



Welcome to the Evanridge Swedish Property LLP newsletter for the first half of 2009.

On the following pages you will find:

- Report on the AGM
- Portfolio Report and our current view on the Swedish property market

We trust that you find the newsletter informative, but as always, if you have any questions or queries, please don't hesitate to get in touch with either ourselves, or the fund operator Ogier Corporate Administration Ltd. Contact details appear at the end of this newsletter.

We would like to thank all of you for your initial participation in the fund and your continued support.

*Bill, Huw, Nigel and Bryony*

### **Evanridge Properties LLP**

---

#### AGM Report

The third AGM of Evanridge Swedish Property LLP was held at the Best Western Gables Hotel, Bristol Road, Falfield, South Gloucestershire, on Thursday the 25th of June 2009 at 11am, with a good number of our co-investors present.

Bill Ridge the appointed chairman for the day opened the meeting and welcomed everyone. It was proposed that the investors from Evanridge Property 2 LP should be invited to sit in on the ESP LLP meeting to avoid repetition of the Property Report. This was passed unanimously. The ESP 2LP AGM then followed on straight after the ESP LLP AGM so that all the formalities were completed before lunch.

#### **Financial review of Evanridge Sweden Group**

As reported in the Spring newsletter, the performance of the Swedish group was reassuringly steady during 2008. The consolidation continued from 2007 with an improved performance from the Lilla Edet portfolio. The other parts of the portfolio continued to perform in line with forecasts.

The valuation of the combined property portfolio at 31 December 2008 was 132 Million Krona (£11,738,133 at the year-end exchange rate). The initial purchase value of the properties was approximately 124 Million Krona. The commercial property arm of Price Waterhouse Coopers in Gothenburg carried out the valuation. Key highlights of the accounts of Evanridge Sweden AB (which consolidate the Swedish portfolio companies) were presented to the meeting.

#### **Investment Results**

On the basis of the accounts for the Evanridge Sweden AB group, together with the audited 2008 accounts of Evanridge Swedish Property LLP and Evanridge Swedish Property 2 LP the investments would have grown as follows:

Evanridge Swedish Property LLP's total investment of £2,857,830 would have grown to £4,115,651, a total increase of 44.01% over the period. Taking an average start date for the investment of 1 May 2006 this would represent a simple annual increase of 14.67% per year for the investor.



Evanridge Swedish Property 2LP's total investment of £1,634,746 would have grown to £1,990,575, a total increase of 21.77% over the period. Taking an average start date for the investment of 1 October 2007 this would represent a simple annual increase of 15.33%. The above results are calculated on the basis of the current proposed share issue to Evanridge Swedish Property 2 LP, to be approved by the Investment Operators, Ogier (which has, since the AGM, been approved). They do not take account of capital gains tax payable in Sweden or of the effect of any carried interest or other profit share which would be due to Evanridge LLP as General Partner or Managing Member.

There was some discussion regarding the impact of exchange rate in the accounts and Huw Evans offered to forward additional information to any interested investors.

The resolution to re appoint BDO Stoy Hayward was passed, although it was decided that Huw Evans would look into the costs associated with the Audit and report back to investors.

Copies of the audited accounts for Evanridge Swedish Property LLP were circulated with the notification of the AGM. If anyone would like a further copy, then please get in touch and we will forward one.

### Management Report

Following the review of the audited accounts, Nigel Evans gave a report on the status and management of the current portfolio, plans for future acquisitions, and Evanridge Properties LLP's views on the property market in Sweden at the present time.

The content of this report is included below for the benefit of those investors who were unable to attend the AGM.

### Report on the Property Portfolio

#### Current Portfolio Value and new acquisitions

Following two acquisitions earlier in the year, the ESAB portfolio now stands at 3 commercial buildings and 185 apartments spread out over the towns of Lilla Edet, Trollhattan, Vargon and Vanersborg. The total portfolio is now valued at £14.7m.

#### New acquisition: Nejlilan 4

- 40 x 1 & 2 bedroom apartments
- Underground and allocated street parking
- Central Vanersborg
- Purchase price 20.5mSEK
- Initial Yield = 6.85% (rising to 7.1%)
- LTV 75% (15.375mSEK)
- Interest rate 3.2% variable





The second property purchase is located in an excellent location in Trollhättan – details below.

<p>Eken 8</p> <ul style="list-style-type: none"><li>• 21 x 1 &amp; 2 bedroom apartments</li><li>• Trollhättan town centre</li><li>• Purchase price 9.25mSEK</li><li>• 3.5mSEK refurbishment</li><li>• Initial yield = 4.9%</li><li>• Yield post refurb = 7.3%</li><li>• LTV 75% (12.75mSEK)</li><li>• Interest rate 4.25% (mix of fixed and variable)</li></ul>	
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------

This property was purchased just as the vendors were about to embark on a major refurbishment, with all plans and building approvals received. This building was also acquired off market. The refurbishment has been completed using both equity and loan capital, to a high standard with new doors, windows, bathrooms and kitchens throughout. All apartments have been re-let, and at higher rents to reflect the improvements made and as such this property will show a net yield of 7.3% on the purchase and refurbishment cost. We consider this to be a very good property, in an excellent location with a large courtyard at the back offering potential for further development.

### Operating Performance of the Portfolio

Rental income and operating costs both increased by approximately 3% in 2008. Income is anticipated to be lower in 2009, whilst costs are also likely to be lower due to reduced inflationary pressures.

During 2008, there were no major refurbishments carried out, and there has been very little expenditure required on the portfolio apart from routine maintenance.

Operating profit was again healthy in 2008, showing a surplus in excess of £300k. However, we anticipate that the operating profit will be much lower in 2009 due to problems with one of the commercial tenants.

Pemectra AB, who is the tenant at Plastkannan, is a supplier of parts to the Swedish automotive industry, with 50% of its output going to SAAB in Trollhättan.

When SAAB was placed into protective receivership last year whilst its parent company, General Motors, tried to find a buyer for the company, Pemectra AB lost its biggest customer.

Despite its best efforts Pemectra AB has been unable to find enough new customers in the short term to remain in business and was placed into protective receivership on the 27<sup>th</sup> May. There have been intense negotiations since then and in late June



it was announced that a management buyout has been agreed.

As landlords we have agreed to reduce the rent from Permectra AB for the rest of 2009, and that the rent will revert to its original level in 2010 with the current underpayment repaid towards the end of 2010. However we expect the effect of the negative cashflow from this building to substantially reduce or eliminate the portfolio's operating surplus in 2009.

In terms of current vacancies we have 2 apartments vacant, 1 of which has been let, the other of which is being cleaned. With 185 apartments this represents a vacancy rate of approximately 1%, which is very satisfactory.

### Swedish Economic Overview

- Economy set to shrink by 4% in 2009 as the worldwide recessions effects Swedish export markets
- Employment forecast to hit 9% as companies lay off people in manufacturing and financial services. This should have limited impact on internal consumption in Sweden as the unemployment support is very generous by
- The exposure of Swedish banks to the Baltic states is causing concern but measures taken by the Riksbank and the ECB will have

substantially reduced the risk of a default in Latvia, Lithuania and Estonia.

- Disposable Income is still growing in Sweden and its finances remain sound
- With the base rate at 0.25% and low inflation, forecasters are predicting a rapid and sustained export-led recovery in 2010

### Property Market Overview

- Commercial rents and values under pressure particularly in the office and retails sectors
- Debt finance for commercial is becoming harder to come by as banks take a cautious view of future demand for office and retail space. Industrial is not immune from this trend either.
- Total turnover down substantially in 2008/9 as the total number of investors active in the market reduced. Whilst transaction volume was down, prices remained firm.
- The fundamentals in the Residential remain very sound, and offer the prospects of continuing attractive returns with waiting lists continuing and limited supply. Despite the turmoil in various markets, the positive yield spread we have enjoyed in residential in Sweden since 2005 remains, and indeed has widened, offering interesting opportunities for investors.

---

### Contacts

For further information about the contents of this newsletter or Evanridge in general, please contact:-

**Nigel Evans**

Ph: +44 (0)1437 741206  
Email: [nigel@evanridge.net](mailto:nigel@evanridge.net)

**Bill Ridge**

Ph: +44 (0)7887 911 662  
Email: [bill@evanridge.net](mailto:bill@evanridge.net)

**Bryony Fitzgerald**

Ph: + 44 (0) 7944 313 827  
Email: [bryony@evanridge.net](mailto:bryony@evanridge.net)

Or visit [www.evanridge.co.uk](http://www.evanridge.co.uk) for previous newsletters and additional information.