

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 2018

04 June 2018

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 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 became an indirect subsidiary of Bluebutton.

On 14th February 2014 GIC, Singapore’s sovereign wealth fund acquired the 50% interest in Bluebutton owned by Blackstone Real Estate Partners Europe III and Blackstone Real Estate Partners VI.

On 24 March 2015, British Land and GIC, the 50:50 owners of Broadgate, announced the establishment of Broadgate REIT Limited, a real estate investment trust as the new holding company for their joint venture. This did not involve any change to either party's economic interest in Broadgate (or the joint venture).

Further details on the estate itself can be found on the British Land website at <http://www.britishland.com/our-places/find-a-place#/detail/BROAD>

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.

<http://www.britishland.com/investors/strategic-partnerships/broadgate-financing-plc.aspx>

Asset Performance

For period ended:	31 March 2018
Valuation:	£3.667 billion
Net Initial Yield (topped up):	4.9% ¹
Gross Passing Rent per annum:	£148.1m ²
Gross Contracted Rent per annum:	£150.6m ²
Average contracted rent psf (office space/ excluding vacancies):	£51.23 psf
Average headline ERV psf (office space):	£60.60 psf
Vacancy rate:	3.5% ³

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

² Includes £10.1m of 135 Bishopsgate and 3 Finsbury Avenue capital payments held in securitisation to be released as rental income on July 18, October 18 and January 19 interest payment dates

³ As at 31 March 2018; vacancies excluding 100 Liverpool Street, 1 Finsbury Avenue and 135 Bishopsgate (see Additional Information).

Overview of the year to 31 March 2018

New Lettings

During the year, the part 9th Floor (6,700 sq ft) at 10 Exchange Square was let to Falcon Private Wealth at £65.00 psf on a 10 year term with a tenant break option in year 3 and an initial 4 months' rent free.

At Broadgate Tower, the 2,400 sq ft first floor office unit was let to ACM Group at £67.50 psf with 12 months' rent free on a 5 year term.

At 2 Finsbury Avenue, the digital team from Kingfisher leased 25,000 sq ft of space for a two year term through British Land's flexible workspace brand Storey. Storey also took 28,500 sq ft of space at 2 Finsbury Avenue. The guaranteed minimum sum due from Storey is £856,650 p.a. Storey has let all the space, with lease terms from 1 year to 3 years.

Legg Mason have taken 18,500 sq ft at 201 Bishopsgate on a 5 year lease with the tenant break option in year 2 and an initial 2 months' rent free

Following the surrender of 3 Finsbury Avenue, 44,000 sq ft of short term lets have been agreed, including level 3 to Neyber at £35 psf with 4 months rent free.

Lease Renewals and Restructurings

Credit Agricole have taken a reversionary lease on 132,000 sq ft over part ground to third floors at Broadwalk House on a six year term at £45 psf.

At 201 Bishopsgate, LBBW have taken a reversionary lease on 17,300 sq ft on Level 7 at a rent of £62.50 psf on a 10 year term with a tenant break option in year 5 and an initial 11 months' rent free.

Lease Surrenders and Breaks

NatWest (RBS) paid a premium of £34m to surrender their lease at 135 Bishopsgate in June 2017. The lease was due to expire in February 2019 at an annual rent of £13.85m.

UBS surrendered their lease of 3 Finsbury Avenue on 31 January 2018, paying a premium of £2.6m. The lease was due to expire in September 2018 with an annual rent of £3.7m.

Reed Smith have operated their December 2018 break notices on levels 23 and 24 of Broadgate Tower, which will trigger a surrender payment equivalent to 9 months' rent for each floor (£1.1m in total).

Rent Reviews

In the first half of the year, rent reviews on Levels 19 and 20 of Broadgate Tower were agreed with Itau BBA at £62.50 psf and at 5 Finsbury Avenue Square, the rent review with Gaucho was settled at £210,000 p.a.

The September rent review on Level 17 of Broadgate Tower was agreed with William Blair at £61.00 psf.

The rent review for units 6 and 7 at 201 Bishopsgate with Tank & Paddle was settled at £156,500 p.a.

Additional Information

Sumitomo Mitsui Banking Corporation Europe Limited ("SMBCE") have agreed to take 160,000 sq ft at 100 Liverpool Street, representing 37% of the office space. This building, to open soon after Crossrail services begin running through neighbouring Liverpool Street Station, will bring 90,000 sq ft of retail and restaurants as well as 430,000 sq ft of office space. The floors are highly divisible, catering for businesses of various sizes.

Since 1 April 2017, positive planning resolutions have been secured at 1 Finsbury Avenue and 135 Bishopsgate.

At 1 Finsbury Avenue, 79,000 sq ft has been let to Mimecast and 11,000 sq ft has been let to a cinema operator, together representing more than one third of the building. Storey have also been allocated 73,000 sq ft at 1 Finsbury Avenue.

Eataly, the Italian marketplace, will open their first UK site at 135 Bishopsgate covering 42,000 sq ft. 269,000 sq ft of the 325,000 sq ft office space is also under offer or in negotiations, together accounting for around 80% of the space.

These three buildings deliver over 1 million sq ft of space, of which 15% of the space will be retail or leisure, with 32% of the total ERV pre-let or under offer.

A resolution to grant planning consent for a 563,000 sq ft refurbishment of 2&3 Finsbury Avenue has been received, which would increase the existing space by 374,000 sq ft. Plans are progressing at 1-2 Broadgate for a scheme that would increase the retail element, enhancing the attractive retail and leisure options across the campus. Vacant possession is not expected until the end of 2019 but we expect to make a planning application towards the end of this year.

Financial Summary

Market Value of Mortgaged Properties ¹	£3,667m
Annual Rents receivable ¹	£148.1m

Debt Outstanding²

Class	£'m
A	932.74
B	365.00
C	237.80
D	16.50
Total	1,552.04

Interest Payable^{3, 4}

	£'m
A	45.7
B	18.2
C	12.3
D	0.9
Total	77.1

Amortisation Payable³

	£'m
A	26.8
B	0.0
C	22.4
D	3.0
Total	52.2

Interest Cover Ratios^{3, 4}

A	3.04
B	2.21
C	1.87
D	1.85

DSCR Ratios^{3, 4}

A	1.96
B	1.58
C	1.15
D	1.12

LTV Ratios

A	25.44%
B	35.39%
C	41.87%
D	42.32%

1. Market values and annual rents receivable are as at 31 March 2018. Market values are provided by Knight Frank, external valuer to Broadgate Financing PLC. Includes £10.1m of 135 Bishopsgate and 3 Finsbury Avenue capital payments held in securitisation to be released as rental income on July 18, October 18 and January 19 interest payment dates.
2. Debt outstanding is at 5 April 2018, 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 2018.

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 the bonds represents the actual amortisation to be paid over the four interest payments dates subsequent to the 5 April 2018 interest payment.

4. Step-up Margins are excluded from interest calculations.