

THFC - RPI Hedging Loan - Illustration of Potential Cash Flows

The tables below are for illustrative purposes only. The index linked swap rate can only be determined on the date that the swap is transacted.

Inputs (annual)

RPI Hedge	2.4%
RPI Actual	2.4%

Assumptions

Loan of £5m bullet to hedge rental flows of £5m			
Assume rents rise by RPI			
Loan Rate is:	Fixed Rate		5.54%
	plus Credit Margin		0.50%
	plus RPI Actual Compounded		2.4%
	less RPI (Fixed Swap Rate) Compounded		2.4%

RPI Indexes and Actual Rent

6 mth period	from 1st April	RPI Index	Hedge RPI Index	Actual Rental Income
				£5,000,000
0	100.0	100.0		£2,500,000
1	102.4	102.4		£2,560,000
2	102.4	102.4		£2,560,000
3	104.9	104.9		£2,621,440
4	104.9	104.9		£2,621,440
5	107.4	107.4		£2,684,355
6	107.4	107.4		£2,684,355
7	110.0	110.0		£2,748,779
8	110.0	110.0		£2,748,779
9	112.6	112.6		£2,814,750
10	112.6	112.6		£2,814,750
11	115.3	115.3		£2,882,304
12	115.3	115.3		£2,882,304
13	118.1	118.1		£2,951,479
14	118.1	118.1		£2,951,479
15	120.9	120.9		£3,022,315
16	120.9	120.9		£3,022,315
17	123.8	123.8		£3,094,850
18	123.8	123.8		£3,094,850
19	126.8	126.8		£3,169,127
20	126.8	126.8		£3,169,127

Figure One

Inputs (annual)

RPI Hedge	2.4%
RPI Actual	1.5%

Assumptions

Loan of £5m bullet to hedge rental flows of £5m			
Assume rents rise by RPI			
Loan Rate is:	Fixed Rate		5.54%
	plus Credit Margin		0.50%
	plus RPI Actual Compounded		1.5%
	less RPI (Fixed Swap Rate) Compounded		2.4%

RPI Indexes and Actual Rent

6 mth period	from 1st April	RPI Index	Hedge RPI Index	Actual Rental Income
				£5,000,000
0	100.0	100.0		£2,500,000
1	101.5	102.4		£2,537,500
2	101.5	102.4		£2,537,500
3	103.0	104.9		£2,575,563
4	103.0	104.9		£2,575,563
5	104.6	107.4		£2,614,196
6	104.6	107.4		£2,614,196
7	106.1	110.0		£2,653,409
8	106.1	110.0		£2,653,409
9	107.7	112.6		£2,693,210
10	107.7	112.6		£2,693,210
11	109.3	115.3		£2,733,608
12	109.3	115.3		£2,733,608
13	111.0	118.1		£2,774,612
14	111.0	118.1		£2,774,612
15	112.6	120.9		£2,816,231
16	112.6	120.9		£2,816,231
17	114.3	123.8		£2,858,475
18	114.3	123.8		£2,858,475
19	116.1	126.8		£2,901,352
20	116.1	126.8		£2,901,352

Figure Two

Inputs (annual)

RPI Hedge	2.4%
RPI Actual	3.0%

Assumptions

Loan of £5m bullet to hedge rental flows of £5m			
Assume rents rise by RPI			
Loan Rate is:	Fixed Rate		5.54%
	plus Credit Margin		0.50%
	plus RPI Actual Compounded		3.0%
	less RPI (Fixed Swap Rate) Compounded		2.4%

RPI Indexes and Actual Rent

6 mth period	from 1st April	RPI Index	Hedge RPI Index	Actual Rental Income
				£5,000,000
0	100.0	100.0		£2,500,000
1	103.0	102.4		£2,575,000
2	103.0	102.4		£2,575,000
3	106.1	104.9		£2,652,250
4	106.1	104.9		£2,652,250
5	109.3	107.4		£2,731,818
6	109.3	107.4		£2,731,818
7	112.6	110.0		£2,813,772
8	112.6	110.0		£2,813,772
9	115.9	112.6		£2,898,185
10	115.9	112.6		£2,898,185
11	119.4	115.3		£2,985,131
12	119.4	115.3		£2,985,131
13	123.0	118.1		£3,074,685
14	123.0	118.1		£3,074,685
15	126.7	120.9		£3,166,925
16	126.7	120.9		£3,166,925
17	130.5	123.8		£3,261,933
18	130.5	123.8		£3,261,933
19	134.4	126.8		£3,359,791
20	134.4	126.8		£3,359,791

Figure Three

Payment Under Loan	Rental Income plus loan cost
£0	£2,500,000
£-151,000	£2,409,000
£-151,000	£2,409,000
£-151,000	£2,470,440
£-151,000	£2,470,440
£-151,000	£2,533,355
£-151,000	£2,533,355
£-151,000	£2,597,779
£-151,000	£2,597,779
£-151,000	£2,663,750
£-151,000	£2,663,750
£-151,000	£2,731,304
£-151,000	£2,731,304
£-151,000	£2,733,608
£-151,000	£2,733,608
£-151,000	£2,800,479
£-151,000	£2,800,479
£-151,000	£2,871,315
£-151,000	£2,871,315
£-151,000	£2,943,850
£-151,000	£2,943,850
£-151,000	£3,018,127
£-151,000	£3,018,127

Payment Under Loan	Rental Income plus loan cost
£0	£2,500,000
£-128,500	£2,409,000
£-128,500	£2,409,000
£-105,122	£2,470,440
£-105,122	£2,470,440
£-80,841	£2,533,355
£-80,841	£2,533,355
£-55,630	£2,597,779
£-55,630	£2,597,779
£-29,460	£2,663,750
£-29,460	£2,663,750
£-2,304	£2,731,304
£-2,304	£2,731,304
£25,867	£2,800,479
£25,867	£2,800,479
£55,083	£2,871,315
£55,083	£2,871,315
£85,375	£2,943,850
£85,375	£2,943,850
£116,774	£3,018,127
£116,774	£3,018,127

Payment Under Loan	Rental Income plus loan cost
£0	£2,500,000
£-166,000	£2,409,000
£-166,000	£2,409,000
£-181,810	£2,470,440
£-181,810	£2,470,440
£-198,463	£2,533,355
£-198,463	£2,533,355
£-215,993	£2,597,779
£-215,993	£2,597,779
£-234,435	£2,663,750
£-234,435	£2,663,750
£-253,827	£2,731,304
£-253,827	£2,731,304
£-274,206	£2,800,479
£-274,206	£2,800,479
£-295,611	£2,871,315
£-295,611	£2,871,315
£-318,083	£2,943,850
£-318,083	£2,943,850
£-341,664	£3,018,127
£-341,664	£3,018,127

