



## Furnby Limited

Location: throughout the UK  
Tenant: NCP

In November 2003, Furnby acquired 11% of Linchfield Limited, which was the special purpose vehicle set up by a consortium of investors to acquire the equity in Powerfocal Limited, which acquired directly or indirectly a portfolio of 138 National Car Parks Limited ("NCP") facilities located throughout the United Kingdom. Linchfield's gross acquisition cost was £609m, with total shareholders' equity of £56m. The portfolio was purchased at a net initial yield of 6.6% on gross acquisition cost.

### Funding

Royal Bank of Scotland provided £543.2m of 15-year funding which expires in August 2018, with a blend of senior, stretch senior and mezzanine debt, at a rate of 7.3% p.a. There are no capital repayments for the first 10 years. In addition, interest on the stretch senior debt accrues for the first 10 years, resulting in sufficient cash flow with the potential to repay 100% of shareholders' capital after just 8.5 years and 137% of shareholders' capital in the first 10 years. RBS is entitled to 25% of capital profits on a sale or refinancing.

As at January 2009, the bank loan was approx £558m.

£6m of Credo investors' equity was used to complete the transaction.

### Tenant

NCP (the UK's largest private commercial car parking operators, with approximately 40% of the market share) continues to occupy the car park facilities. The Portfolio today comprises of 130 assets located in the UK. Some 61 are held freehold, 63 are held on long leasehold (50 years or more) and 6 are short leasehold (less than 50 years). The NCP leases commenced in June 2002 for a term of 34 years and 11 months.

### Rent

The annual rental income is £43m and there is a guaranteed increase in rental of approximately 3% per annum.

### Distribution

Furnby has distributed £4.8m to shareholders (approximately 77% of the initial investment). The next distribution is due in August 2009. The distribution in February 2009 was lower than usual for the following reasons:

1. A number of the car parks have been sold since we purchased the portfolio as a result of Compulsory Purchase Orders. This has necessitated the repayment of part of the loan from Royal Bank of Scotland.
2. The element of the interest rate swaps relating to the loans repaid were not cancelled at that time as it was thought that the distributions would be enhanced and it was possible that the rates would go up and therefore the amount of breakage costs could be curtailed.
3. The Bank agreed with this strategy on the condition that if the swap rate fell below 4.5% or we reached 25th March 2009 it would be compulsory to break the swaps relating to the previously repaid loans. Unfortunately the long term rates have reduced and the Bank is now unwilling in the current climate to extend this situation.
4. It has been proposed that £2 million will be paid now out of existing cashflow and the balance will be embedded in a higher rate for the next three years therefore spreading the effect over that period of time but at the same time saving approximately £750,000 a year. This is in effect a cashflow adjustment as the benefit of these sales was distributed previously.

### Status

The NCP portfolio continues to hold its value and generate strong cashflows. Although negotiations with the bank referred to above are still continuing, the distributions are expected to continue as normal in future (ie from August 2009). We intend to hold this investment for the next reporting period.

