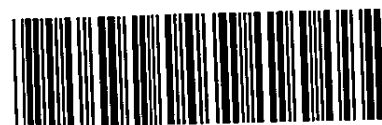

Bluebutton Properties UK Limited

Annual Report and Accounts

Year ended 31 March 2011

THURSDAY



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RM	05/01/2012	#35
	COMPANIES HOUSE	
LD8	23/12/2011	#216
	COMPANIES HOUSE	

Company number: 7018582

Bluebutton Properties UK Limited

**REPORT OF THE DIRECTORS
for the year ended 31 March 2011**

The directors submit their report and financial statements for the year ended 31 March 2011

Principal activities

The company is a wholly owned subsidiary of Bluebutton Properties Limited (Jersey registered) which operates as a joint venture between The British Land Company PLC and BRE/Brick Limited. The joint venture was formed on 3 November 2009 although it was incorporated on 14 September 2009, so the prior period is considered a 7 month period. The group's principal activity is that of property investment in the United Kingdom (UK). The group owns a City of London office estate.

Business review

As shown in the group's profit and loss account on page 6, the group's turnover was £168,135,155 (period to 31 March 2010 £69,031,902) and profit before tax was £9,939,082 (period to 31 March 2010 £7,075,653).

No dividends were declared in the period (2010: £nil).

The consolidated balance sheet on page 8 shows the group's financial position at the year end with net assets of £497,407,170 (2010: £289,700,060).

The value of the group's investment properties at 31 March 2011 increased by 8.3%, due to revaluation movements during the year then ended as shown in note 6 to the group's balance sheet.

The company balance sheet on page 9 shows the company's financial position at the year end with net assets of £101,928,124 (2010: net liabilities £1,548,351).

During the current year, Bluebutton HoldCo 5 Broadgate (Jersey) Limited, a fellow subsidiary of Bluebutton Properties Ltd (the parent company) announced that it had signed an agreement for leases with UBS AG to redevelop a new 700,000 sq ft building on the site of 4 and 6 Broadgate. To facilitate the development of the new building, 4 and 6 Broadgate have been removed from the securitisation and substituted by 201 Bishopsgate and The Broadgate Tower, already owned by the group but which were previously outside the securitisation. At the same time, £226m of cash collateral was released from the securitisation and part of the proceeds used to pay and cancel loans facilities of £254m (£220m drawn) provided by British Land.

Total development costs of the new building are expected to be £340m excluding land and interest costs. This will be funded by a new development loan facility of up to £320m from British Land, secured on the new building, 5 Broadgate. The loan, which is on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees.

Details of significant events since the balance sheet date are contained in note 16.

Risk management

This group is a large property investment group. As such, the fundamental underlying risks for this company are those of the property group as discussed below.

The group generates returns to shareholders through long-term investment decisions requiring the evaluation of opportunities arising in the following areas:

- demand for space from occupiers against available supply,
- identification and execution of investment and development strategies which are value enhancing,
- availability of financing or refinancing at an acceptable cost,
- economic cycles, including their impact on tenant covenant quality, interest rates, inflation and property values,
- legislative changes, including planning consents and taxation,
- engagement of development contractors with strong covenants,
- key staff changes, and
- environmental and health and safety policies.

These opportunities also represent risks, the most significant being change to the value of the property portfolio. This risk has high visibility to senior executives and is considered and managed on a continuous basis. Executives use their knowledge and experience to knowingly accept a measured degree of market risk.

The group's preference for prime assets and their secure long term contracted rental income, primarily with upward only rent review clauses, presents lower risks than many other property portfolios.

The group finances its operations by a mixture of equity, public debt issues and loans. The group borrows in Sterling at both fixed and floating rates of interest, using interest rate derivatives to hedge the interest rate risk on the variable debt.

The directors consider the company to be a going concern and the accounts are prepared on this basis. Details of this are shown in note 1 of the financial statements.

Bluebutton Properties UK Limited

REPORT OF THE DIRECTORS
for the year ended 31 March 2011

Environment

The group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the company's activities. The group operates in accordance with best practice policies and initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Directors

The directors who served during the year were

SM Barzycki

SG Carter

SDA Davies (resigned 2 August 2011) (alternate P Bingel)

SM Grant (resigned 2 December 2010) (alternate M Pegler)

AN Lyle (resigned 2 August 2011)

TA Roberts

A Agarwal (appointed 2 August 2011) (alternate A Khera)

C Pike (appointed 2 August 2011) (alternate P Bingel)

J Lock (appointed 2 August 2011) (alternate M Pegler)

G Rudd (appointed 2 December 2010 and resigned 2 August 2011) (alternate M Pegler)

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Payments policy

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. Suppliers' days outstanding at 31 March 2011 were 34 (2010: 43).

Bluebutton Properties UK Limited

**REPORT OF THE DIRECTORS
for the year ended 31 March 2011**

Disclosure of information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and

(b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Auditor

Deloitte LLP have indicated their willingness to continue as auditor. A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the Annual General Meeting

This report was approved by the Board on 23 December 2011


S. Carter
Director

Bluebutton Properties UK Limited

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
Bluebutton Properties UK Limited
for the year ended 31 March 2011**

We have audited the consolidated financial statements of Bluebutton Properties UK Limited for the year ended 31 March 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2011 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

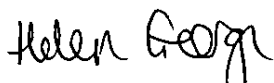
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Helen George ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

Date 23 December 2011

Bluebutton Properties UK Limited

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2011**

	Note	Year ended 31-Mar-11 £	7 months ended 31-Mar-10 £
Turnover			
Rental income		168,135,155	69,031,902
Total turnover		<u>168,135,155</u>	<u>69,031,902</u>
Cost of sales		(8,641,311)	(2,835,385)
Gross profit		<u>161,493,844</u>	<u>66,196,517</u>
Amortisation of goodwill	5	(12,415,361)	(5,173,067)
Amortisation of fair value of debt adjustment	10	(39,881,742)	(11,052,675)
Administrative expenses		<u>(714,555)</u>	<u>(495,174)</u>
		<u>(52,991,658)</u>	<u>(16,720,916)</u>
		<u>108,502,186</u>	<u>49,475,601</u>
Profit on ordinary activities before interest		108,502,186	49,475,601
Interest receivable			
External - other		548,468	465,865
Interest payable			
External - bonds		(96,910,486)	(40,162,667)
- other loans		(2,201,086)	(2,703,146)
Profit on ordinary activities before taxation	2	<u>9,939,082</u>	<u>7,075,653</u>
Taxation	4	(5,908,728)	(1,668,596)
Profit for the financial year	12	<u><u>4,030,354</u></u>	<u><u>5,407,057</u></u>

Turnover and results are derived from continuing operations within the United Kingdom. The group has one significant class of business, that of property investment in the United Kingdom.

Bluebutton Properties UK Limited

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2011**

	Year ended 31 March 2011 £	7 months ended 31 March 2010 £
Profit on ordinary activities after taxation	4,030,354	5,407,057
Unrealised surplus on revaluation of investment properties	203,676,756	284 292 003
Total recognised gains and losses relating to the financial year	<u>207 707 110</u>	<u>289,699,060</u>

Bluebutton Properties UK Limited

**CONSOLIDATED BALANCE SHEET
as at 31 March 2011**

	Note	2011 £	£	2010 £	£
Fixed assets					
Goodwill	5		230,718,787		243,134,148
Investment properties	6		2,873,573,402		2,448,543,059
			<u>2,904,292,189</u>		<u>2,691,677,207</u>
Current assets					
Debtors - due within one year	8	48,184,766		51,670,803	
Cash and deposits		70,630,932		304,314,697	
		<u>118,815,698</u>		<u>355,985,500</u>	
Creditors due within one year	9	(98,370,335)		(99,974,329)	
		<u></u>		<u></u>	
Net current assets			20,445,363		256,011,171
Total assets less current liabilities			<u>2,924,737,552</u>		<u>2,947,688,378</u>
Creditors due after one year	10		(2,427,330,382)		(2,657,988,318)
Net assets			<u>497,407,170</u>		<u>289,700,060</u>
Capital and reserves					
Called up share capital	11		1,000		1,000
Revaluation reserve	12		487,968,759		284,292,003
Profit and loss account	12		9,437,411		5,407,057
Shareholders' funds	12		<u>497,407,170</u>		<u>289,700,060</u>

The financial statements of Bluebutton Properties UK Limited company number 7018582, were approved by the Board of Directors on *23 December* 2011 and signed on its behalf by

S. Carter
Director

Bluebutton Properties UK Limited

**COMPANY BALANCE SHEET
as at 31 March 2011**

	Note	2011 £	£	2010 £	£
Fixed assets					
Investment properties	6		100,000		100,000
Investments	7		5		1,000,001
			<u>100,005</u>		<u>1,100,001</u>
Current assets					
Debtors - due within one year	8	359,639,265		248,886,930	
Cash and deposits		134,134		3,447,620	
		<u>359,773,399</u>		<u>252,334,550</u>	
Creditors due within one year	9	<u>(8,623,431)</u>		<u>(5,262,946)</u>	
Net current assets			351,149,968		247,071,604
Total assets less current liabilities			<u>351,249,973</u>		<u>248,171,605</u>
Creditors due after one year	10		(249,321,849)		(249,719,956)
Net assets (liabilities)			<u><u>101,928,124</u></u>		<u><u>(1,548,351)</u></u>
Capital and reserves					
Called up share capital	11		1,000		1,000
Share premium	12		-		-
Revaluation reserve	12		(22,182,975)		(1,050,010)
Profit and loss account	12		124,110,099		(499,341)
Shareholders' funds/(deficit)	12		<u><u>101,928,124</u></u>		<u><u>(1,548,351)</u></u>

The financial statements of Bluebutton Properties UK Limited, company number 7018582, were approved by the Board of Directors on *23 December* 2011 and signed on its behalf by


Director

Bluebutton Properties UK Limited

**CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2011**

	Note	2011 £	£	2010 £	£
Rental income received from tenants		171,638,695		84,838,473	
Operating expenses paid to suppliers		(12,993,061)		(6,580,017)	
Cash inflow from operating activities	a		158,645,634		78,258,456
Returns on investments and servicing of finance					
Interest received		813,005		228,530	
Interest paid		(101,226,559)		(26,013,020)	
Taxation		(4,595,420)		-	
			(105,008,974)		(25,784,490)
Capital expenditure and financial investment					
Capital expenditure on investment property		(28,330,367)		(2,906,476)	
			(28,330,367)		(2,906,476)
Acquisitions and disposals					
Cash acquired with subsidiary undertakings		-		265,905,572	
					265,905,572
Cash inflow before financing			25,306,293		315,473,062
Repayment of Term debt		(269,320,678)		(13,437,277)	
Service charge funding		(1,277,137)		(231,701)	
Funding to Bluebutton Properties Limited and Bluebutton (5 Broadgate) UK Limited		(803,836)		-	
Construction cost to complete funding received from the British Land Company PLC		12,411,593		2,510,613	
			(258,990,058)		(11,158,365)
(Decrease)/Increase in cash	b		(233,683,765)		304,314,697

Bluebutton Properties UK Limited

**Notes to the Consolidated Cash Flow Statement
for the year ended 31 March 2011**

a Reconciliation of operating profit to net cash inflow from operating activities

	31 March 2011 £	31 March 2010 £
Operating profit	108 502,186	49,475,601
Amortisation of goodwill	12 415,361	5 173 067
Amortisation of fair value adjustment	39,861,742	11 052 675
Net increase in debtors	(1,156 056)	(6,222 258)
Net (decrease)/increase in creditors	(977 599)	18,779,371
Net cash inflow from operating activities	<u>158 645 634</u>	<u>78 258 456</u>

b Reconciliation of net cash flow to movement in net funds

	£	£
Cash acquired with subsidiaries	-	265,905 572
(Decrease)/increase in cash in the year	(233,683,765)	38 409 125
Change in net funds resulting from cash flows	<u>(233 683 765)</u>	<u>304,314 697</u>
Term debt acquired with subsidiaries	-	(2,183,226,947)
Repayment and amortisation of term debt	268,996,681	13 061,754
Movement in net debt in the period	<u>35 312 916</u>	<u>(1,865,850,496)</u>
Net Debt at 31 March 2010	(1,865,850,496)	-
Net Debt at 31 March 2011	<u>(1 830 537 580)</u>	<u>(1,865 850 496)</u>

c Analysis of net funds

	31 March 2010 £	Cash flow £	Acquisition of subsidiaries £	Non Cash £	31 March 2011 £
Cash at bank	304,314,697	(233,683,765)	-	-	70 630 932
Term Debt	(2 170,165 193)	269 320 678	-	(323 997)	(1,901 168 512)
Net funds	<u>(1 865 850 496)</u>	<u>35 636 913</u>	<u>-</u>	<u>(323 997)</u>	<u>(1 830 537 580)</u>

Bluebutton Properties UK Limited

Notes to the accounts for the year ended 31 March 2011

1 Accounting policies

The principal accounting policies adopted by the directors are summarised below. They have been applied consistently throughout the current and previous periods.

Accounting basis

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards and under the historical cost convention as modified by the revaluation of investment properties and other fixed asset investments.

Consolidation

The consolidated financial statements include the results of the company and all subsidiaries. The results of any subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

Having reviewed the company's forecast working capital and cash flow requirements, in addition to making enquiries and examining areas which could give risk to financial exposure, the directors have a reasonable expectation that the company has adequate resources to continue its operations for the foreseeable future. As a result they continue to adopt the going concern basis in preparing the accounts.

Properties

Properties are externally valued on an open market basis at the balance sheet date. Investment and development properties are recorded at valuation. Any surplus or deficit arising is transferred to revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account. Disposals are recognised on completion. Profit on disposal is determined as the difference between sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period.

In accordance with Statement of Standard Accounting Practice 19, no depreciation is provided in respect of investment property. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view. The financial effect of the departure from these rules cannot reasonably be quantified as depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

A property ceases to be treated as a development on practical completion.

In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

Goodwill

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the group's interest in the fair value of the identifiable assets and liabilities of the subsidiary at the time of acquisition. Goodwill is reviewed for impairment on an annual basis, and amortised over a period of twenty years.

Financial liabilities

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

Under the requirements of UK GAAP, derivative financial instruments are held off-balance sheet in the consolidated financial statements. Refer to note 10 for further details.

Fair values in acquisition accounting

Applying FRS 7, Fair Values in Acquisition Accounting, identifiable assets and liabilities of the acquired entity are included in the consolidated financial statements of the acquirer at their fair values at the date of acquisition. Fair value adjustments were recorded on acquisition in respect of the secured bonds and derivatives and are being amortised over the contractual term of the corresponding liabilities.

Bluebutton Properties UK Limited

**Notes to the accounts
for the year ended 31 March 2011**

1 Accounting policies (continued)

Investments

Fixed asset investments are stated at the lower of cost and the underlying net asset value of the investments

Taxation

Current tax is based on taxable profit for the year 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 British Land group 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.

Net rental income

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the next rent review date. Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation.

Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the next rent review date.

Where a lease incentive payment, including surrender premiums paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the next rent review date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned is immediately reflected in income.

Profit for the year attributable to the members of Bluebutton Properties UK Limited

The company has taken advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account for the company alone is not presented. The profit of the parent company for the period was £124,609,440 (period ending 31 March 2010 loss £499,341).

Bluebutton Properties UK Limited

Notes to the accounts
for the year ended 31 March 2011

2 Profit on ordinary activities before taxation

	Year ended 31 March 2011 £	7 months ended 31 March 2010 £
Profit on ordinary activities before taxation is stated after charging		
Amortisation of goodwill	12 415 361	5 173,067
Auditor's remuneration	110 000	110,000

There were no non audit fees incurred during the current or prior periods

3 Staff costs

No director received any remuneration for services to the company in either period

Average number of employees, excluding directors, of the company during the period was nil (2010 - nil)

4 Taxation

	Year ended 31 March 2011 £	7 months ended 31 March 2010 £
Current tax		
UK corporation tax	5,987,577	1,668,596
Adjustments in respect of prior years	(78 849)	-
Total current taxation charge (credit)	5,908,728	1 668 596
Deferred tax		
Origination and reversal of timing differences	-	-
Prior year items	-	-
Total deferred tax charge (credit)	-	-
Total taxation charge (credit)	5 908 728	1,668,596
Tax reconciliation		
Profit on ordinary activities before taxation	9 939 082	7 075 653
Tax on ordinary activities at UK corporation tax rate of 28% (2010 28%)	2,782,943	1,981,183
Effects of		
REIT exempt income and gains	(8,229,160)	(3,350,501)
Capital allowances	(3,738,969)	(1,709,423)
Expenses not deductible for tax purposes	15 610 077	4 747 337
Group relief (claimed) surrendered for nil consideration	(437,314)	-
Adjustments in respect of prior years	(78,849)	-
Current tax charge (credit)	5 908,728	1 668,596

Included in the tax charge is a net charge of £nil (2010 £nil) attributable to property sales

On 23 March 2011 the Government announced that the main rate of Corporation Tax would reduce to 26% with effect from 1 April 2011 with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. These tax reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements

Bluebutton Properties UK Limited

Notes to the accounts
for the period ended 31 March 2011

5 Intangible fixed assets - goodwill

Group	Positive goodwill £
At cost	
1 April 2010	248,307,215
Additions	-
31 March 2011	<u>248,307,215</u>
Amortisation	
1 April 2010	(5,173,067)
Charge for the year	(12,415,361)
31 March 2011	<u>(17,588,428)</u>
Net book value	
31 March 2011	<u>230,718,787</u>
1 April 2010	<u>243,134,148</u>

Goodwill is amortised on a straight-line basis over 20 years

Bluebutton Properties UK Limited

**Notes to the accounts
for the year ended 31 March 2011**

6 Investment properties

Group	Freehold £	Long leasehold £	Short leasehold £	Total £
At valuation				
1 April 2010	60,000	2 446 233,059	2,250,000	2,448,543 059
Additions	21 132,965	220 622	-	21,353,587
Group transfers	4,176,000	(4,176,000)	-	-
Revaluation surplus (deficit)	(21,368,965)	225,195,721	(150,000)	203,676 756
31 March 2011	4,000 000	2,667,473 402	2,100,000	2,673,573 402

**Analysis of cost and
valuation**

31 March 2011				
Cost	26,458,971	2,156,895,672	2,250 000	2,185,604,643
Revaluation	(22,458,971)	510,577,730	(150,000)	487 968 759
	4 000 000	2,667,473 402	2 100 000	2 673 573 402
1 April 2010				
Cost	1,150,006	2,160,851,050	2 250 000	2 164 251 056
Revaluation	(1 090 006)	285 382,009	-	284,292,003
Net book value	60,000	2,446,233,059	2 250 000	2 448,543 059

Company	Freehold £	Long leasehold £	Short leasehold £	Total £
At valuation				
1 April 2010	50,000	50,000	-	100,000
Additions	21,132,965	-	-	21 132,965
Revaluation surplus (deficit)	(21,132,965)	-	-	(21 132 965)
31 March 2011	50 000	50 000	-	100 000

**Analysis of cost and
valuation**

31 March 2011				
Cost	22,282,970	5	-	22,282 975
Revaluation	(22 232,970)	49,995	-	(22,182,975)
Net book value	50 000	50,000	-	100 000
1 April 2010				
Cost	1,150 005	5	-	1 150 010
Revaluation	(1,100,005)	49 995	-	(1,050,010)
Net book value	50,000	50,000	-	100 000

The freehold additions arise on the redevelopment of 4 and 6 Broadgate. The leasehold interests for these properties are held by 4 Broadgate 2010 Limited and 6 Broadgate 2010 Limited. The revaluation movement arising should be viewed in the context of the entire property interest.

Properties were valued as at 31 March 2011 by Knight Frank LLP on the basis of Market Value, in accordance with the Appraisal and Valuation Standards sixth edition, published by The Royal Institution of Chartered Surveyors.

Properties valued at £2,566m (£1,918m) were charged to secure borrowings of the group.

Security has been granted over the above properties to secure the £1 904,867,490 (2010 £1 950,544,590) secured notes due from 2022 to 2036, issued by Broadgate Financing PLC, and the Broadgate North loan, which was repaid during the year (2010 £209,000,000).

Bluebutton Properties UK Limited

**Notes to the accounts
for the year ended 31 March 2011**

7 Investments

Company	Shares in subsidiaries £	Other investments £	Total £
At cost or underlying net asset value of investment			
1 April 2010	1,000,001	-	1,000,001
Additions	4	-	4
Disposals	(1,000,000)	-	(1,000,000)
Provision written-back (written-down)	-	-	-
31 March 2011	5	-	5
Provision for underlying net asset change			
1 April 2010	-	-	-
Provision written-back (written-down)	-	-	-
Disposals	-	-	-
31 March 2011	-	-	-
31 March 2011	5	-	5
1 April 2010	1,000,001	-	1,000,001

The company has investments in the following subsidiaries. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Subsidiary	Principal Activity	Interest	Country
British Land Broadgate 2005 Limited	Holding Company	100%	England & Wales
4 Broadgate 2010 Limited	Property Investment	100%	England & Wales
6 Broadgate 2010 Limited	Property Investment	100%	England & Wales
Bluebutton (12702) Limited	Property Investment	100%	England & Wales

During the year, Bluebutton Properties UK Limited disposed of its investment in 201 Bishopsgate Limited to an indirect subsidiary, Broadgate (PHC 8) 2008 Limited which is a subsidiary of Broadgate Property Holdings Limited.

Bluebutton Properties UK Limited

**Notes to the accounts
for the year ended 31 March 2011**

8 Debtors	2011	2010
	£	£
Current debtors (receivable within one year)		
Group		
Trade debtors	228,610	403,174
Other taxation and social security	-	706,472
Loan to Joint Venture Partner	-	12,658,068
Prepayments and accrued income	47,752,320	37,903,089
Amounts owed by related undertakings	203,836	-
	<u>48,184,766</u>	<u>51,670,803</u>

Included in prepayments and accrued income is an amount of £40,484,252 (2010 £32,833,975), relating to lease incentives, and an amount of £2,622,345 (2010 £1,992,864) relating to a fixed and guaranteed rent review debtor, which are amortised over the period to the next rent review which may be due after more than one year

Company		
Trade debtors	-	941
Amounts owed by group companies	358,243,492	248,719,955
Other taxation and social security	1,390,373	159,746
Prepayments and accrued income	5,400	6,288
	<u>359,639,285</u>	<u>248,886,930</u>

9 Creditors due within one year	2011	2010
Group	£	£
Loans (see note 10)	14,781,501	14,182,986
Trade creditors	55,023	81,663
Corporation tax	2,994,092	1,668,596
Other taxation and social security	405,363	1,725,195
Other creditors	5,106,768	5,899,676
Accruals and deferred income	75,027,588	76,416,213
	<u>98,370,335</u>	<u>99,974,329</u>

Company		
Trade creditors	5,926	73,438
Amounts owed to group companies - current accounts	197,317	4,160,535
Accruals and deferred income	8,420,188	1,028,973
	<u>8,623,431</u>	<u>5,262,946</u>

Bluebutton Properties UK Limited

**Notes to the accounts
for the year ended 31 March 2011**

10 Creditors due after one year (including borrowings)

Group	2011	2010
	£	£
Debentures and loans due 1 to 2 years	22,142,512	21,054,339
due 2 to 5 years	87,857,416	286,840,999
due after 5 years	2,317,330,454	2,350,092,980
	<u>2,427,330,382</u>	<u>2,657,988,318</u>

The Treasury Function

The group finances its operations by a mixture of public debt issues and loans. The company borrows in Sterling at both fixed and floating rates of interest, using interest rate derivatives to hedge the interest rate risk on variable rate debt.

Risk Management

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. In order to manage this risk, management regularly monitors all amounts that are owed to the group to ensure that amounts are paid in full and on time.

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 group has enough resources to repay all future amounts outstanding.

The group'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.

Borrowings repayment analysis	2011	2010
	£	£
Borrowings are repayable as follows		
Within one year	14,781,501	14,182,986
1-2 years	22,142,512	21,054,339
2-5 years	87,857,416	286,840,999
	<u>124,781,429</u>	<u>322,078,324</u>
After 5 years	2,317,330,454	2,350,092,980
Total	<u>2,442,111,883</u>	<u>2,672,171,304</u>

Secured bonds on the assets of the Group

Class A1 Floating Rate Bonds due 2032 *	225,000,000	225,000,000
Class A2 4.949% Bonds due 2031	272,867,490	280,961,100
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	365,000,000	365,000,000
Class C1 Floating Rate Bonds due 2022 *	176,250,000	195,833,490
Class C2 5.098% Bonds due 2035	215,000,000	215,000,000
Class D Floating Rate Bonds due 2025 *	75,750,000	93,750,000
	<u>1,904,867,490</u>	<u>1,950,544,590</u>
FRS7 fair value	<u>(313,564,868)</u>	<u>(353,426,610)</u>
	1,591,302,622	1,597,117,980
Broadgate North loan secured on assets of the group	-	209,000,000
Total secured	<u>1,591,302,622</u>	<u>1,806,117,980</u>

Loan from Joint Venture Partner	-	14,640,466
Amounts due to Bluebutton Properties Limited	816,809,262	817,412,858
Amounts due to Bluebutton HoldCo 5 Broadgate (Jersey) Limited	34,000,000	34,000,000
Total borrowings	<u>2,442,111,884</u>	<u>2,672,171,304</u>

* At 31 March 2011 taking into account the effect of derivatives, 100% (2010: 100%) of the bonds were fixed. The bonds amortise between 2005 to 2036, and are secured on properties of the group valued at £2,566m (2010: £1,918m) and cash of £nil (2010: £224m). The weighted average interest rate of the bonds is 5.02% (2010: 5.03%). The weighted average maturity of the bonds is 15.3 years (2010: 15.9 years).

Bluebutton Properties UK Limited

Notes to the accounts
for the year ended 31 March 2011

10 Creditors due after one year (including borrowings) - continued

On 2 March 2005 the group issued Bonds with a nominal value of £2,080,000,000 for proceeds of £2,080,710,056

At 31 March 2011 the group was financed by £1,905m bonds (2010 £1,951m) and £nil loans (2010 £223.6m)

The market value of the bonds at 31 March 2011 was £161.7m higher than the book value (2010 £94.3m)

The group does not have to account for the fair value of derivatives, which as at 31 March 2011 was £46m (2010 £53m), as it chooses not to adopt FRS 26. This is different from the treatment in Bluebutton Financing PLC, the subsidiary where the debt is listed, in which the fair value has been accounted for under FRS 26.

These derivatives were fair valued on acquisition and as, on an ongoing basis, FRS 26 is not applied by the group, the asset of £38m that arose on acquisition is being amortised over the contractual term of the corresponding liabilities. At 31 March 2011 the asset was £34.6m (2010 £37.3m).

On 30 July 2010, Bluebutton Properties Ltd, the parent company, announced that it had signed an agreement for leases with UBS AG to redevelop a new 700,000 sq ft building on the site of 4 and 6 Broadgate.

To facilitate the development of the new building, 3, 4 and 6 Broadgate were removed from the securitisation and substituted by 201 Bishopsgate and The Broadgate Tower, which were previously outside the securitisation. At the same time, £226m of cash collateral was released from the securitisation.

There is an undrawn 364 day revolving liquidity facility totalling £185m which is only available for requirements of the Broadgate securitisation.

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.

A £243m loan facility was made available to the group from The British Land Company PLC on 3 November 2009 at an interest rate of LIBOR + 2.5%, and secured on the properties of 201 Bishopsgate Limited. £209m was drawn at 31 March 2010. The loan was repaid in full on 30 July 2010 (see note 15).

During the current year, Bluebutton HoldCo 5 Broadgate (Jersey) Limited, a fellow subsidiary of Bluebutton Properties Ltd (the parent company) announced that it had signed an agreement for leases with UBS AG to redevelop a new 700,000 sq ft building on the site of 4 and 6 Broadgate. Total development costs of the new building are expected to be £340m excluding land and interest costs. This will be funded by a new development loan facility of up to £320m from British Land, secured on the new building, 5 Broadgate. The loan is on commercial terms and includes an interest cost of 3% per annum above LIBOR and market based fees.

Company	2011	2010
	£	£
Amounts due to Bluebutton Properties Limited	215,321,849	215,719,956
Amounts due to Bluebutton Holdco 5 Broadgate (Jersey) Limited	34,000,000	34,000,000
	<u>249,321,849</u>	<u>249,719,956</u>

11 Share capital

	2011	2010
	£	£
Issued share capital - allotted, called up and fully paid		
Ordinary Shares of £1.00 each		
Opening balance as at 1 April 1000 shares	1,000	-
Allotted shares 1000 shares	-	1,000
Closing balance as at 31 March 1000 shares	<u>1,000</u>	<u>1,000</u>

During the prior period the company allocated 1,000 Ordinary shares with a nominal value of £1.00 each for intercompany debt.

Bluebutton Properties UK Limited

**Notes to the accounts
for the year ended 31 March 2011**

12 Reconciliation of movements in shareholders' funds and reserves

	GROUP					
	Share capital £	Share premium £	Revaluation reserve £	Hedging & translation reserve £	Profit and loss account £	Total £
Opening shareholders' funds	1,000	-	284,292,003	-	5 407,057	289,700,060
Profit for the financial year	-	-	-	-	4,030,354	4,030 354
Dividends	-	-	-	-	-	-
Share issues in the year	-	-	-	-	-	-
Unrealised surplus (deficit) on revaluation of investment properties	-	-	203,676,756	-	-	203,676,756
Realisation of prior year revaluations	-	-	-	-	-	-
Closing shareholders' funds	<u>1,000</u>	<u>-</u>	<u>487,968,759</u>	<u>-</u>	<u>9,437,411</u>	<u>497,407,170</u>

	COMPANY					
	Share capital £	Share premium £	Revaluation reserve £	Hedging & translation reserve £	Profit and loss account £	Total £
Opening shareholders' funds	1,000	-	(1,050,010)	-	(499 341)	(1,548,351)
Profit for the financial year	-	-	-	-	124,609,440	124 609 440
Dividends	-	-	-	-	-	-
Share issues in the year	-	-	-	-	-	-
Unrealised surplus (deficit) on revaluation of investment properties	-	-	(21,132,965)	-	-	(21 132 965)
Realisation of prior year revaluations	-	-	-	-	-	-
Closing shareholders' funds	<u>1,000</u>	<u>-</u>	<u>(22,182,975)</u>	<u>-</u>	<u>124,110,099</u>	<u>101,928,124</u>

Bluebutton Properties UK Limited

Notes to the accounts **for the year ended 31 March 2011**

13 Capital commitments

The group and company had capital commitments contracted as at 31 March 2011 of £12.0m (2010: £7.2m)

14 Contingent liabilities

The company is jointly and severally liable with British Land Broadgate 2005 Limited and Bluebutton (12702) Limited for all monies falling due under the group VAT registration

15 Related parties

Related party disclosures noted below are in respect of transactions between the company and its related parties as defined by Financial Reporting Standards 8

During the period, The British Land Company PLC received £50,000 (2010: £20,445) for administration services. Both the British Land Company PLC and BRE/Brick Limited are joint venture partners of Bluebutton Properties Limited, the ultimate holding company of the Group.

During the period, British Land Property Management Limited received £200,000 (2010: £81,781) for management services. British Land Property Management Limited is a wholly owned subsidiary of The British Land Company PLC who have a 50% interest in Bluebutton Properties Limited, the ultimate holding company of the Group.

During the period, British Land Property Management Limited received £55,556 (2010: £nil) in respect of development fees in respect of the 5 Broadgate development.

During the period, the company paid The British Land Company PLC £201,644 (2010: £nil) on behalf of a fellow subsidiary Bluebutton (5 Broadgate) UK Limited, in respect of fees payable in relation to a development facility provided by British Land. The balance is outstanding at the balance sheet date - see note 8.

As at 31 March 2011, £nil (2010: £209,000,000) was due to the British Land Company PLC. During the year, £2,192,038 of interest was payable in respect of this loan. £nil (2010: £1,514,590) of interest was due at the balance sheet date. The £209m loan was repaid in full on 30 July 2010.

As at 31 March 2011, £nil (2010: £12,658,068) was due from The British Land Company PLC and £nil (2010: £322,127) was due to The British Land Company PLC in respect of capital costs to complete on 201 Bishopsgate and the Broadgate Tower. On 13 August 2010, the British Land Company PLC paid £7,622,227 to settle the outstanding liability in respect of the capital costs to complete.

As at 31 March 2011, £nil (2010: £14,640,466) was due to The British Land Company PLC. During the year, £9,048 (2010: £20,053) of interest was payable in respect of this loan. £nil (2010: £8,667) of interest was due at the balance sheet date. The loan was repaid in full on 30 July 2010.

£734,830 (2010: £665,421) of the rental income shown in the profit and loss account represents rent from Broadgate Estates Limited, a wholly owned subsidiary of The British Land Company PLC who have a 50% interest in the Bluebutton Properties Limited, the ultimate holding company of the Group.

During the period, Broadgate Estates Limited, a wholly owned subsidiary of The British Land Company PLC who have a 50% interest in the Bluebutton Properties Limited, the ultimate holding company of the Group, received income of £2,863,360 (2010: £1,680,783) in respect of service charges.

Bluebutton Properties UK Limited

**Notes to the accounts
for the year ended 31 March 2011**

16 Subsequent events

During the current year Bluebutton HoldCo 5 Broadgate (Jersey) Limited, a fellow subsidiary of Bluebutton Properties Ltd (the ultimate holding company) announced that it had signed an agreement for leases with UBS AG to redevelop a new 700,000 sq ft building on the site of 4 and 6 Broadgate

Total development costs of the new building are expected to be £340m excluding land and interest costs. This will be funded by a new development loan facility of up to £320m from British Land, secured on the new building 5 Broadgate. The loan, which is on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees.

On 19 April 2011 the City of London Planning Committee resolved to grant planning permission for 5 Broadgate.

It is managements' current intention that upon commencement of construction of the new building, the shares of 4 Broadgate 2010 Limited and 6 Broadgate 2010 Limited will be acquired by Bluebutton (5 Broadgate) UK Limited, and the property holding will then be acquired by that entity.

17 Immediate parent and ultimate holding company

The immediate parent company is Bluebutton Properties Limited.

Bluebutton Properties UK Limited is the smallest and largest group for which group accounts are available and which include the company.

The ultimate holding company is Bluebutton Properties Limited (Jersey Registered) a joint venture between The British Land Company PLC and BRE/Brck Limited.

The accounts of Bluebutton Properties UK Limited can be obtained from The British Land Company PLC, York House, 45 Seymour Street, London W1H 7LX.