

# CIFCO BUSINESS PLAN 24/25



CIFCO Capital Limited





# Chairman's Statement 2024

## Sir Christopher Haworth



Market conditions this year have been slightly more stable than last year, and the effect of the pandemic is receding. However, the continuing war in Ukraine continues to affect the world economy. There is a new political landscape within the councils, with a green administration in MSDC and coalition in BDC. Interest rates have remained relatively high, and this has meant that property yields have remained high also. There have been some value increases, particularly in the industrial sector but the ongoing uncertainty over office occupation, and a more permanent element of working for home, have reduced demand for offices and there have been further falls in office values. Overall, therefore there has been a further fall in value of some 2.58%, but this compares favourably to the MSCI All Property Index.

However, the income delivered for the shareholders by the portfolio remains strong and the contracted rent now exceeds £5.7m. The Estimated Rental Value of the portfolio is now over £6.75m and the Board and its advisers, Jones Lang Lasalle and Workman are working hard to maximise the rent from the portfolio on rent reviews and re-lettings.

We have finally been able to complete the acquisition of the small Coop store in Stanton and the portfolio now comprises 22 assets, with 83 tenants. It is well-spread geographically, with 43% of assets in the eastern region. In terms of sector spread, there is an emphasis on the industrial sector, which has seen strong growth, and the portfolio continues to demonstrate a strong emphasis on secure, well-let, secure assets.

The Board has continued to focus on opportunities to improve the quality of the assets, to create rental income growth but particularly to improve the sustainability credentials of the portfolio. A key KPI is that all properties should have an EPC rating of at least C by 2027. A specialist adviser has been appointed and a detailed plan drawn up for each asset so that improvements can be made when the opportunity arises, and good progress has been made in this regard.

To deliver the desired improvement in the sustainability of the portfolio, capital investment in the assets is required. The Board is concerned that the current financing model does not allow adequate funds for this investment. Whilst the company has been able to maintain its debt repayment to its shareholders, the board is currently considering the sale of an asset, where a rent review is to be agreed to maximise value, to allow reinvestment in new assets and provide funds for investment in improvements to the existing portfolio. The board will be reporting on this proposal to its shareholders during the current year.

My thanks go to the executive team for their hard work in delivering what has been a strong year for the Company in continuing challenging market conditions.

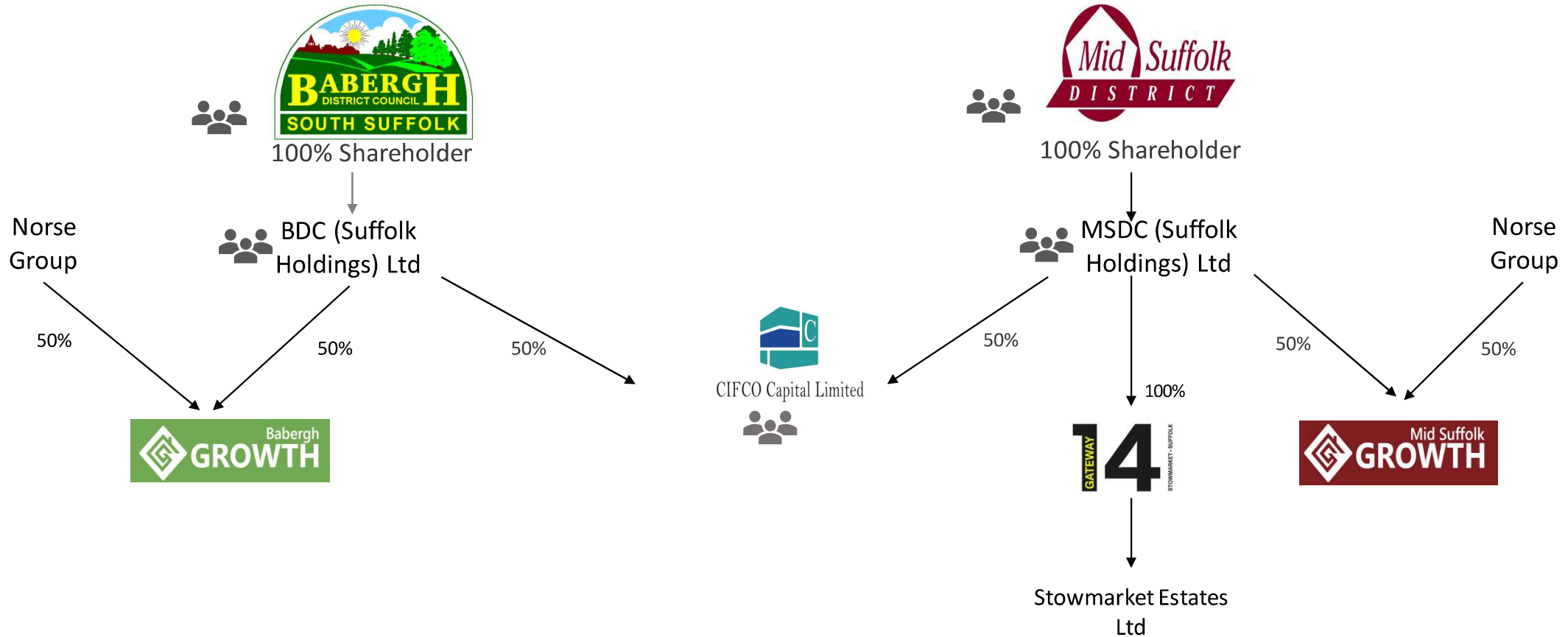
A final point is that, to meet earlier reporting requirements for our shareholders, we have decided to complete the Business Plan earlier in the year, which will set the year's strategy at an earlier date. However, some data may need to be in draft to meet this earlier requirement.

# CIFCO Governance

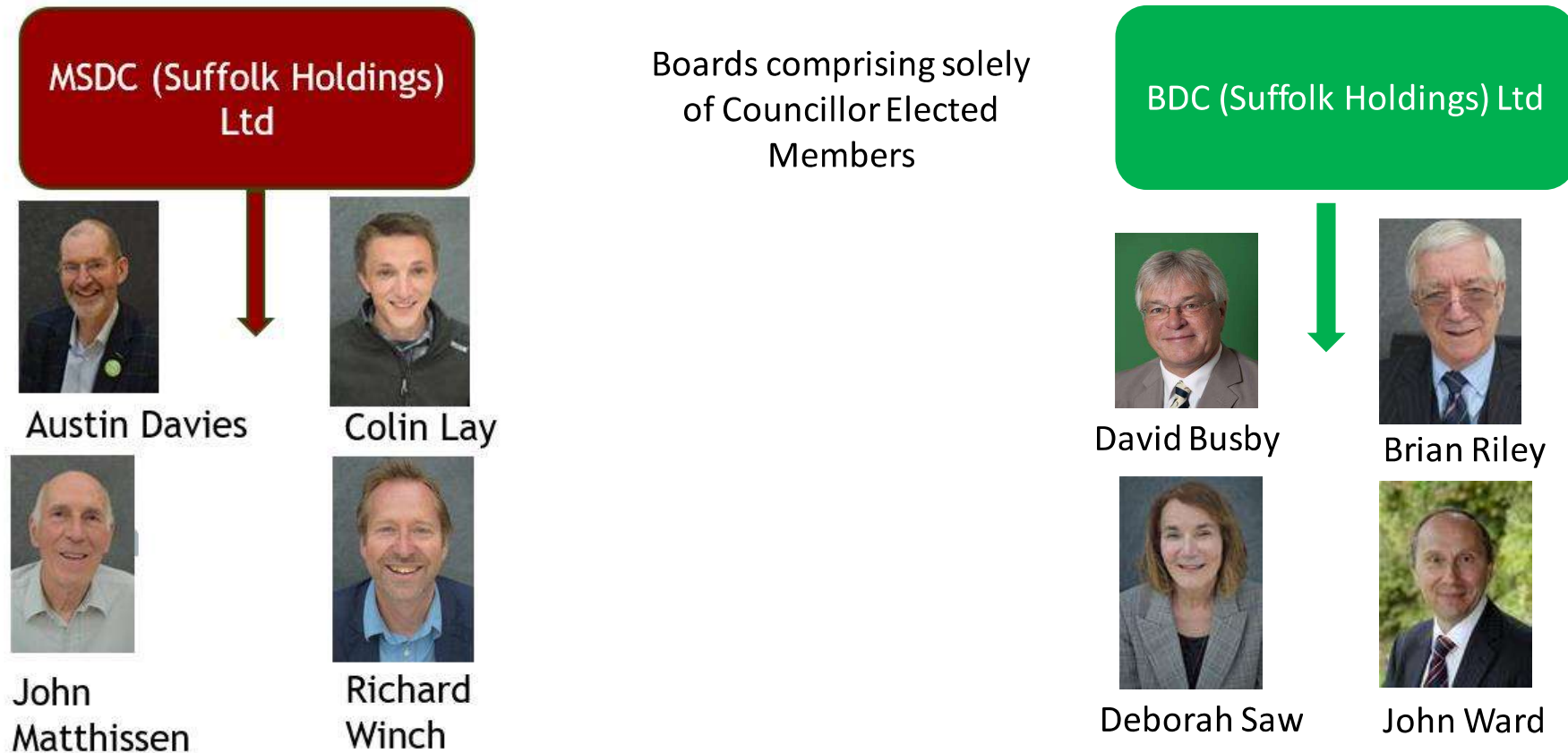


CIFCO Capital Limited

# Trading Companies Structure



# The Holding Companies





# Board of Directors



Chris Haworth  
Non-Executive Director & Chair



Henry Cooke  
Non-Executive Director



Mark Sargeantson  
Non-Executive Director



Emily Attack  
Managing Director



John Ward  
Cllr Director



Austin Davies  
Cllr Director

Birketts



## CIFCO & its partners

The board has appointed a range of corporate partners to support its investment activity:

- JLL – Fund Manager and Acquisitions Adviser
- Workman – Property Manager
- Birketts LLP - Legal Adviser
- Aquilla - Portfolio Insurer
- Lloyds Bank PLC – Corporate Banking
- Ensors – Accountancy and Financial Audit
- Cushman & Wakefield- Valuers
- Braithwaites – EPC Assessors & Advisers



# UK Macro-Economic Outlook



# Key themes for 2024



## Investment to pick up slowly

- Sentiment improving, prices settling and rates moderating. Bid-offer spreads closing.
- Increases will be gradual and incremental and will take time to show in stats given low transactional volumes in 2023.



## Debt in the spotlight

- High volumes of refinancings will create pressure and opportunities.
- The bond market rally, price correction and opening yield spreads are beginning to make real estate work again.



## Construction costs easing

- Commercial construction costs up 14% in 18 months to 2023 Q2, averaging 2.3% per quarter, but up just 0.2% in Q3 (latest available).
- Anecdotal evidence this continues to stabilise and even fall in some cases.



## Return of Private Equity

- More than £3bn of identified PE bids on recent Central London office opportunities, and PE purchase of the largest deal of Q4.
- Interest seen across risk spectrum, not just traditional opportunistic type purchases.



## Cautious confidence

- Resilient occupational dynamics and strong rental growth are bringing more confidence in underwriting.
- There is still much that could disrupt this narrative.

# CIFCO Property Investment Portfolio

# CIFCO Summary Update



- The Councils' investment in CIFCO completed in March 2021.
- The focus and purpose of CIFCO is to continue to generate income for the long term and add rental and capital value to the portfolio where possible- particularly in relation to the impending 2026 breaks/ lease renewals.
- The value of the Portfolio decreased by 2.58% on a like for like basis from March 2023.
- The Total net income received by the Councils **c.£12.136m** from 2017 to March 2024
- Continue ESG Improvement Path – **50% of properties have an EPC C or above.**
- CIFCO made reduced **debt repayments to the Councils to fund capital works from 2022-24 (2 financial years) totalling £832,000. Full debt repayments are proposed for 24/25. Repayment of deferred interest will be made in instalments over the next 10 years.**
- CIFCO portfolio provides a diverse portfolio of assets and tenants to mitigate over exposure to individual tenants and sectors- rental arrears consistently **below 5% target**
- CIFCO board continues to manage risk, including the reducing WAULT with active management of impending lease expiries and breaks.
- VOIDS remain low at circa **3.40%** of the portfolio compared to market benchmark of 8.3%



# Portfolio Summary

	Q1 2020	Q1 2021	Q1 2022	Q1 2023	Q1 2024
<b>Total Asset Value</b>	£52,490,000	£83,918,000	£94,110,000	£82,500,000	£81,775,000
<b>Contracted Rent p.a.</b>	£3,393,112	£5,004,824	£5,355,618	£5,530,981	£5,758,035
<b>ERV*</b>	£3,609,037	£5,556,641	£5,912,985	£6,545,589	£6,769,484
<b>Number of Assets</b>	14	21	21	21	22
<b>Number of Tenants</b>	38	90	78	81	83
<b>WAULT (years)</b>	To break 6 years 8 months To expiry: 8 years 5 months	To break 7 years 0 months To expiry: 8 years 6 months	To break 6 years 6 month To expiry 6 years 7 months	To break 4 years 6 month To expiry 5 years 8 months	To break 3 years 8 months To expiry 5 years 2 months
<b>Initial Yield</b>	5.78%	5.60%	5.00%	6.30%	7.04%
<b>Equivalent Yield</b>	6.41%	6.16%	5.86%	6.98%	7.49%
<b>Reversionary Yield</b>	6.40%	6.24%	6.28%	7.44%	7.77%
<b>Void Rate</b>	3.96%	5.72%	2.01%	3.64%	3.40%
<b>Running Yield**</b>	5.97%	5.20%	5.36%	5.75%	5.88%

\*Assumes vacant space is refurbished prior to re-letting

\*\* Yield on Gross Purchase Price

# Portfolio Valuation Summary March 2024

31 March 2024 Valuation							
Property	Value 2023	Value 2024	NIY	EY	RY	Value Move	%
Harlow (Pasadena)						£250,000	8.33%
Braintree						£450,000	5.84%
Coventry						£350,000	5.79%
Ipswich (Olympus)						£150,000	5.00%
Norwich						£100,000	5.00%
Luton						£100,000	3.64%
Ipswich (Cavendish)						£50,000	3.33%
Hemel Hempstead						£250,000	2.72%
Basingstoke						£150,000	2.50%
Stanton						£1,400,000	0.00%
Lincoln						£0	0.00%
Harlow (Princes Gate)						£-150,000	-3.45%
Milton Keynes (Johnsons)						£-100,000	-4.17%
Nottingham						£-200,000	-5.63%
Peterborough						£-150,000	-7.14%
Brentwood [REDACTED]						£-300,000	-7.41%
Epsom (Horizon)						£-500,000	-7.81%
Milton Keynes [REDACTED]						£-200,000	-9.30%
Southampton						£-350,000	-10.14%
Epsom (Renaissance)						£-350,000	-14.00%
Milton Keynes [REDACTED]						£-600,000	-17.39%
Brentwood (Lutea)						£-1,075,000	-19.91%

Note: Table ranked by % movement from March 2023-2024.

Valuation date 31/03/24 with current figures provided in draft subject to final adjustments.

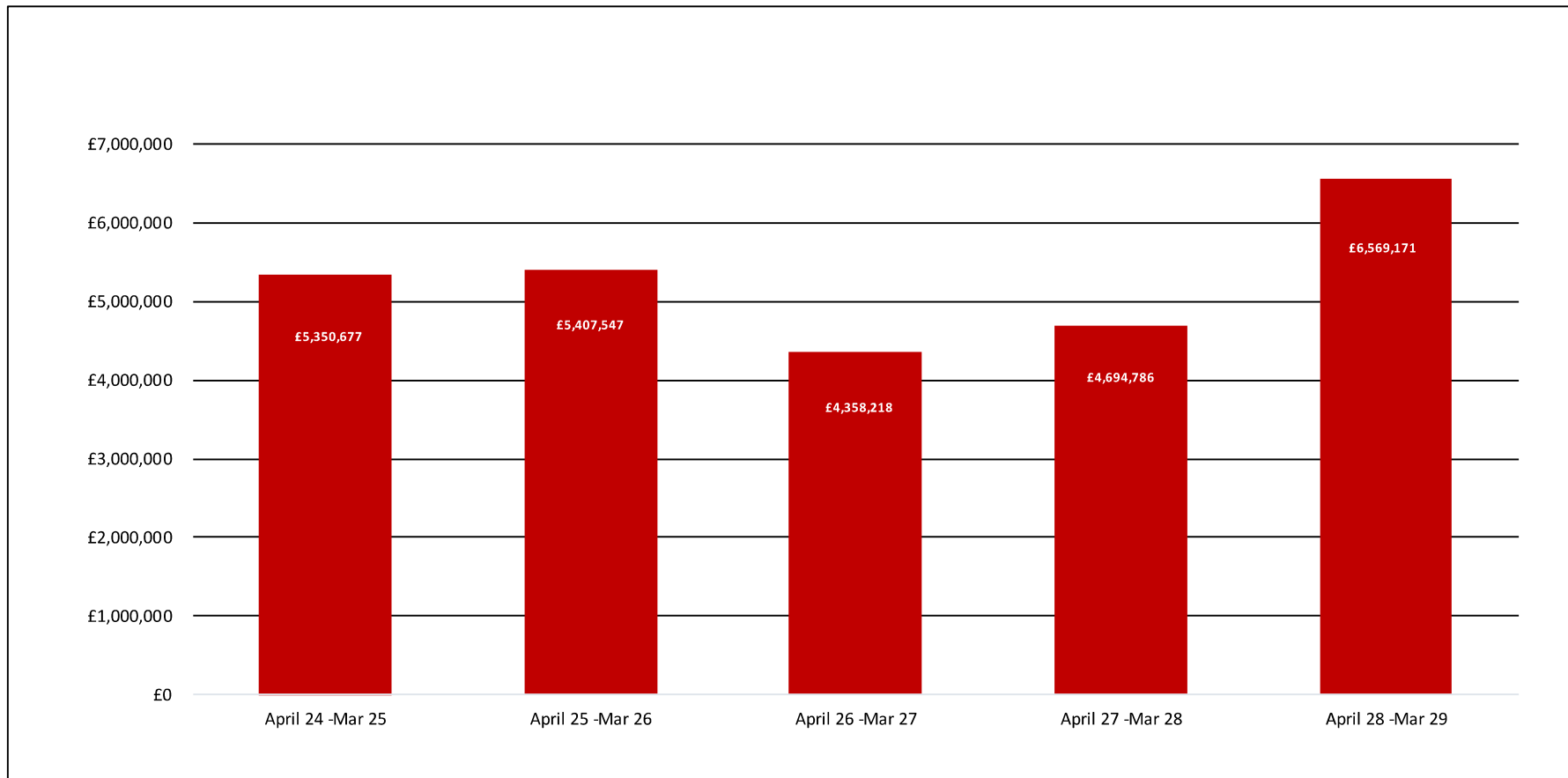
Grand Total	£82,500,000	£80,375,000
Grand Total (inc Stanton)	£82,500,000	£81,775,000

£-2,125,000	-2.58%
£-725,000	-0.88%



# 5 Year Cashflow Forecast

This assumes all critical lease events are activated i.e. all tenants vacate at lease expiry. This is revenue only, does not include capital expenditure.



# CIFCO Portfolio Performance

# CIFCO Board – KPI's



KPI	Description	Target		Target	CIFCO KPI Q4
1	Increase contracted rent from £5,530,981 pa by 01 April 2024	£5,586,290		1%	£5,758,035 (+4.1%)
2	Equivalent Yield (EY)	MSCI All property 6.6%		Target at or above market Equivalent Yield	7.50%
3	Reduce EPC Portfolio Score from 7034 (Average D Rating)	100%		All Properties have an EPC rating of C or above by 2027	50.0%
4	Quarterly Rent Arrears of less than 5.00% (Data as at 18 March 2024)	Current Arrears (£):	£53,686	Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter	
		Current Arrears (%):	3.19%		Q1 1.46%
		5% Target:	£84,102		Q2 2.02%
		Target: +/-	-£30,416		Q3 0.10%
		Total Income for Quarter:	£1,682,040		Q4 3.19%

Note figures may be adjusted to reflect full year end outturn.

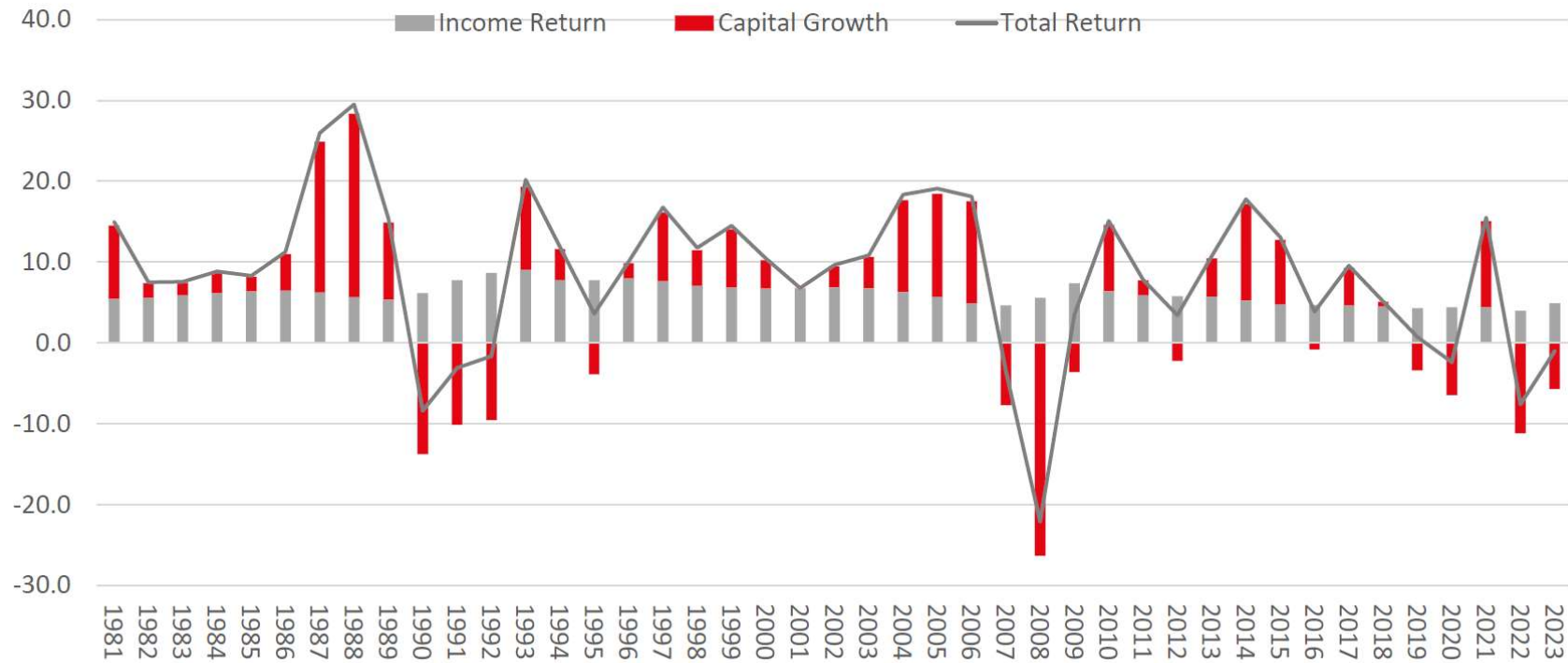




# UK Real Estate – Components of Total Return



Income positive during periods of downturn



# Portfolio Total Return Vs MSCI All Property Returns



## CIFCO Portfolio – Annual portfolio returns

	2019	2020	2021	2022	2023	2024	3-year annualised TR	5-year annualised TR
Total Return	-2.9%	-0.8%	-0.1%	16.5%	-6.6%	3.8%	4.2%	2.3%
Income Return	5.1%	5.7%	5.4%	6.0%	5.9%	6.8%	6.2%	6.0%
Capital Value	-8.0%	-6.5%	-5.6%	10.5%	-12.4%	-3.0%	-2.1%	-3.7%

## Benchmark (MSCI All Property)

	Annual Dec 2023	3-yr annualised TR	5-yr annualised TR
TR	-1.0%	1.6%	0.7%
IR	4.9%	4.5%	4.5%
CV	-5.7%	-2.8%	-3.7%

## Relative Performance

Relative	Annual to Q1 2024	3-yr annualised TR	5-yr annualised TR
TR	4.9%	2.6%	1.6%
IR	1.8%	1.7%	1.4%
CV	2.8%	0.7%	-0.0%

\*2024 = Q1 data



## 2023-2024 Performance – Top and bottom five



Rank	12 months to end Q1 2024	Total Return	Weighted Contribution
<b>Top 5</b>			
1	Eastham way, Hemel Hempstead	8.5%	0.98%
2	Pilot Business Park, Coventry	11.1%	0.87%
3	Kestrel Park, Braintree	8.1%	0.80%
4	Pasadena, Harlow	14.6%	0.58%
5	Olympus, Ipswich	11.6%	0.45%
Rank	12 months to end Q1 2024	Total Return	Weighted Contribution
<b>Bottom 5</b>			
5	Horizon, Epsom	-0.9%	-0.1%
4	Omron, Milton Keynes	-7.3%	-0.3%
3	Marshall Motor, Milton Keynes	-11.3%	-0.3%
2	Renaissance House, Epsom	-10.3%	-0.3%
1	Lueta house, Brentwood, Office	-12.5%	-0.7%

# Portfolio Total Return Projections



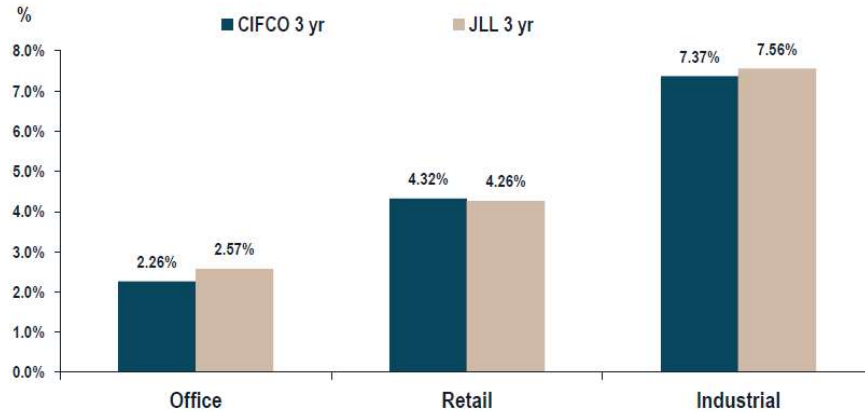
## Total Return Projections

Total Return Projections	2024	3yr	5yr
CIFCO Portfolio Returns	4.33%	5.54%	5.73%
JLL ALL Property	3.95%	5.31%	5.56%

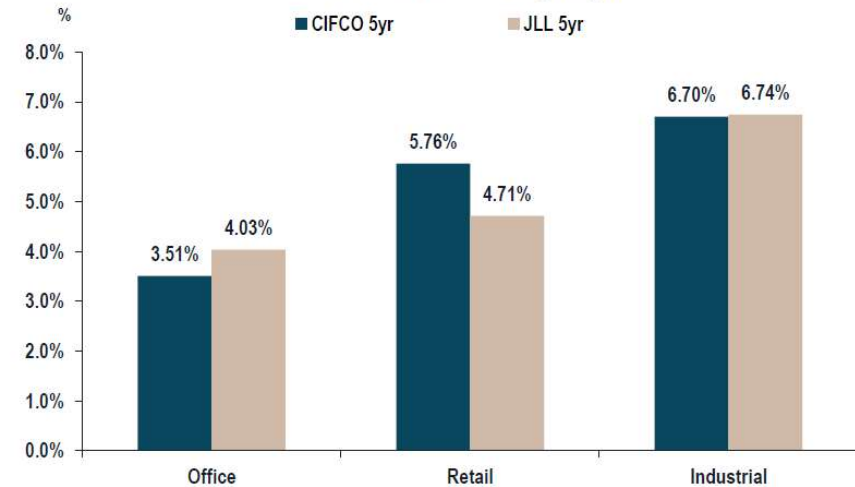
## Excess Return Against Benchmark

	2024	3yr	5yr
CIFCO Portfolio	0.36%	0.21%	0.16%

Sub-Sector Forecasts – 3yr avg TR



Sub-Sector Forecasts – 5yr avg TR



# Performance Projections – Summary by Sector



	Benchmark	Total Return			Excess Total Return vs Benchmark			
		2024	3 Year	5 Year	2024	3 Year	5 Year	
<b>Office</b>	Upper Parliament Street, Nottingham	Rest UK Offs	-1.34%	3.39%	5.03%	2.15%	1.43%	1.84%
	Horizon, Epsom	SE Offs	1.46%	3.06%	3.94%	6.01%	2.15%	1.51%
	Renaissance House, Epsom	SE Offs	0.83%	3.54%	3.48%	5.35%	2.62%	1.05%
	West Park House, Southampton	Rest UK Offs	-3.48%	1.68%	3.13%	-0.07%	-0.25%	-0.01%
	Omron House, Milton Keynes	SE Offs	-4.31%	0.79%	2.72%	-0.02%	-0.10%	0.31%
	Lutea House, Brentwood	SE Offs	-4.98%	0.70%	2.42%	-0.72%	-0.19%	0.02%
Overall Office	Office	-1.64%	2.26%	3.51%	-0.96%	-0.30%	-0.50%	

	Benchmark	Total Return			Excess Total Return vs Benchmark			
		2024	3 Year	5 Year	2024	3 Year	5 Year	
<b>Retail</b>	Peterborough	Std shop SE & Eastern	2.88%	5.74%	6.69%	2.76%	3.61%	3.77%
	██████████ Milton Keynes	Other Retail Warehouse	4.15%	5.62%	5.86%	0.19%	0.30%	0.28%
	██████████ Brentwood	Std shop SE & Eastern	0.78%	2.66%	5.79%	0.67%	0.59%	2.90%
	██████████ Milton Keynes	Other Retail Warehouse	3.24%	5.07%	5.58%	-0.69%	-0.23%	0.02%
	██████████ Harlow	Retail Warehouse	3.68%	3.64%	5.50%	-0.68%	-1.83%	0.08%
	██████████ Lincoln	Leisure	3.86%	5.01%	4.88%	0.64%	0.21%	-0.01%
Overall Retail	Retail	2.95%	4.32%	5.76%	0.57%	0.05%	1.01%	

# Performance Projections – Summary by Sector



	Benchmark	Total Return			Excess Total Return vs Benchmark			
		2024	3 Year	5 Year	2024	3 Year	5 Year	
<b>Industrial</b>	Pilot Business Park, Coventry	Std Industrial Rest of UK	8.09%	7.95%	7.49%	0.63%	0.62%	0.95%
	Cavendish Street, Ipswich	Std Industrial Inner S Eastern	7.99%	7.54%	7.08%	0.13%	-0.17%	0.29%
	Kingsway City Trading Est, Norwich	Std Industrial Outer S Eastern	8.13%	7.67%	6.88%	0.26%	-0.05%	0.10%
	Luton	Std Industrial Inner S Eastern	7.62%	7.76%	6.88%	-0.22%	0.03%	0.10%
	Kestrel Park, Braintree	Std Industrial Inner S Eastern	7.73%	7.69%	6.78%	-0.11%	-0.03%	0.01%
	Olympus Close, Ipswich	Std Industrial Outer S Eastern	7.85%	7.60%	6.78%	0.00%	-0.11%	0.00%
	Basingstoke Business Centre, Basingstoke	Std Industrial Inner S Eastern	7.86%	7.67%	6.75%	0.01%	-0.06%	-0.02%
	Pasadena Trading Estate, Harlow	Std Industrial Inner S Eastern	7.74%	7.58%	6.68%	-0.10%	-0.13%	-0.08%
	2 Eastman Way, Hemel Hempstead	Distribution Warehouse	6.44%	6.13%	5.79%	0.00%	-0.09%	0.12%
Overall Industrial	Industrial	7.55%	7.37%	6.69%	-0.17%	-0.17%	-0.05%	
<b>Portfolio</b>		4.33%	5.54%	5.73%	0.36%	0.21%	0.16%	
JLL All Property		3.95%	5.31%	5.56%				

# CIFCO Business Plan 2024/25

## **Key Strategic Objectives 2024/25**

- Reduce & mitigate future portfolio void
- Continue ESG improvement path
- Manage portfolio risk
- Strategic capital expenditure to protect and enhance value and income
- Funding Capital 2025 and beyond

## **Management Objectives 2024/25**

- Maintain tight budgetary and credit control
- Implement individual asset initiatives
- Monitor markets for opportunities to enhance value and income- maintain asset liquidity
- Work with tenants to support sustainable improvement measures.

Reduce & Mitigate Portfolio Void





# Portfolio Void – Managing Existing Vacancy

Current Void (01 April 2024)		
Address	Unit	ERV (pa)
Renaissance House, Epsom	Part First Floor	████
Kestrel Park, Braintree	Unit 15*	████
Basingstoke Business Centre, Basingstoke	Unit 19 & 20	████
Kestrel Park, Braintree	Unit 9*	████
Basingstoke Business Centre, Basingstoke	Unit 8	████
Renaissance House, Epsom	Part Third Floor	████
<b>Total</b>		<b>£230,040</b>

Future Known Void			
Address	Unit	Break/Expiry Dates	ERV (pa)
████████████████████	████	21/05/2024	████
████████████████████	████	08/07/2024	████
████████████████████	████	21/07/2024	████
████████████████████	████	10/11/2024	████
<b>Total</b>			<b>£171,800</b>

<b>Future Known Void %</b>	5.94%
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<b>Current Portfolio ERV Draft Valuation (assumes refurbished)</b>	£6,769,484
<b>Current Void %</b>	3.40%

- Unit 8 Basingstoke included ██████████
- Unit 9 & 15 Kestrel Park became void on 25<sup>th</sup> March 2024

All property void rate stands at 8.30% (Dec 2023)



# Portfolio Transactions (2023/24)

## New Lettings

- 6 new lettings completed which provide a contracted rent of £206,388 per annum

## Lease Renewals

- 2 lease renewals completed which increased contracted rent by £27,083 per annum
- % over passing rent – 37%
- % over ERV at Event Date -5%

## Rent reviews

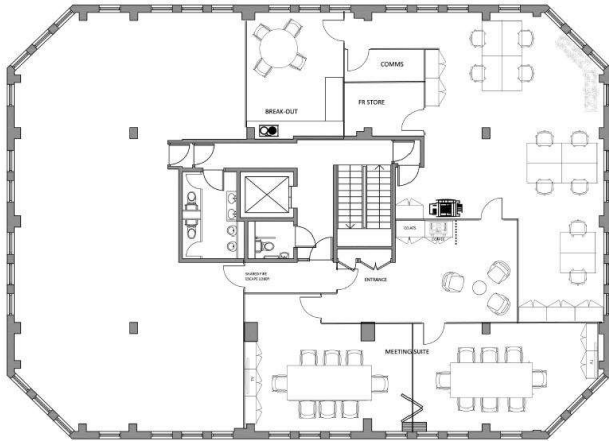
- 7 rent reviews completed which increased contracted rent by £154,352 per annum
- % over passing rent – 18%
- % over ERV at Event Date – 0.2%



# Renaissance House, Epsom

## First & Part Third Floor Void

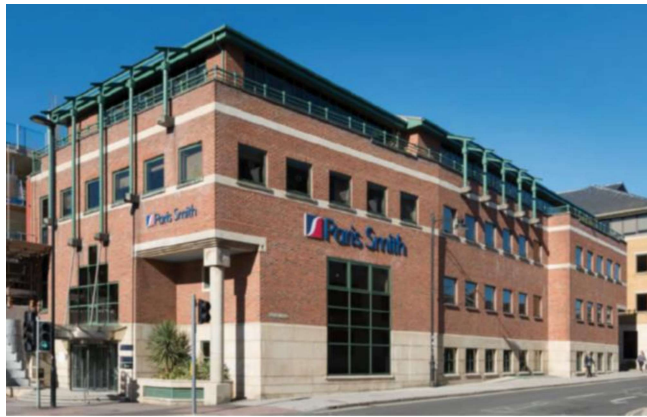
EPSOM  
Sketch-up  
C  
Lobby created = 100 sqft  
Additional 2,500 sqft  
HB area = 2,109 sqft



# Key Office Expiries 2025/2026



**Omron House, Milton Keynes**



**West Park House, Southampton**



**Lutea House, Brentwood**



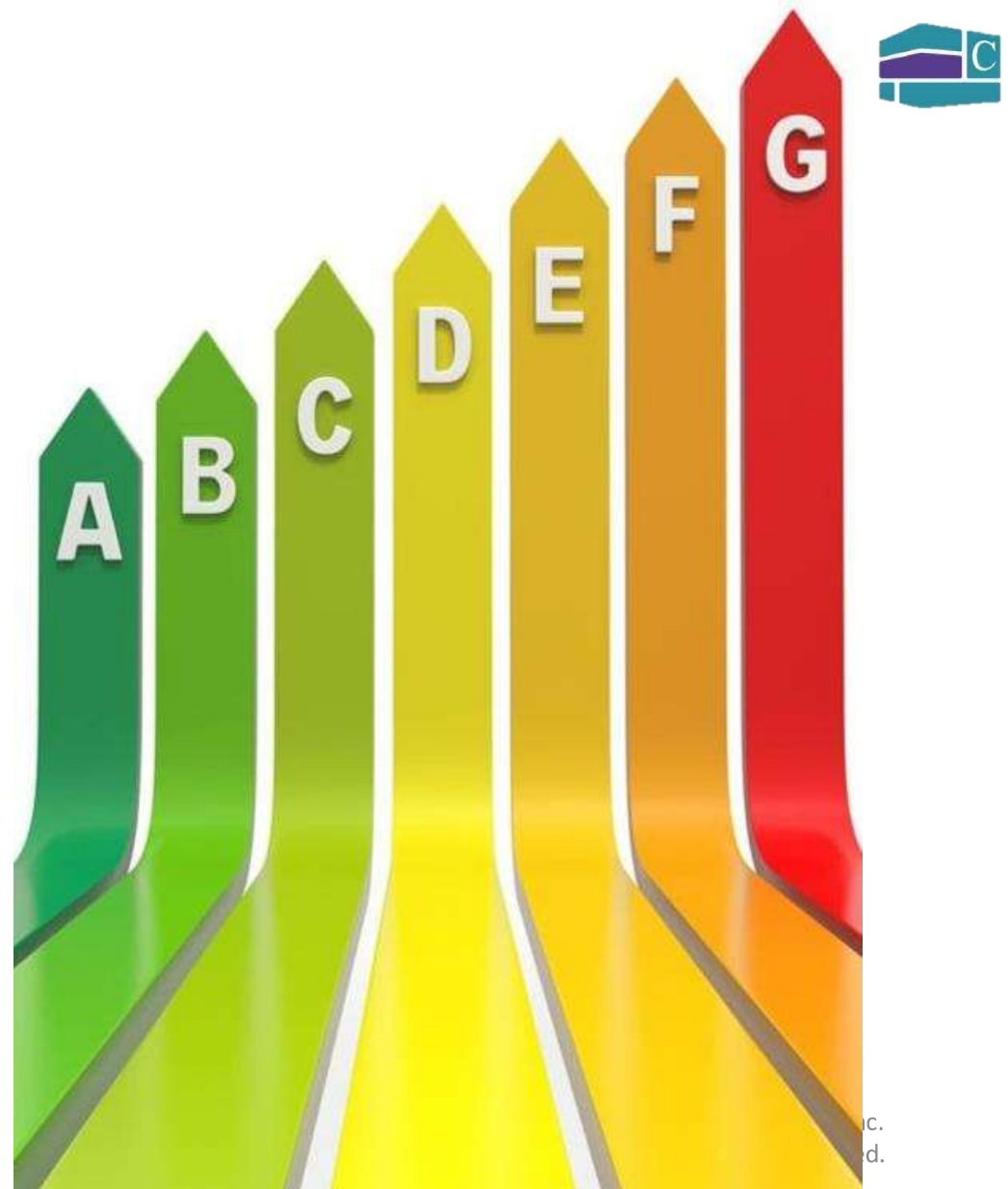
Significant impact on income and potential capital expenditure if these properties are vacated.

On-going Actions:- Continue to liaise with tenants around their future plans.

Continue ESG Improvement Path

# CIFCO EPC Targets

1. Remove all F & G EPC ratings by April 2023 – completed
2. On target to meet minimum C rating by 2027
3. Ensure EPC improvements are considered at every intervention point
4. All refurbishments targeting EPC C or better – removing gas supply where possible and replacing with electric alternatives



# CIFCO Portfolio EPC Rating



- MEES Legislation 1<sup>st</sup> April 2023 – Minimum E EPC Rating for all existing leases - CIFCO is fully compliant
- CIFCO Portfolio EPC C or better = 50%



EPC Rating	Total	%
A+	1	1.1%
A	1	1.1%
B	19	21.1%
C	24	26.7%
D	32	35.6%
E	13	14.4%
F	0	0.0%
G	0	0.0%
<b>Total</b>	<b>90</b>	<b>100.0%</b>



1 <sup>st</sup> April 2023	Minimum E Rating	
Landlords must not continue letting a property that is already let if that property has an EPC rating of F or G		
1 <sup>st</sup> April 2025	Minimum C Rating	2 Year Compliance Window
(Proposed Changes) Landlords must present a valid EPC for their property. If the rating is below a C, landlords have 2 years to make improvements to the property and present a new EPC of minimum rating C or register a valid exemption.		
1 <sup>st</sup> April 2027	Minimum C Rating (Deadline)	2 Year Compliance Window
All applicable properties must have a minimum EPC rating of C or have registered a valid exemption.		
1 <sup>st</sup> April 2028	Minimum B Rating	2 Year Compliance Window
Landlords must present a valid EPC for their property. If the rating is below a B, landlords have 2 years to make improvements to the property and present a new EPC of minimum rating B.		
1 <sup>st</sup> April 2030	Minimum B Rating (Deadline)	
All applicable properties must have a minimum EPC rating of B or have registered a valid exemption.		



# Recent EPC Improvements

Property	EPC rating
Co-op, Stanton	A+ -3
Screwfix, Cavendish Street, Ipswich	B39 to A24
Lutea House, Brentwood	C60 to B41
SDI Fitness, Lincoln	C74 to B37





# EPC Improvements – 2021 – 2023/4



Base Line			Q1 2024		
Rating	Total	%	Rating	Total	%
A+	0	0.0%	A+	1	1.1%
A	0	0.0%	A	1	1.1%
B	15	17.4%	B	19	21.1%
C	21	24.4%	C	24	26.7%
D	28	32.6%	D	32	35.6%
E	21	24.4%	E	13	14.4%
F	1	1.2%	F	0	0.0%
G	0	0.0%	G	0	0.0%
<b>Total</b>	<b>86</b>	<b>100.00%</b>	<b>Total</b>	<b>90</b>	<b>100.0%</b>

C + 41.8%

C + 50.0%

# ESG & Sustainability – Initiatives



Property	Initiative	Measurement	Outcomes
Renaissance House, Epsom	Smart meters	Energy consumption	Installed Smart Meters on refurbished space.
Olympus Close, Ipswich	Green wall on the estate	Social and environmental benefits	On Going
Renaissance, Epsom	Electric charging points in car park – feasibility for 3 EV chargers	Support use of green energy through take up	On Going
Pilot Close, Coventry	Establish use of existing solar panels	Measure take-up and energy consumption	Panels are reported to be in working order by tenants but at a low generation amount.
Kestrel Park, Braintree	Consider biodiversity initiatives – bird boxes, wildflowers.	Social and environmental benefits	Bird Boxes Installed.
Coop, Stanton	PV Panels on the roof	Measure take-up and energy consumption	Solar Panels installed at tenants' cost A* EPC rating
Portfolio Wide	Working with local charities nearby to sites in the portfolio	Social value	On Going
Portfolio Wide	Remove gas from assets at appropriate lease intervention points	Improve EPC and remove use of gas	This is happening when premises are refurbished, gas installations are being removed.
Portfolio Wide	Assess scope 3 emissions working with tenants to help reduce their energy usage	Data collection & benchmarking	On Going

# Managing Portfolio Risk



# Risk Management

- The portfolio risk is balanced, diversifying risk across sector, location and tenant.
- The portfolio risk is further mitigated by expert Fund Managers, Managing Agents, Legal and Financial Advisers.
- CIFCO has robust governance with a board of independent Non-Executive Directors and Councillor and Officer Directors
- CIFCO risk registers are reviewed quarterly by the board and at a risk panel with the Chairs of the Holding Companies and the shareholders risk lead.

# Capital & Income Spread



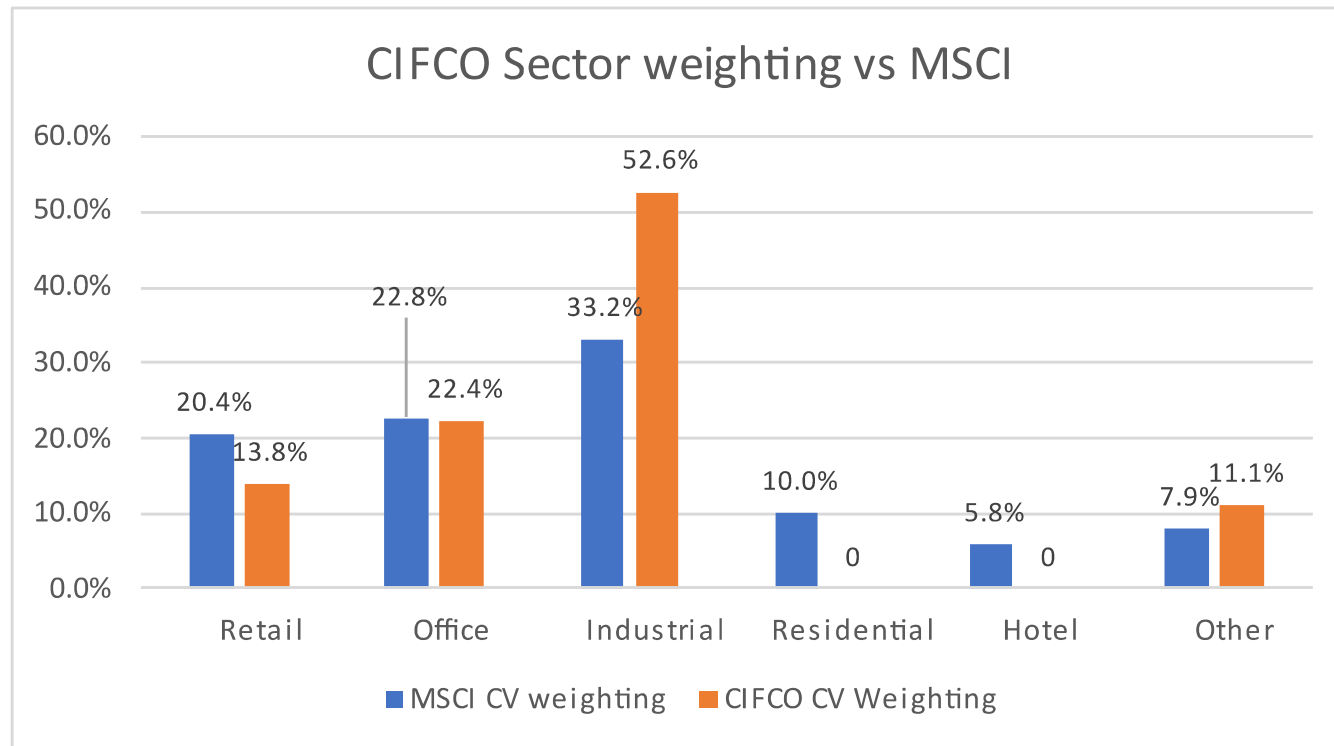
## Capital Spread

Size Band	No. of Assets	Capital Value	Weighting %
£1.0 - £3m	10	£20,600,000	25.2%
£3m - £5m	7	£25,125,000	30.8%
£5m - £7m	3	£18,450,000	22.6%
£7m +	2	£17,500,000	21.4%

## Income Spread

Size Band	No Tenants	Total Income	Weighting
£0 - £10,000	6	£9,101	0.2%
£10,001 - £50,000	52	£1,226,677	21.1%
£50,001 - £100,000	12	£874,107	15.1%
£100,001 - £250,000	6	£983,245	16.9%
£250,001- £500,000	7	£2,708,891	46.7%

# Sector Splits



Source: JLL

The chart shows the distribution of capital by sector.

Note: Alternatives falls under "Other" in MSCI

\*Other includes residential, leisure and hotel

# Covenant Risk Profile



Covenant risk profile weighted towards strong covenants providing a lower portfolio risk profile.

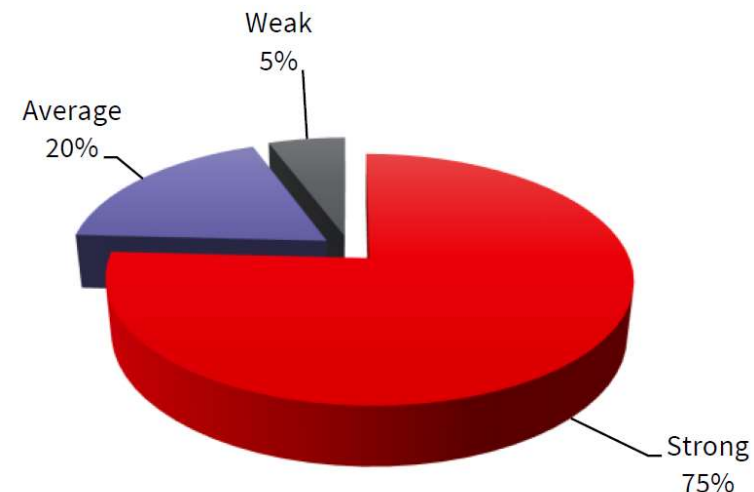
## Portfolio Risk Profile

Properties: 22  
Tenants: 82  
WAULT (break) 3.8 years  
WAULT (expiry) 5.2 years

Average Rent per tenancy £71,206.52 p.a.,  
with five voids.

*Note: covenant risk is assessed using Credit Safe score and JLL view of the tenant company in the investment market*

## Covenant Risk Profile



Category	Rent (pa)	% of Fund Income
Strong	£4,274,984	75%
Average	£1,116,131	20%
Weak	£300,392	5%
<b>Total</b>	<b>£5,691,507</b>	<b>100%</b>

% Coverage of Fund Income by Covenant Strength

# Breakdown of 2026 Expiries



Property	Tenant	Current Rent	Earliest Termination	% of total rent (expiries in 2026)	% Annual Rent
Lutea House, Brentwood			Sep-26		
Westpark House, Southampton			Aug-26		
Princes Gate, Harlow			Sep-26		
Marshall Motor Group (Volvo), Milton Keynes			Jun-26		
Princes Gate, Harlow			Aug-26		
Pilot Trade Centre, Coventry			Aug-26		
36-39 Long Causeway, Peterborough			Dec-26		
Pilot Trade Centre, Coventry			Aug-26		
Pilot Trade Centre, Coventry			Aug-26		
Units 2-5 Cavendish Street, Ipswich			Feb-26		

*Top 10 by contracted rent*



# Capital Expenditure

# Capital Expenditure 2024/25



Capital Expenditure 2024/25									
Town	Property	Project Type	Event Type	Date	Status	Full Budget Cost	Anticipated Dilapidations Recoverability	Budget Estimate	Engineered Budget
Epsom	Renaissance House	1st Floor Subdivision							
Southampton	West Park House	Planning Feasibility							
Basingstoke	U19/20 Basingstoke Business Centre	Refurbishment							
Basingstoke	U19/20 Basingstoke Business Centre	Refurbishment							
Basingstoke	U8 Basingstoke Business Centre	Strip out/Refurbishment							
Braintree	U9 Kestrel Park	EPC Improvements							
Braintree	U15 Kestrel Park	Refurbishment							
Epsom	Second Floor	Refurbishment							
Epsom	Pt 3rd Floor (Vacant)	Fit out							
Coventry	U2a&2b	Refurbishment							
EPC	Various	EPC Upgrades							
Ipswich	U16 Olympus Close	Refurbishment *							
Braintree	U13 Kestrel Park	Refurbishment *							
Luton	U9 Cosgrove Way	Refurbishment *							
								£495,975	£294,975

\* Cost over and above dilapidations.

\*\*\* Paid £53,500 in 2023/24 financial year to date. Remainder of £195,775 approved in 2023/24 budget with dilapidations settlement outstanding.

\*\*\* Anticipated Nisbets plc will undertake works thus figure shown is the value equivalent but not cash in. Grey shaded rows represent anticipated position.

# Dilapidations



Address	Unit	Tenant	Date of Claim	Claim Amount	Anticipated Settlement Offer
[Redacted content]					

*Actual received = £228,705 (less -£2,000 paid on Unit 3 works)*

*Anticipated = £205,000*

*Total anticipated recovery (funding) 2024/25 = £433,705*

*Budget Estimate (cost engineered) 2024/25 = £294,975 funded from CIFCO Cashflow*

# Future Capital Expenditure 2025/26



Future Capital Expenditure				
Year	2025	2026		Total
Property	Omron, Milton Keynes	Lutea House, Brentwood	West Park House, Southampton	
Worst				
Mid				
Best				



# Funding Capital 2025 and beyond



## Options:

1. Build sinking fund (5-7.5% of rent roll pa)
2. Recycle capital (Sales)
3. Refinance
4. New capital



# Mid-case cashflow surplus for creation of a Sinking Fund



Contracted Income (showing break options and lease expiries)



Surplus Funds		
1 to 5 year	5 to 10 year	Total
£557,467	£2,643,208	£3,200,675

5 Year onwards, the portfolio can be self-funding with excess revenue retained as a sinking fund.

# Recycle Capital :- Excess Asset Capital (Above purchase cost)



Property	Gross Purchase Price	2024 Value	Excess Capital	% above Gross Purchase Cost
Harlow (Pasadena)				
Hemel Hempstead				
Ipswich (Olympus)				
Coventry				
Norwich				
Basingstoke				
Nottingham				
Luton				



# Potential Disposals





# Financial Strategy/ Model

# Capital Strategy for funding Capital Works



- Short term (2024-2025) : Mitigate capital expenditure where practical. Use of dilapidation settlement and working capital.
- Medium term (2024/5- 2029): Realise capital from asset sale(s) for portfolio capital works or where a sale negates the need to undertake capital works.
- Longer Term (2029 onwards): Create sinking fund from income collected from the portfolio for capital works –target 5% of income.

# CIFCO Accounts 2023/24



- 23/24 Year Accounts are still being prepared but management accounts forecast:

- Gross Income                      £5.8m
- Company Costs                    £5.7m

Therefore, delivering a small operational profit before tax. We are anticipating an overall loss to reflect the reduction in value of the CIFCO portfolio at the end of March 2024. This loss would only be realised if the properties are sold.

# Babergh Income

CIFCO (Babergh)								
£ 000								
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Cumulative
<b>Revenue Impact</b>								
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(1,942)	(2,053)	(9,869)
Interest Paid	11	119	316	277	235	523	1,412	2,893
<b>Net Interest</b>	<b>(75)</b>	<b>(663)</b>	<b>(929)</b>	<b>(1,274)</b>	<b>(1,974)</b>	<b>(1,420)</b>	<b>(641)</b>	<b>(6,334)</b>
Other income/ Recharges	(9)	(25)	(32)	(35)	(35)	(35)	(35)	(206)
Accrued interest receivable	-	-	-	-	-	(255)	(133)	(388)
<b>Total Revenue</b>	<b>(84)</b>	<b>(688)</b>	<b>(961)</b>	<b>(1,309)</b>	<b>(2,009)</b>	<b>(1,710)</b>	<b>(810)</b>	<b>(7,570)</b>
£ m								
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Cumulative
<b>Capital Movement</b>								
Capital Borrowed	12.38	13.71	4.05	19.44	-	-	-	49.58
Loans Repaid	-	-	-	-	-	-	-	-
<b>Gross Borrowing</b>	<b>12.38</b>	<b>13.71</b>	<b>4.05</b>	<b>19.44</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49.58</b>
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	-	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.24)	(0.25)	(1.06)
Equity	1.23	1.37	0.41	1.94	-	-	-	4.95
<b>Gross Investment</b>	<b>12.38</b>	<b>13.63</b>	<b>3.93</b>	<b>19.29</b>	<b>(0.22)</b>	<b>(0.24)</b>	<b>(0.25)</b>	<b>48.52</b>
<b>Net Capital Movements</b>	<b>-</b>	<b>0.08</b>	<b>0.12</b>	<b>0.15</b>	<b>0.22</b>	<b>0.24</b>	<b>0.25</b>	<b>1.06</b>



# Conclusions



- Business Plan provides a framework to manage the CIFCO portfolio
- KPIs provide a framework to monitor CIFCO's performance and priorities.
- The existing portfolio is balanced, diversifying risk across sector, location and tenant and this approach proved successful during the pandemic and continues to mitigate risk for CIFCO and its shareholders.
- CIFCO need to fund capital works to the portfolio over the longer term to maintain & maximise value. In longer-term (5 years+ there will be sufficient income to fund capital works)in the short term (2024-29) will use existing working capital and capital receipts from sales.

# Appendices



- Investment Guidelines
- Rent Collection Stats
- 2024/25 Budget
- 2023/24 Year End Accounts (Awaited)
- Director Profiles
- Glossary

# Investment Guidelines



Investment Restrictions	%	Breach
No more than 10% of the gross income of the fund shall be derived from one tenant	9.7	No
Investment in UK Real Estate	100	No
No more than 15% of the portfolio to be invested in direct development at any one time	0	No
Maximum investment in one investment shall not exceed 20% of Gross Asset Value	10.8	No
No more than 20% of the portfolio to be invested in any one town	10.8	No
No more than 35% of the portfolio to be held in a specific sector at any one time	49.9	Yes

## Income

There are currently no tenants over the 10% threshold.

The largest tenant by income is 66 Books Ltd, Hemel Hempstead which make up 9.7% of the total portfolio income.

The second largest tenant is the Epsom & St Helier University Hospitals NHS Trust at 8.0% of the total portfolio income.

## Maximum Investment

The largest asset in the portfolio is Hemel Hempstead which makes up 10.87% of the portfolio by value.

## Location

Other than Hemel Hempstead (10.87%), the largest concentration of capital is held in Epsom (10.52%) and Milton Keynes (9.46%).



# Rent Collection Stats – Comparison



	September 2023 Quarter			December 2023 Quarter			March 2024 Quarter		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	79.87%	76.12%	76.80%	62.97%	68.37%	69.90%	71.23%	72.91%	
Day 7	87.66%	86.66%	88.20%	81.21%	80.54%	81.00%	83.33%	84.23%	
Day 21	88.18%	95.16%	94.10%	86.45%	92.01%	92.50%			
Day 35	89.13%	97.04%	96.00%	88.26%	94.95%	94.40%			
Day 90	100.00%	96.03%	97.40%	98.90%	97.67%	97.40%			

# CIFCO OPERATING DRAFT BUDGET (Confidential)



Profit/Loss before Tax, Impairment & Capital Works	£	346,339	£	228,111	£	108,022	£	11,929
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# CIFCO LOAN REPAYMENT SCHEDULE 2024/25

	TOTAL
INTEREST	
Q1	1,083,679
Q2	1,088,618
Q3	1,091,081
Q4	1,080,845
Year Total Interest	4,344,223
PRINCIPAL	
Q1	127,455
Q2	129,824
Q3	131,947
Q4	132,543
Year Total Principal	521,769
TOTAL	
Q1	1,211,134
Q2	1,218,442
Q3	1,223,028
Q4	1,213,388
Year Grand Total	4,865,992

# CIFCO YEAR END ACCOUNTS 2023/24

- To Follow May 24 onwards

# Director Profiles



**Chris Haworth (Non-Executive Director and Chair)** - BSc in Estate management from Reading University, fellow of the Royal Institution of Chartered Surveyors, and a member of the National landlords Association. Partner of Carter Jonas for 12 years, until August 2012, and Head of the National Commercial Division for 8 years.



**Henry Cooke (Non-Executive Director)**- Investment banking professional with over 30 years' experience in roles across research, sales, trading, structuring, origination, syndication and asset management of US, UK, Australian and European mortgage backed, asset backed, whole-business and real estate financing

**Emily Atack (Managing Director)** – Emily is a Member of the Royal Institution of Chartered Surveyors (RICS). She has in excess of 20 years' experience in both private and public sector, primarily in dealing with commercial property transactions and asset management.



**Mark Sargeantson (Non-Executive Director)** – Fellow of the Royal Institution of Chartered Surveyors, partner of Cluttons, until early 1991. Acted for a wide range of property owners and investors mostly in portfolio and asset management in London and across the UK. Joined Fenn Wright, Ipswich in April 1991 and was a partner until 2008 and a consultant to the practice to the present day.

**Austin Davies (Councillor Director)** - Austin Davies (MBA, MSc Uni Queensland, BSc) 25 years in commercial experience with various Multi nationals including 15 years of international business management. 10 years working for the British Government's overseas aid program. Along with 14 published scientific papers.



**John Ward (Councillor Director)** - After graduating from Oxford in 1980 with a BA in Chemistry, John embarked on a career in IT, working for Caggemini a major international IT services and consulting firm. John became a councillor in May 2015. Just before taking early retirement, he was appointed to cabinet as Economic Growth portfolio holder in May 2017 and has also been a cabinet member for finance during his time as a councillor. In January 2018 John became leader of the council, a position he held until this year's elections, and is currently joint Deputy Leader and Finance portfolio holder.

# Glossary

Term	Definition
MSCI	Morgan Stanley Capital International
ERV	Estimated Rental Value
SE Off	Southeast Offices
WAULT	Weighted Average Unexpired Lease
NIY	Net Initial Yield based on contracted passing rent
EY	Equivalent Yield derived from time weighted average of NIY and RY
RY	Reversionary Yield based on prevailing market rental value.
Running Yield	Yield based on contracted rent as percentage of Gross Purchase Price