

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 2011

2 June 2011

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.

Background

On 2 March 2005 Broadgate Financing PLC issued £2.080 billion of bonds (of which £1.893 billion is currently outstanding) backed by the rental income from Broadgate, the premier City of London estate.

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.

Further details on the estate itself can be found on the British Land website at <http://www.britishland.com/index.asp?pageid=157>

On 2 August 2010 it was announced that Bluebutton Properties Limited had signed an agreement for leases with UBS to develop a new 700,000 sq ft building on the Broadgate Estate. As a result of this, Bluebutton Properties completed a substitution of assets within the Broadgate Financing PLC securitisation. The properties subject to redevelopment, 3, 4 & 6 Broadgate (including £11 million associated Henderson and AMBAC cash surrender collateral) and the cash deposit of £215 million charged as security following the disposal of the Willis Building, have been removed from the securitisation and replaced with two high quality recently constructed properties, 201 Bishopsgate and Broadgate Tower.

For further detail of the substitution, please see the press release at <http://www.britishland.com/index.asp?pageid=42&newsid=252>

The contents of this report, including the financing statistics, are therefore based on the securitised estate subsequent to this substitution.

Quarterly Report

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

Asset Performance

For period ended:	31 March 2011
Valuation:	£2.567 billion
Net Initial Yield (topped up):	6.5% ^{1, 2}
Gross Passing Rent per annum:	£163.2m
Gross Contracted Rent per annum ¹ :	£171.6m
Average contracted rent psf (office space/ excluding vacancies):	£47.60 psf
Average headline ERV psf (office space):	£43.00 psf
Vacancy rate:	3.1%
Eligible investments held ³ :	£nil
Lease surrender deposit ³ :	£nil

¹ Assumes top up of rent free periods, after purchasers' costs.

² For Standing Investments, thus excludes 199 Bishopsgate - currently under refurbishment.

³ As at 5 April 2011 interest payment date.

Overview of the year to 31 March 2011

New Lettings

Banco Itau Europe SA have taken level 20 at the Broadgate Tower amounting to 12,321 sq ft on a new 10.5 year lease and paying a headline rent of £646,853 per annum.

Scotiabank have taken level 6 at 201 Bishopsgate amounting to 38,000 sq ft and are paying a headline rent of £1.5m per annum.

EBRD have taken the remaining vacant office space at 155 Bishopsgate amounting to 8,000 sq ft and are paying a headline rent of £336,427 per annum.

Geronimo Inns have taken 3,000 sq ft of retail space in 1 Appold Street at a rent of £132,500 per annum.

Cilantro have taken 714 sq ft of retail space in Unit 4 of 201 Bishopsgate paying a rent of £35,000 per annum.

Sweet News and Michaels Shoes have taken Units 1a & 1b, 135 Bishopsgate at an overall rent of £60,000 per annum on leases until 2019.

Lease Renewals

RBS renewed their leases at 199 Bishopsgate comprising 114,000 sq ft of office accommodation. The leases expired in August 2010, with the renewal undertaken on a contracted out basis expiring on 31 March 2011, with tenant breaks from 31

December 2010. The renewed annual rent was £3.1m. This transaction provided for vacant possession in Q1 2011 allowing the refurbishment to commence, which is now progressing and due for completion in 2012.

Lease Restructurings

A number of lease variations were completed with UBS when conditional contracts were exchanged to construct them a new building known as 5 Broadgate, comprising a total of c.700,000 sq ft. The material amendments were the extensions of the terms certain of the leases at 100 Liverpool St and 8-12 Broadgate from September 2013 to September 2015. However, if the conditions precedent of the agreement for leases for 5 Broadgate are satisfied, then the terms certain of the leases at 1-2 Finsbury Avenue and 100 Liverpool St and 8-12 Broadgate will be extended until at least 18 months after the new building's readiness date. Progress continues to be made, with a resolution to grant planning permission for the scheme (subject to the negotiation of a S.106 agreement) being given by the City planners on 19 April 2011. British Land and Blackstone responded formally to a consultation process by English Heritage, which ended on 17 May 2011, on the potential listing of parts of the Broadgate estate.

In addition, subsequent to the agreement for leases exchanging for UBS at 5 Broadgate, a further lease re-structuring has been completed at 3 Finsbury Avenue. This involved the removal of the UBS break option in September 2015, providing an additional 3 years' term certain until the next break in September 2018 and the June 2017 rent review being waived should UBS exercise their 2018 break. The rent is to be reduced by £70,000 per annum to account for the part surrender of the ground floor for a new retail unit. A market incentive was payable. This transaction was completed post year end.

Additionally during the year, leases to AXA IM and Baring Asset Management at 155 Bishopsgate were restructured, totalling 110,000 sq ft of accommodation. 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 a minimum uplift to £49.50 in 2019. A market incentive was provided to both AXA and Barings in order to restructure their leases.

In addition the two leases to Close Brothers Asset Management were restructured at levels 7 & 8 of 10 Exchange Square totalling 30,000 sq ft. The transaction involved removing the March 2011 tenant breaks in return for a reduction in the March 2011 minimum rental uplift from £52.50 to £50.00 per sq ft; and 3 months' rent free (from March to June 2011). The leases now have a term certain until March 2016, an additional five years.

Rent Reviews

During the twelve months to 31 March 2011, sixteen outstanding rent reviews were settled at 135 Bishopsgate, 155 Bishopsgate, Exchange House and 10 Exchange Square, all at nil increase.

Three rent reviews to Western Asset Management were settled at the minimum uplift rents of £52.50 per sq ft (previously £47.50 psf)

A further five retail rent reviews were settled at nil increase in the period.

Financial Summary

Market Value of Mortgaged Properties ¹	£2,567m
Annual Rents receivable ¹	£163.2m
Cash collateral ⁴	£nil
Cash collateral release ⁴	£nil
Lease surrender deposit ⁵	£nil
Lease surrender deposit release ⁵	£nil

Debt Outstanding²

Class	£'m
A	1,070.79
B	365.00
C	386.35
D	71.25
Total	1,893.37

Interest Payable³

	£'m
A	52.5
B	18.2
C	20.2
D	4.1
Total	95.0

Amortisation Payable³

	£'m
A	8.4
B	0.0
C	19.6
D	18.0
Total	46.0

Interest Cover Ratios^{3,4,5,6}

A	3.08
B	2.30
C	1.79
Total	1.71

DSCR Ratios^{3,4,5,6}

A	2.66
B	2.05
C	1.37
Total	1.15

LTV Ratios^{4,5}

A	41.71%
B	55.93%
C	70.98%
Total	73.75%

1. Market values and annual rents receivable are as at 31 March 2011. Market values are provided by Knight Frank, external valuer to Broadgate Financing PLC.
2. Debt outstanding is at 5 April 2011, 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 2011.

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 2011.

4. Cash collateral held at 5 April 2011. In July 2010, the cash collateral and properties at 3, 4 & 6 Broadgate were released when 201 Bishopsgate and the Broadgate Tower were substituted in to the securitisation.
5. Henderson surrender cash deposit held at 5 April 2011. In July 2010, the cash collateral and properties at 3, 4 & 6 Broadgate were released when 201 Bishopsgate and the Broadgate Tower were substituted in to the securitisation.
6. The reduction in the Interest Cover and DSCR ratios from those in the March 2010 Annual report is primarily due to the current rent free periods at the recently constructed 201 Bishopsgate and Broadgate Tower which were substituted into the securitisation in July 2010 in place of 3, 4 and 6 Broadgate and cash collateral.