup>
Gross Passing Rent per annum:	£150.1m
Gross Contracted Rent per annum (including fixed uplifts):	£150.7m
Average contracted rent psf (office space/ excluding vacancies):	£46.80 psf
Average headline ERV psf (office space):	£38.60 psf
Vacancy rate:	7.32%
Eligible investments held <sup>2</sup> :	£219.7m
Lease surrender deposit <sup>2</sup> :	£12.5m

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

<sup>2</sup> As at 5 April 2010 interest payment date

## Rent Reviews

During the year to 31 March 2010, three rent reviews to Ashurst were settled at the minimum uplift of £500,000 per annum. Ashurst LLP occupy 120,000 sq ft at Broadwalk House.

Additionally, six office and eight retail rent reviews were settled at a nil increase.

The details of some key outstanding rent reviews, by passing rent, are outlined below:

Property/Tenant	Rent Review Date	Passing Rent	Passing Rent psf
100 Liverpool St UBS	30.12.2008	£11,061,110	£46
8-10 Broadgate UBS	30.12.2008	£5,136,303	£46
135 Bishopsgate RBS	10.02.2009	£13,854,143	£42

In addition, as at 31 March 2010, 10 office reviews were outstanding on 247,000 sq ft of accommodation, with a passing rent of £10.9m per annum.

## Lease Renewals / Surrenders

Three retail and three car parking lease renewals transacted in the past year, providing a renewed rent of £196,039 per annum.

RBS have expressed an interest in extending their leases at 199 Bishopsgate for a further 5 month period. Their current leases expire in August 2010.

We agreed to the early surrender of Ambac's lease obligations at 6 Broadgate in return for a surrender payment. Their original lease was set to expire in September 2013 and we have agreed to surrender this lease in January 2011.

## New Lettings

Regus have taken the remaining vacant office space inherited from Lehmans at 1 Broadgate, amounting to 13,241 sq ft and are paying a headline rent of £199,819 per annum. Additionally, The Swatch Group have taken 194 sq ft of retail space in Unit 3 of 100 Liverpool Street at a rent of £45,000 per annum.

Nine temporary lettings have been agreed on part 3<sup>rd</sup> floor of 4 Broadgate. The lettings total 23,541 sq ft and have a combined net rent of £303,627 per annum.

## **Lease Regears**

In April 2010, we completed the regear of leases totalling 110,000 sq ft to Axa IM and Baring Asset Management at 155 Bishopsgate. Both tenants had leases expiring in July 2019. The regears extend their leases until October 2025 with options to renew until July 2030. The passing rent of the leases equated to circa £44psf prior to the regears. The Axa IM lease now has the benefit of annual fixed uplifts rising to £53.50psf in December 2013 and £55.50 in 2019. The Baring Asset Management lease has a fixed uplift to £47.50 in 2014 and £49.50 in 2019. A market incentive was provided to both Axa and Barings in order to regear their leases.

## **British Land and Blackstone's Announcement of Intention to Develop New UBS Building at Broadgate**

Bluebutton has entered into exclusive non-binding heads of terms to construct UBS a new building of c.700,000 sq ft on the site of 4 and 6 Broadgate, thereby retaining UBS as a key occupier on the estate. There can be no certainty that a binding deal will be signed.

Broadgate Financing is evaluating the various options under the terms of the securitisation.

## Financial Summary

Market Value of Mortgaged Properties <sup>1</sup>	£1,918m
Annual Rents receivable <sup>1</sup>	£150.1m
Cash collateral <sup>4</sup>	£219.7m
Cash collateral release <sup>4</sup>	£19.2m
Lease surrender deposit <sup>5</sup>	£12.5m
Lease surrender deposit release <sup>5</sup>	£8.4m

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

Class	£'m
A	1,078.98
B	365.00
C	405.94
D	89.25
<b>Total</b>	<b>1,939.17</b>

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

	£'m
A	52.9
B	18.2
C	21.3
D	5.1
<b>Total</b>	<b>97.5</b>

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

	£'m
A	7.9
B	0.0
C	19.6
D	18.0
<b>Total</b>	<b>45.5</b>

## Interest Cover Ratios<sup>3,4,5</sup>

A	3.33
B	2.48
C	1.91
<b>Total</b>	<b>1.81</b>

## DSCR Ratios<sup>3,4,5</sup>

A	2.90
B	2.24
C	1.48
<b>Total</b>	<b>1.24</b>

## LTV Ratios<sup>4,5</sup>

A	44.14%
B	63.16%
C	84.32%
<b>Total</b>	<b>88.98%</b>

1. Market values and annual rents receivable are as at 31 March 2010. Market values are provided by Knight Frank, external valuer to Broadgate Financing PLC.
2. Debt outstanding is at 5 April 2010, the last interest payment date.
3. Interest in respect of Fixed Rate Bonds is annualised based on interest paid on the last interest payment date, 5 April 2010.

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 April 2010.

4. Cash collateral held at 5 April 2010. Cash collateral release is the amount scheduled to be released from the collateral on the next four interest payment dates. Interest cover, DSCR and LTV ratios include the value of cash collateral/release.
5. Henderson surrender cash deposit held at 5 April 2010. Cash is released in accordance with amounts which would have been payable under the terms of Henderson's lease absent the surrender. Interest cover, DSCR and LTV ratios include value of cash collateral/release.