

Broadgate Financing PLC

£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

£215,000,000 Class C2 5.098 per cent. Bonds due 2035

Annual Update as at 31 March 2020

04 June 2020

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.

Broadgate Financing PLC is an indirect subsidiary of Broadgate REIT Limited. Broadgate REIT Limited operates as a joint venture between Euro Bluebell LLP, an affiliate of GIC, Singapore's sovereign wealth fund, and BL Bluebutton 2014 Limited, a wholly owned subsidiary of The British Land Company PLC.

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 2020
Valuation:	£4.110 billion
Net Initial Yield (topped up):	4.6% ¹
Gross Passing Rent per annum:	£115.3m
Gross Contracted Rent per annum:	£172.6m ²
Average contracted rent psf (office space/ excluding vacancies):	£50.36 psf ^{1, 3}
Average headline ERV psf (office space):	£66.00 psf
Vacancy rate:	4.2% ^{1, 3}

¹ Assumes top up of rent free periods, after purchasers' costs, excluding refurbishment at 100 Liverpool Street. 135 Bishopsgate reached practical completion in January 2020 and is now included in metric

² Includes £42.6m Contracted Rent at 100 Liverpool Street and 135 Bishopsgate (for leases not included in Gross Passing Rent above)

³ As at 31 March 2020; excluding 100 Liverpool Street (see Additional Information).

Overview of the year to 31 March 2020

New Lettings

In the first half of the year to September 2019

At 100 Liverpool Street, exchanged an Agreement for Lease with BMO for 60,000 sq ft on Level 6 (15 years / £75 psf / 33 months RF). Further space taken by the office tenants already committed, with SMBC exercising their option to take the remainder of the 5th floor and Milbank Tweed confirmed that they will take the Level 7 option. Retail leasing: Agreements for Lease exchanging with; Charbonnel et Walker, Gant, Body Shop, Kiehls, Waterstones, Dune and Reiss.

At 1 Finsbury Avenue exchanged final two Agreements for Lease for office space, on Levels 6 and 7. Workday signed an Agreement for Lease for 29,000 sq ft on Level 7 (10 years with 5-year break / £77.50 / 2 months RF from Feb 2020). Product Madness completed a 10 year lease on Level 6 for 30,000 sq ft (5-year break / £71.50 / 12 months rent free spread over 4 years). Retail lettings to high quality grab and go lunch operators Farmer J, Nyokee and Butterscotch and Baraka, a Turkish-style restaurant and bar in the half.

At Broadwalk House, Monzo signed an Agreement for Lease to take 124,000 sq ft over Levels 6-8 (6 years / £49.00 / 11 months RF) following the expiry of Ashurst LLP's leases. Credit Agricole agreed to take a further 5,500 sq ft on Level 3.

In the second half of the year to March 2020;

100 Liverpool Street (524,000sq ft) is now 84% let on the office space and with 45,000 sq ft allocated to Storey, we have only 20,000 sq ft left to let. Having exchanged with RPMI Railpen (10 years with mutual 5-year break / £76.00 / 16 months RF) for 15,000 sq ft on part L7, over which Milbank have an expansion option in years 5-7.

Retail and F&B, exchanged with Monica Vinader and Space NK, which is in line with vision to let to "Regent Street" style brands. German gym operator John Reed have exchanged on 22k sq ft, which will offer a new gym concept not currently present in the UK market. Under offer with Stem + Glory, an award-winning vegan offer; El Pastor, the leading Mexican tacqueria from the Hart Bros and; The Maine, a new London flagship for the Dubai-based brasserie based on the food and aesthetic of New England.

At 1 Finsbury Avenue, exchanged with RePublic. This will be the first restaurant of its kind, featuring rotating chef residences with emerging talent who will work with executive chef Neil Rankin to events starring global celebrity chefs and live music performances. This follows the completion of leases to York, Bar Douro, Nyokee, Farmer J, Baraka, Butterscotch and Everyman. Under offer on a third restaurant and a leisure operator, which will join the two existing restaurants. Technology firm Workday also signed for 29,000 sq ft.

135 Bishopsgate has now reached practical completion and is 90% let by ERV and are under offer on a further 20,000sq ft, with FNZ having completed on 10k on L10 (10 years / £75 / 24 months RF) and TP ICAP under offer on 20,000 sq ft on L9 (15 years / £72.50 / 30 months RF).

Lease Renewals and Restructurings

In the first half of the year to September 2019; Regus renewed their lease for 5 years on Level 12 in exchange for taking the lease outside the 1954 Act and relaxing restrictions on delivering alternative flexible office provisions within the building at Broadgate Tower.

In the second half of the year to March 2020 at Broadgate Tower a number of regears and restructurings were completed. 6 year reversionary leases were agreed over the 7th and 8th floors with Hill Dickenson taking the lease expiries to 2029 at a headline rent of £69.50 psf. Itochu also agreed to regear their existing Tower leases by removing the December 2020 break options on floors 15, 16 and pt 18 in exchange for a partial surrender of the 18th floor. Regus agreed a 5 year renewal of their lease on level 12, on a revised base and turnover structure that also took the lease outside the 1954 L&T Act.

Lease Surrenders and Breaks

In the first half of the year to September 2019;

At Broadgate Tower, Itochu agreed to remove their December 2020 break option over 29,500 sq ft in exchange for surrender of c 2,000 sq ft of space on the Pt 18th floor. Both AR Dickson (Level 13) and Gill Jennings (Levels 9 and 10) did not elect to serve their break notices.

At 10 Exchange Square Falcon Wealth surrendered the part 9th floor of due to a sale of the business and subsequent process of liquidation.

At 199 Bishopsgate Dornsey and Whitney's break option passed, and at 201 Bishopsgate Legg Mason break option passed with both now contracted to remain until 2023.

At 155 Bishopsgate, Bank of Scotland's lease on c78,000 sq ft of space on Levels 6 and 7 has expired.

In the second half of the year to March 2020;

10 Exchange Square; a surrender was agreed in August 2019 with tenant Falcon Private Wealth for part of 9th floor. This followed a sale of the business and a surrender premium was agreed in anticipation of liquidation of the remaining entity.

Broadgate Tower: The regear with Itochu set out above resulted in a partial surrender of c 1,800 sq ft of their part floor on level 18.

Post period end;

Exchange House; effective 1st April, a surrender was agreed with Societe General on the top two floors. This was agreed to expedite a refurbishment of the vacant space. Post year end a surrender premium reflecting the total remaining rent and service charge liability was received from the tenant.

Rent Reviews

In the first half of the year to September 2019;

At Broadgate Tower the Levels 7 and 8 2018 rent reviews with Hill Dickinson have been settled at £1,332,500, reflecting an uplift of £205,894 p/a.

At 199 Bishopsgate, RBB Economics' rent review has been settled at £520,000 reflecting a £36,423 p/a uplift.

In the second half of the year to March 2020;

At Broadgate Tower, the Hill Dickinson Rent Reviews were agreed at an uplift to £51.05 psf and £51.85 psf on the 7th and 8th floors, and the 4th floor rent review with Skidmore Owings also delivered an increase to £45.50psf.

In 199 Bishopsgate, the 11th floor rent review with RBB Economics was agreed at a rent of c £57psf.

Additional Information

Covid-19 update

Throughout the Covid-19 outbreak, Broadgate has remained open and all offices are operational, although physical occupancy is significantly reduced with the majority of people now working from home. While the crisis has inevitably created uncertainty for office occupiers, it has not yet impacted their ability to meet rental obligations which is a benefit of a high quality, diverse customer base. The immediate priority has been to work alongside and support the local community, suppliers and those customers most effected to protect the long-term value of the business. To help achieving this, £0.7M worth of rent deferrals have been offered for March quarter (to June) to be spread over the six quarters from September 2020. Also, c£3.6m of net rent related to the March quarter was paid late but received within 6 weeks of April IPD.

As a result of Covid-19, 100LPS refurbishment was initially closed. After reviewing how Public Health England guidelines could be adhered to, the site is now open. However, the operation is carried on at much lower levels of productivity due to reduced number of operatives on site and amended working practices. At this stage it remains difficult to accurately assess the impact of these delays. The office element of 100 Liverpool Street as expected to be practically completed in early summer, with full Practical Completion expected Q3 calendar year 2020.

Refurbishment schemes

100 Liverpool Street is 84% pre-let (of 520,000 sq ft), following commitments in the half year from Bank of Montreal and SMBCE along with a strong progress in retail. Sitting at the entrance to Liverpool Street and the new Crossrail Station, these will be very popular retail locations. The building is on track to achieve a BREEAM excellent rating, a Well Gold certification for Wellbeing and a WiredScore platinum rating for internet connectivity. Sustainability has been integral to the design and delivery of this building; by retaining half of the existing structure we have saved 7,200 tonnes of embodied carbon and are on track to save a further 4,100 tonnes through carbon-efficient design and use of low-carbon materials. More than half of the construction spend has been invested in the City and neighbouring boroughs, ensuring local people benefit from the scheme.

At 1 Finsbury Avenue (287,000 sq ft), which completed at the end of FY19, all office occupiers have now taken occupation and we have only 4 retail units left to let. Including 73,000 sq ft allocated to Storey, 1 Finsbury Avenue is now 97% let or under offer by ERV.

At 135 Bishopsgate (335,000 sq ft), which reached practical completion in the second half of the year. There is only 7,000 sq ft remaining to let which is representing 10% of the space.

Partial redemption of class A2 Bonds on January 2020 IPD

The Issuer issued a Notice of Partial Redemption of Class A2 Bonds on 05 December 2019:

<https://www.londonstockexchange.com/exchange/news/market-news/market-news-detail/85QW/14337686.html>

In accordance with the Transaction Documents, following the Partial Redemption of Class A2 Bonds in January 2020, the Required Liquidity Amount is reduced to £97,447,000.00. The Liquidity Facility is £92,187,000.00 and Cash Reserve Funds are £5,260,000.00.

Financial Summary

Market Value of Mortgaged Properties ¹	£4.11bn
Annual Rents receivable ^{1,2}	£115.3m

Debt Outstanding³

Class	£'m
A	660.1
B	365.0
C	197.8
Total	1,222.9

Interest Payable⁴

	£'m
A	32.1
B	18.2
C	10.1
Total	60.4

Amortisation Payable⁴

	£'m
A	7.4
B	0.0
C	2.9
Total	10.3

Interest Cover Ratios⁴

A	3.57
B	2.28
C	1.90

DSCR Ratios⁴

A	2.90
B	1.99
C	1.63

LTV Ratios

A	16.06%
B	24.94%
C	29.76%

1. Market values and annual rents receivable are as at 31 March 2020. Market values are provided by Cushman & Wakefield, external valuer to Broadgate Financing PLC.
2. Annual rents receivable excludes 100 Liverpool Street and 135 Bishopsgate leases in rent free periods.
3. Debt outstanding is at 6 April 2020, the last interest payment date.
4. Interest in respect of Fixed Rate Bonds is annualised based on interest paid on the last interest payment date, 6 April 2020.

Amortisation for the bonds represents the actual amortisation to be paid over the four interest payment dates subsequent to the 6 April 2020 interest payment.