

## **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 2013**

**04 June 2013**

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 £1.800 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/our-properties/offices.aspx#/featured/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/overview/joint-ventures-funds/broadgate-financing-plc.aspx>

## Asset Performance

For year ended:	31 March 2013
Valuation:	£2.716 billion
Net Initial Yield (topped up):	6.3% <sup>1, 2</sup>
Gross Passing Rent per annum:	£155.7m
Gross Contracted Rent per annum:	£175.8m
Average contracted rent psf (office space/ excluding vacancies):	£47.70 psf
Average headline ERV psf (office space):	£45.56 psf
Vacancy rate:	4.6% <sup>2</sup>

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<sup>1</sup> Assumes top up of rent free periods, after purchasers' costs.

<sup>2</sup> For Standing Investments; now includes 199 Bishopsgate after completion of refurbishment.

## Overview of the year to 31 March 2013

### New Lettings

Itochu have taken 5,907 sq. ft. part L18 in the Broadgate Tower at £62.50 psf, with an 18m rent free period, and 8.5 year term certain coterminous with their leases on L15&16.

Banco Itau have taken 12,038 sq. ft. L19 in the Broadgate Tower at £54.50 psf, with a 22m rent free period, and 8.7 year term certain coterminous with their lease on L20.

Sweet News has taken a 269 sq. ft. retail unit at 201 Bishopsgate on a 10 year lease paying £12,000 p.a. with 3m rent free. There is a landlord's option to break after 3 and 6 years.

Hill Dickinson have taken 38,835 sq ft over Levels 6,7 & 8 of the Broadgate Tower on a 10 year lease paying £43.50psf with 27m rent free.

JX Nippon have taken 14,776 sq ft at L8 of 199 Bishopsgate on a 10 year lease with a tenant break after 7 years paying £48.50psf with 17m rent free and a further 7m rent free post break.

### Lease Restructurings

Herbert Smith have signed 10 year reversionary leases beyond the previous expiries in Dec 2020 on 315,000 sq. ft. at Exchange House and 10 Exchange Square. The rent will remain at the current levels and they have received the equivalent of 15m rent free. Of these new reversionary leases, they have the option not to take the leases on L5&6 of 10 Exchange Square (29,000 sq. ft.). This would however be subject to a 15m rent penalty.

F&C have restructured their leases on L7 and 8 in Exchange House to give 15 years' term certain. They previously occupied 68,400 sq. ft. under 3 leases with expiries in 2012 and 2020. F&C handed back 15,282 sq. ft. (part L7) in August 2012 and re-gearred leases on retained space (53,137 sq. ft.) at current passing rent with a minimum uplift on part L7 in 2014. They have been granted tenant incentives to pay reduced rent for a period of time, equating to 11 months' rent free.

Charbonnel et Walker have renewed their lease for 5 years on a retail unit at 100 Liverpool Street for £90,000 p.a. up from £88,250p.a. with a mutual break option subject to 6m notice.

ICAP have signed reversionary leases on 174,000 sq ft at 1-2 Broadgate on their current terms (£44psf) for a minimum of 2 years from January 2017. An incentive equivalent to 3m rent free was granted and a waiver of dilapidations.

Tullet Prebon have signed 6.25 year reversionary leases from 2019 on 44,184 sq ft of L2 and 21,466 sq ft of pt L3 at 155 Bishopsgate. On L2 there is a minimum uplift to £47.50psf in 2014 and £52.50 psf in 2019, and on pt L3 there is a minimum uplift to £55.00 psf in 2019. An incentive equivalent to 12m rent free was granted and a waiver of dilapidations.

### **Rent Reviews**

The December 2011 rent review for Keefe Bruyette & Woods Limited on 13,800 sq ft pt L7 at 1-2 Broadgate has been settled with an increase from £39.50psf to £41.00psf.

### **Additional Information**

On 21 June 2012 the short-term ratings of Morgan Stanley Capital Services LLC, formerly known as Morgan Stanley Capital Services Inc. ("Morgan Stanley"), the Swap Provider, were downgraded by Moodys from P1 to P2 and the long-term ratings of Morgan Stanley were downgraded from A2 to Baa1, resulting in a Subsequent Moody's Rating Event.

On 23 July 2012 Moodys reported that it does not expect to take rating action on Broadgate Financing plc following the downgrade of Morgan Stanley. Moodys' determination recognised the execution of a Deed by Morgan Stanley undertaking to post collateral in accordance with the Credit Support Annex. At this time, the swap mark-to-market is large and is in favour of Morgan Stanley and hence no collateral posting is required in relation to the Subsequent Moody's Ratings Event.

On 21 June 2012 the short-term ratings of National Westminster Bank plc (NatWest), the Account Bank, were downgraded by Moodys from P1 to P2.

On 19 November 2012 Moodys reported that it does not expect to take rating action on Broadgate Financing plc following the downgrade of NatWest.

On 21 June 2012 the short-term ratings of The Royal Bank of Scotland plc (RBS), the Liquidity Bank, were downgraded by Moodys from P1 to P2. The Requisite Ratings of the Liquidity Bank are at least P1 or any other such short-term rating as is otherwise acceptable to Moodys. The Issuer has been unable to obtain confirmation from Moodys that RBS's new ratings are acceptable and so on 3 December 2012 drew on the £185m liquidity facility and placed funds in a standby account with an appropriately rated counterparty. The account is secured in favour of the Issuer Security Trustee. There is no net cost to the Issuer of drawing the Liquidity Facility.

## Financial Summary

Market Value of Mortgaged Properties <sup>1</sup>	£2,716m
Annual Rents receivable <sup>1</sup>	£155.7m

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

Class	£'m
A	1,052.82
B	365.00
C	347.19
D	35.25
<b>Total</b>	<b>1,800.25</b>

## Interest Payable<sup>3, 4</sup>

	£'m
A	51.6
B	18.2
C	18.1
D	2.0
<b>Total</b>	<b>89.9</b>

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

	£'m
A	20.0
B	0.0
C	19.6
D	6.8
<b>Total</b>	<b>46.4</b>

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

A	2.99
B	2.22
C	1.76
<b>Total</b>	<b>1.72</b>

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

A	2.16
B	1.73
C	1.22
<b>Total</b>	<b>1.14</b>

## LTV Ratios

A	38.77%
B	52.21%
C	64.99%
<b>Total</b>	<b>66.29%</b>

1. Market values and annual rents receivable are as at 31 March 2013. Market values are provided by Knight Frank, external valuer to Broadgate Financing PLC.
2. Debt outstanding is at 5 April 2013, 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 2013.

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 2013.

4. Step-up Margins are excluded from interest calculations.
5. The reduction in ICR and DSCR compared to those disclosed in the March 2013 Annual Report is due primarily to the temporarily reduced passing rental income, arising from the actions described in the Lease Restructurings section of this report.