MEIF II CP Holdings 1 Limited

Supplementary information

The following information is provided as supplementary information to the Report and Financial Statements of MEIF II CP Holdings 1 Limited for the period from 1 April 2008 to 31 March 2009 to cover the additional disclosures recommended by the Walker Guidelines.

Principal activities

The principal activity of the Group is the management and operation of car parks. National Car Parks Ltd (NCP), the main trading entity, is the UK market leader in the provision of Off Street parking services. Its success is driven by a number of factors including:

- *Prime locations* - enabling NCP to have a visible presence in UK main city centres which give the Group a distinct competitive edge at a local level and a high level of geographical breadth across the UK. These enable the group to diversify its risk and not to rely on one key area or contract
- *A high proportion of long term lease contracts* - with a high proven historical renewal rate, which underpin a stable cash flow base
- *Advanced technology* – NCP has invested heavily in IT and automation to optimise its operating model and provide a competitive edge in bidding for new sites or in the renewals of contracts
- *Strong brand recognition* – The NCP brand is the only widely recognisable parking brand in the UK

NCP has a leading position in each of the three main areas of parking: Off Street, Rail and Airports. The Group will continue to seek to expand its car parking activities wherever suitable opportunities arise.

Business environment

Consumer parking demand is dependent on conditions in the retail, commuting and travel market. Current external market conditions have led to a decline in the number of people parking their vehicles across most of our sites, particularly airports, and this has had a detrimental effect on revenues.

The Group operates in a competitive environment although it is the largest private operator in the country. There are no competitors that can offer the geographical coverage that the Group provides. Competition is at a more local and regional level, with its main competitors being Vinci, Meteor, APCOA, CP Plus and Local Authorities across the country.

Market strategy

The Group is or is looking to pursue a number of growth options in the future with a view to improving revenues and growing market share in the longer term. These include targeted pricing initiatives, increased revenue protection activities and an increased involvement in partnerships with Local Authorities using the Company's and the Group's expertise and funding. It is also looking to expand the provision of premium parking services in the Airport sector and continue to pursue further Rail parking opportunities. It is also focussed on controlling costs and cash management activities.

The Group believes that continued investment in its technological advances will play an increasing role in retaining existing customers and winning new business. The Group's early investment in this area enables NCP to sustain its competitive edge in providing enhanced services to its customers including the introduction of cashless parking using mobile technology, a national parking account card (Gateway) and a National Operating Centre, a centrally monitored national CCTV operation.

Risk management

The directors regularly consider the effect of risk on the Group's business and together with the internal risk management department work to limit any adverse financial exposure. The principal risks the Group is exposed to are strategic risk, external and market risk, financial risk, commercial risk, operational risk and regulatory risk. A number of these risks are covered in the Report and Financial Statements with further disclosures provided below in accordance with the Walker Guidelines.

Strategic risk

Risks likely to affect the long term performance of the Group as a whole include; reputation, change management, sales forecasting, plans for growth and performance management (including financial, operational and people elements). The leadership team and Board oversee controls and initiatives to mitigate these risks, for instance a bonus scheme applicable to all employees within the organisation which rewards according to strict performance criteria.

External and market risk

This category includes risks which the Group has limited control over, including decisions/actions by national or local government, competition and the current economic climate, including potential interest rate increases on debt. The Group attempts to mitigate exposure to adverse economic conditions by tightly controlling costs and protecting revenue.

Commercial risk

The Group is in long term contractual relationships with a number of key organisations. These include commercial arrangements where we operate car parks on a third party's behalf particularly in the airport and rail sectors, and a number of local councils in the off-street segment. It also has long term contractual lease agreements in place covering a significant proportion of its off-street car park estate spread across a large number of lessors, although 126 car parks sites are leased from two landlords through a sale and leaseback arrangement undertaken in 2001.

The Group also does significant business with a number of other suppliers and whilst the business it does with its suppliers can be significant given the size of the activities, it does not believe it is reliant on any one supplier. To manage this risk the Group performs regular service reviews.

Operational risk

This risk category includes a diverse range of risks, including those relating to systems, health, safety and environment, information, property and crime. Operational risks relate to the customer experience, protecting our staff, property and revenue and providing the appropriate infrastructure, systems and training for operations. Most sub-categories of operational risks can be linked to compliance with the Group's aim of ensuring all car parks are safe, clean and working effectively.

Regulatory risk

The Group's services are subject to UK statutory law and regulation directed by Central and Local Government as well as regulation by the major credit card companies and an operational code of conduct issued by the British Parking Association. Breaches of these requirements could result in fines or adversely impact upon our relationships with our existing clients and any potential new clients we do business with.

Macquarie Representation

The current Board comprises three Macquarie representatives. The Macquarie representatives are Martin Stanley, Gordon Parsons, Philip Hogan; all these individuals are direct employees of Macquarie.

Corporate and social responsibility

Employee involvement

The Group's vision statement is "to be the first choice for parking" and its mission statement is "to have 100 million customer visits to our car parks in 2012".

The Group and its staff apply the following values:

D Deliver what we say
R Respect for everyone
I Integrity in everything we do
V Views are valued
E Energy and passion at all times

The strategy of the Group is communicated to all team members when they join the Group and complete the induction course. An ongoing communication process takes place by further updates on a weekly and monthly basis. The Group values team engagement and the delivery of the strategy through team involvement. We closely monitor all the activities that impact on our teams and ensure that both the strategy and team engagement are both aligned to keep the Group at the forefront of a competitive marketplace. Regular staff surveys are carried out to monitor areas of success and development with a view to make the Group, the main employer of choice for employees.

The Group has in place existing information and consultation agreements approved by employees through workplace ballots. In accordance with the Consultation of Employees Regulations, the Group does communicate with its employees on:

Information on:

- the recent and probable development of the Group's activities and economic situation;

Information and consultation on:

- the situation, structure and probable development of employment within the Group and, in particular, on the anticipatory measures envisaged where there is a threat to employment; and

Information and consultation with a view to reaching agreement on:

- Decisions likely to lead to substantial changes concerning work organisation or in contractual relations.

The Group is fully committed to treating all job applicants and employees fairly and equally regardless of their race, religion or belief, gender, sexuality, age or disability. Furthermore, the Group believes that it is crucially important to value and respect all employees as individuals and concentrate on personality and individual strengths in order to gain from a diverse workforce.

Employee involvement (continued)

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the Group continues employment wherever possible and arranges retraining.

The Group encourages its staff to continue their education by gaining qualifications relevant to their work and assistance may be given to enable them to undertake an approved course of study.

Social, Community and Environmental responsibilities

The Group works closely with local and national charities and encourages all its employees to become involved in local initiatives that support the local community and participate in local community projects. The Group and Company are patrons of the NSPCC. A number of local initiatives have taken place in all our regional offices during the year. Examples of these being the 'dress down days' and car wash days to raise funds for national and local charities such as Help for Heroes, Marie Curie Cancer Fund and Royal Marsden Cancer Campaign.

As the UK market leader, the Group is committed to reducing the environmental and social impact of our car parks' activities on the communities in which we operate. NCP is fully engaged with local communities over a range of social issues, including regular representation on vehicle crime action groups, community and business safety partnerships, homelessness organisations and local police. NCP also regularly assists police and other security organisations by sharing information, including CCTV data and is an active participant in Project Griffin, a national police programme training front line car park staff in basic counter-terrorism awareness and incident management.

The Group works to incorporate environmentally friendly measures in the design of new car parks and encourages and assists its customers to reduce their carbon footprint. The Group is also piloting a Green Badge Scheme in Manchester giving discounted parking to driver of cars with low emissions. It also has an on-going programme to replace mains powered machines with solar and wind powered ones across our sites to make a positive contribution toward reducing the effects of climate change.

We have reduced our CO2 emissions by more than 6,600 tonnes since 2006; we are aiming to reduce this by a further 10% by the end of 2011 and to have a completely zero carbon footprint. All of our energy now comes from neutral sources, and our current reduction in overall consumption is 15%. These have mainly been achieved from using new state of the art electricity meters, intelligent lighting controls with wireless movement detectors and modern car park ventilation with variable speeds.