



# First Property Group plc

## Interim Results

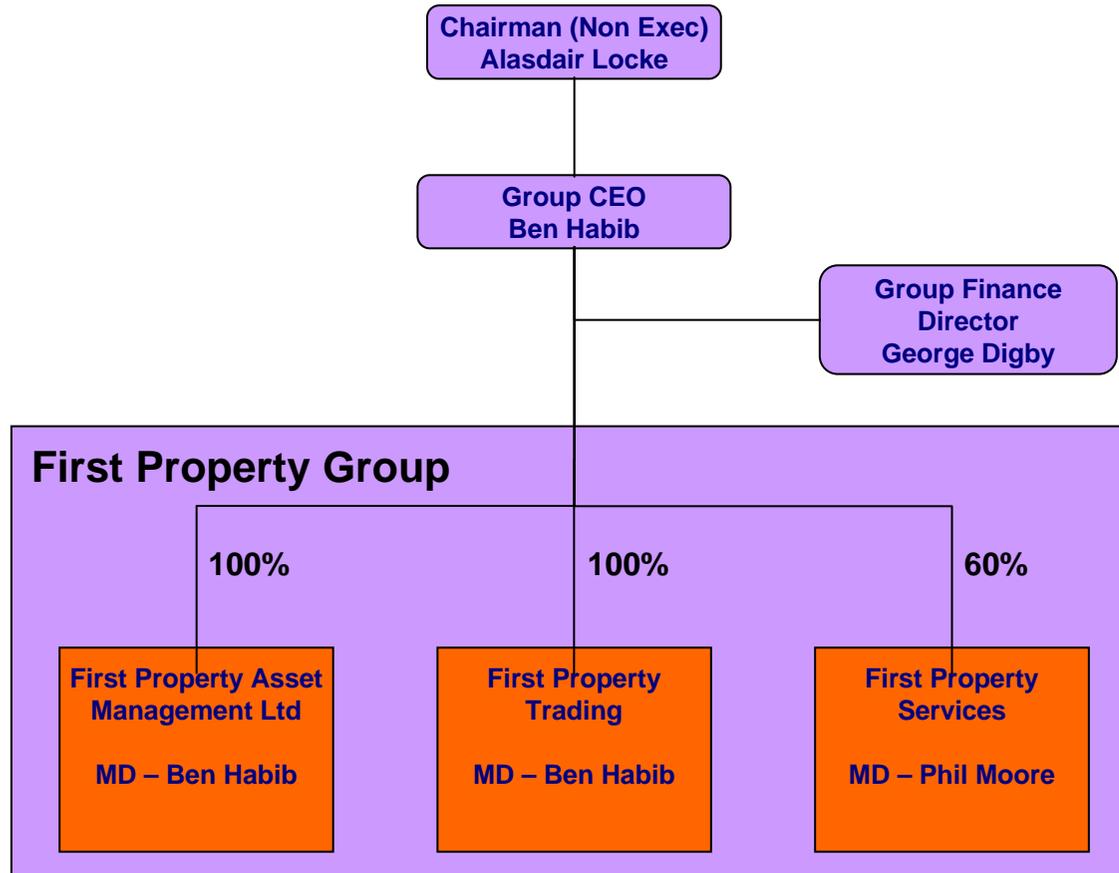
**For the six months to 30 September 2009**

**Ben Habib – Chief Executive**  
**George Digby – Finance Director**

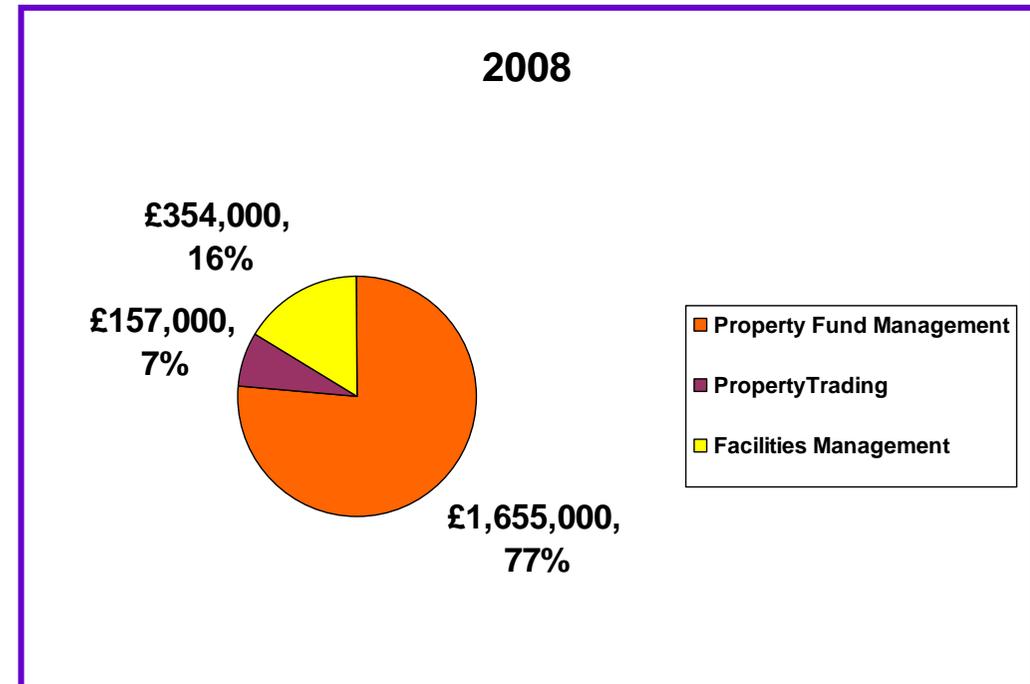
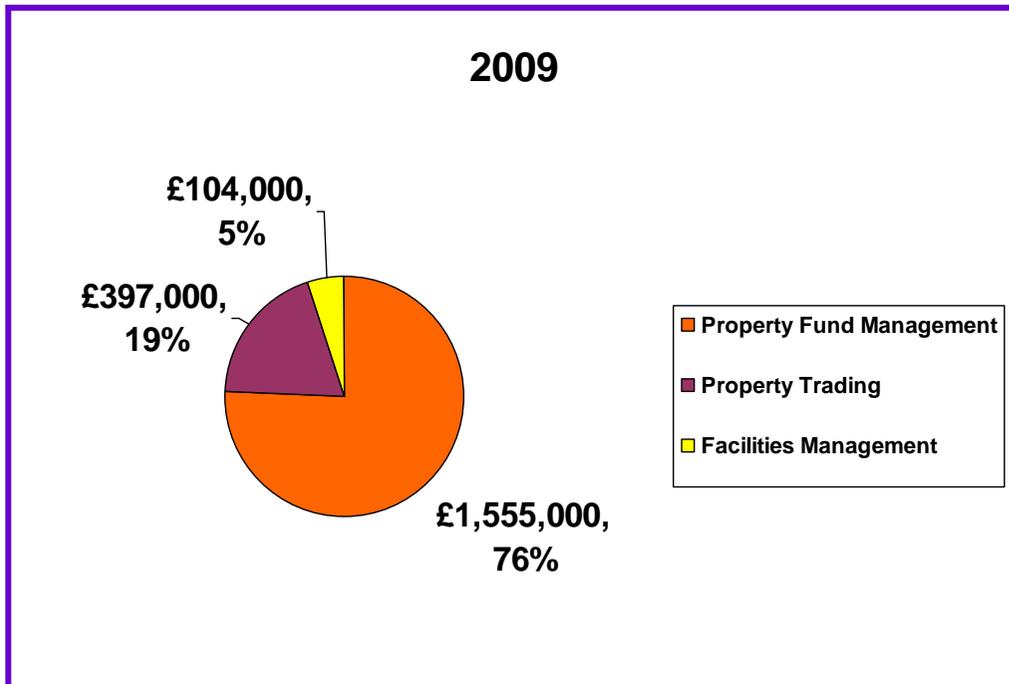


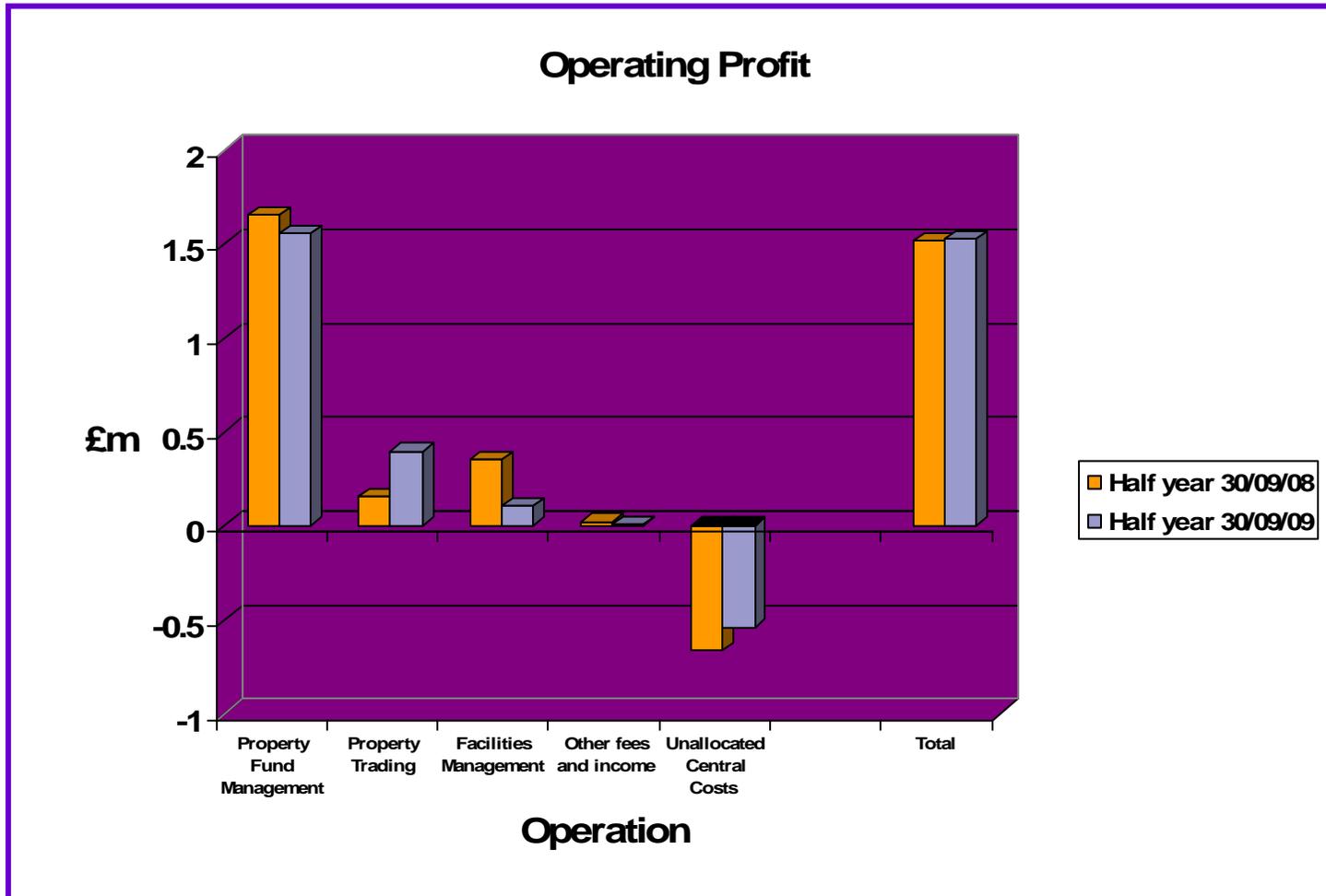
- Group Structure
- Earnings Overview
- Financial and Operational Highlights
- Segmental Performance
- Outlook
- Appendices





## Operating Profit prior to the deduction of unallocated central (PLC) costs, by segment





- Revenue during the period amounted to £4.8million (2008: £4.7million), yielding a decreased profit on ordinary activities before taxation of £1.6million (2008: £1.8million).
- Diluted earnings per ordinary share were 1.06 pence (2008: 1.08 pence).
- Increased interim dividend of 0.31 pence per share (2008: 0.30 pence per share).
- The Group ended the period with net assets of £14.4million (2008: £12.9million) and a cash balance of £9.5m (2008: £11.2million).
- This is a creditable performance given the headwinds facing the property markets as well as the reduced interest income on cash and the general economic slowdown which has affected the facilities management division.

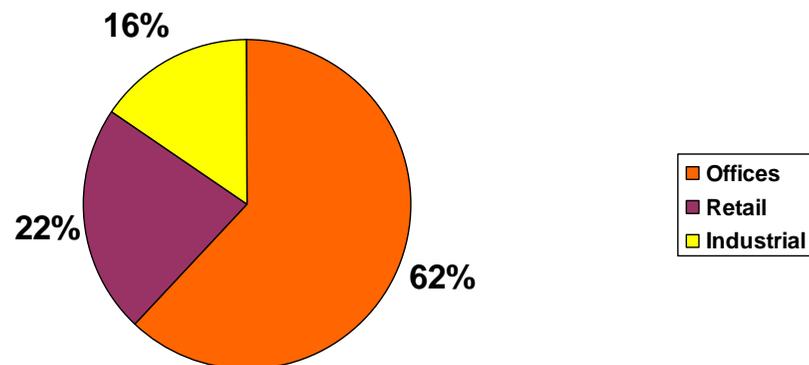
- First Property Asset Management Ltd planning launch of 2 new funds aimed at UK & CEE commercial investment properties.
  - UK fund – lawyers have been instructed to draw up contractual documentation on behalf of a small group of pension funds. Quantum is indicated at in excess of £50 million of equity.
  - CEE (Polish) fund – marketing is commencing to raise a new CEE commercial property fund, a region in which Fprop’s funds under management ranked as the top performing over the three years to 31 December 2008, as measured against the IPD CEE Benchmark.
- Trading Division acquired control of the management company responsible for its office tower in Warsaw’s CBD, in which the group owns a 28% stake, and in which previously no single shareholder had control.
- Mr. Peter Moon, outgoing Chief Investment Officer of Universities Superannuation Scheme, has accepted the post of Non-Executive Director of Fprop PLC, effective 1st May 2010.

## Interim Results - Segmental Performance

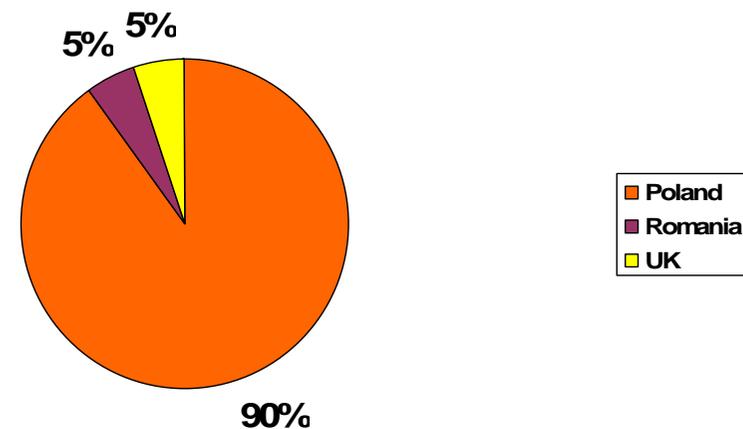
	Unaudited Six months to 30 September 2009	Unaudited Six months to 30 September 2008	Percentage change from 30 September 2008	Audited Year to 31 March 2009
Profit on ordinary activities before tax	£1.56m	£1.77m	-12%	£3.86m
Operating profit	£1.52m	£1.52m	0%	£3.43m
Share of associates	£0.12m	£0.08m	+58%	£0.14m
Interest income	£0.07m	£0.18m	-62%	£0.40m
Net profit for period	£1.22m	£1.32m	-8%	£3.22m
Net assets	£14.38m	£12.86m	+12%	£13.60m
Cash and cash equivalents	£9.46m	£11.20m	-16%	£10.1m
Diluted earnings per share	1.06p	1.08p	-2%	2.74p
Interim dividend per share	0.31p	0.30p	+3%	0.30p
Final dividend per share	-	-		0.70p
Operating profit by segment:				
Operating profit from property fund management	£1.56m	£1.66m	-6%	£3.46m
AUM	£296m	£290m	+2%	£310m
Operating profit from property trading	£0.40m	£0.16m	+153%	£0.85m
Operating profit from First Property Services	£0.10m	£0.35m	-71%	£0.61m
Unallocated central overheads	£(0.54)m	£(0.66)m	-19%	£(1.49)m

- Four funds under management at 30 September 2009 with GAV of £296 million.
- Geographical split of funds likely to shift in favour of UK over the coming months.

### Sector Split By Value



### Geographical Split By Value



- Performance remains good:
  - Annualised pre-tax return on equity being earned from existing assets under management on behalf of clients in CEE is running at in excess of 20% per annum.
  - We rank #1 versus IPD CEE Benchmark for the period 2006 – 2008 inclusive (data collected annually). This marks the full period that we have been invested in CEE, following our decision to exit UK commercial property in 2005.
  
- Continued strategic emphasis to grow fund management division:
  - New UK commercial property investment fund – lawyers drafting documentation following DD period.
  - New CEE (Polish) fund - commencing marketing.

- Poland is the only EU member to have thus far avoided recession: lower levels of consumer and state indebtedness.
- Economic outlook is brighter: investors are now differentiating between Poland and other CEE markets.
- The PLN/ Euro exchange rate appears to have stabilised within a range of PLN/ Euro of 4.1 to PLN 4.25, up from its low of PLN/ Euro 4.95, which should materially reduce the stress on tenants.
- The value of commercial properties in Poland has dropped over the last year by some 20% since its peak level in 2008.
- Increase in transactions and bank lending, albeit from a very low level.
- As global growth returns, Poland's economy is expected to benefit, leading to an increase in rents, with a commensurate increase in the value of properties.

- Investor demand for well let commercial property has been building as a result of limited stock and a desire to lock into higher returns versus cash.
- Pricing has fallen sufficiently to compensate for further anticipated rent reductions.
- While the occupier market may still be weak, Fprop's acquisition focus is on good quality covenants with long unexpired leases.
- The Group has the requisite skills and contacts to source such products at attractive prices and fulfill its investment mandate for a new UK fund.

- Two properties owned directly:

- Property 1:

- Class C office building, Mokotow, Warsaw
    - Acquired Nov 2007 for £2.6 million
    - Net rental income : PLN 1.3 million (£260,000) pa
    - Yield & ROE - 11.3%
    - Have applied for PP for change of use to residential which we expect to receive in 2H



- Property 2:

- Class B office building (Blue Tower), Warsaw (CBD)
    - Acquired 28% interest Dec 2008 for USD 13 million
    - Net rental income - USD 1.2 million (£750,000) pa
    - Debt - USD 10.60 million (£6.63 million)
    - Yield - 9.6%, ROE – 28%
    - Recently acquired control of the management company for £250,000, in which previously no single shareholder had control. We expect to increase our earnings by at least £150,000 per annum, once we have reduced costs as a result of our having control.



- Revenues earned during the period of £844,000 (2008: £457,000) and an operating profit of £400,000 (2008: £160,000).
- Directors valuation of the net equity in these 2 properties is estimated to be c.£5 million (BV according to IFRS = £4,060,000).

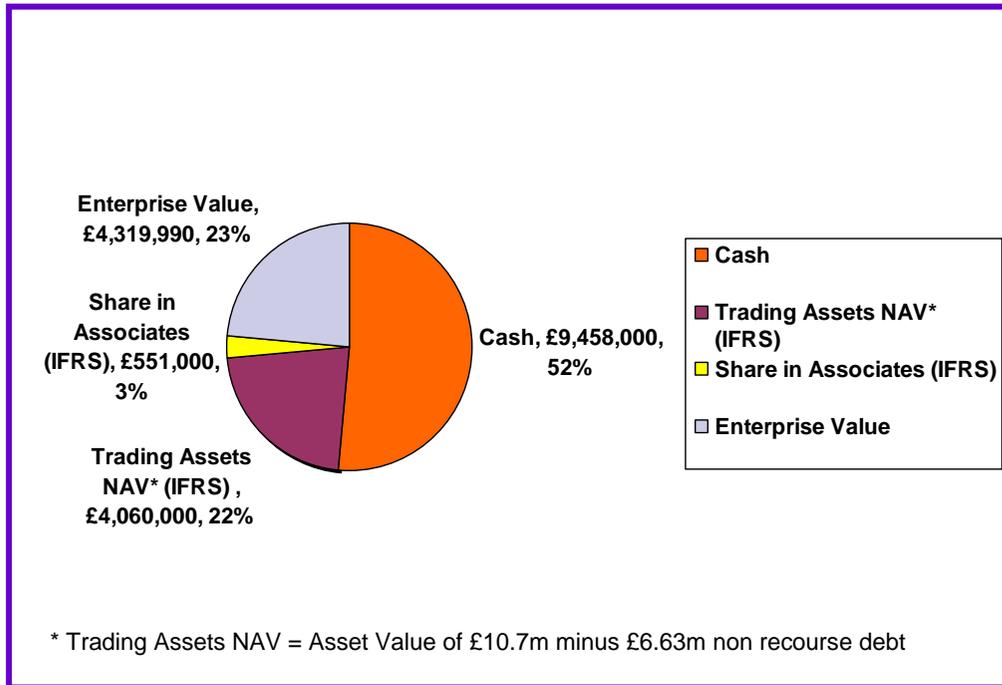
- In addition to the 2 properties held directly, the Group also owns stakes in 2 of First Property Asset Management's 4 funds.
- IFRS requires earnings from these shareholdings to be reported at PLC level as "share of associates net assets". We refer to them within the Property Trading Division because we regard all earnings derived from investments (excluding cash) to be a trading activity.
  - Fund 5                      41% shareholding  
BV (IFRS) = £202,000  
Valuation (30.9.09) = £310,000  
ROE = 23%
  - Fund 6                      41% shareholding  
BV (IFRS) = £349,000  
Valuation (30.9.09) = £808,000  
ROE = 18%
- The two funds in aggregate are held at £551,000 according to IFRS accounting standards.
- The current valuation of the two funds is £1,118,000, according to an external valuation carried out 30.9.09.

- First Property Services Ltd is a contracting business which specialises in the installation and maintenance of air conditioning units.
- It is 60% owned by the Group, following its opportunistic acquisition from Administrators for £1 in 2006.
- Revenues during the period of £1.91 million (2008: £2.27 million) and an operating profit of £104,000 (2008: £354,000).
- Recurring revenues from maintenance contracts has been steady at some £500,000 per annum. Such maintenance clients include the BBC, Canary Wharf, Credit Suisse, Moody's and Coutts.
- New installation sales are more variable and linked to the economic environment. This is the segment which has experienced a drop in sales, and therefore profits.
- No Group loans to FPS.

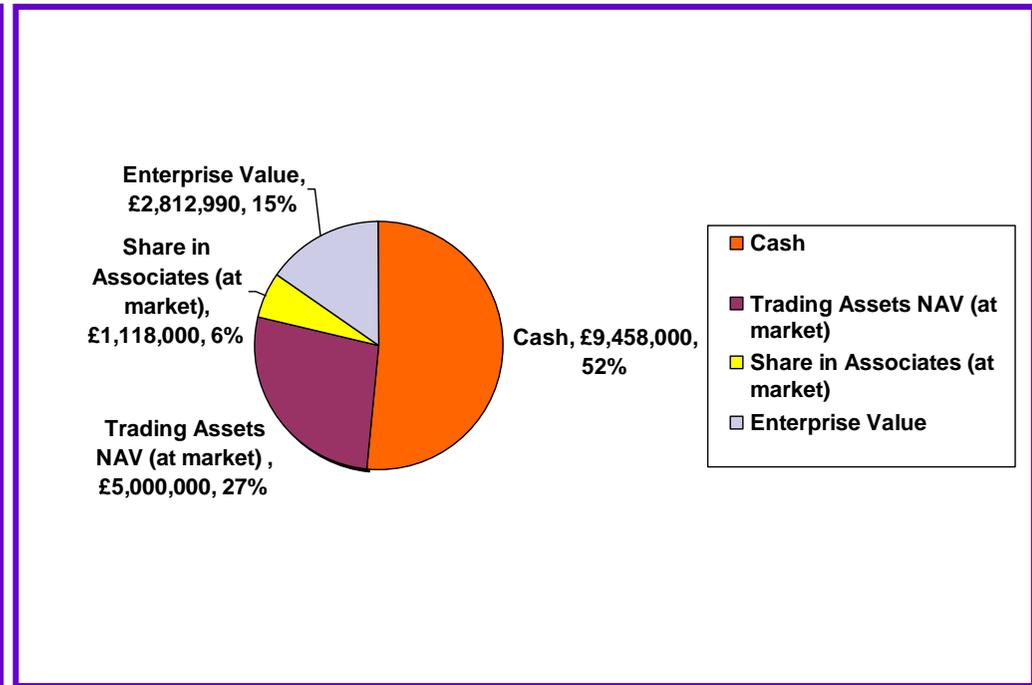
# Value Attribution of differing segments at 17p

Shares in issue = 108,170,527 (excluding 3,430,588 shares held in Treasury)  
 Market Cap at 17p = £18,388,990

Enterprise Value\* according to IFRS



Enterprise Value\* with assets held at market values



\* = in this instance we have taken Enterprise Value to mean the residual value of the operating business implied by the market cap after deducting cash and trading assets.

- Despite the Global economic environment, Fprop remains a secure and growing business capable of delivering excellent returns to its clients and shareholders.
- Strong balance sheet and a stable earnings platform of recurring revenues.
- Primary focus remains to exploit this position of strength and to grow AUM within core division, First Property Asset Management.
- Remain cautious but will take advantage of attractively priced property where we believe the rental streams to be secure.
- Excellent property expertise within the Group: planning the launch of new funds aimed at UK & CEE commercial investment properties.

- Market statistics
- Management Team
- Our Team on the Ground
- Fund Performance
- Contact Details



- Number of shares in issue: 108,170,527
- Number of shares held in treasury: 3,430,588 (av cost 16.2p)
- Diluted EPS for the interim period: 1.06p
- Share price: 17.00p
- Market capitalisation: £18,388,990
- Major shareholders:

Benyamin Naeem Habib (Chief Executive Officer)	15,500,000	14.33%
J C Kottler	14,471,783	13.38%
Universities Superannuation Scheme Limited	9,550,000	8.83%
Alasdair James Locke (Non Executive Chairman)	8,571,990	7.92%
Philippe Investment Mgt	5,451,936	5.04%
NFU Mutual Ins Soc Ltd	3,750,000	3.47%
R S Duckworth	3,429,301	3.17%



## **Non-executive Chairman, Alasdair Locke, MA (Oxon)**

Alasdair is also Executive Chairman of Abbot Group plc, a company providing wide ranging services to the oils services industry. He was voted Scottish Entrepreneur of the Year in 1999.



## **Chief Executive, Ben Habib, MA (Cantab)**

Ben is the Chief Executive and founder of Fprop; he has 15 years experience in the property sector having previously worked in a private capacity as a developer and investor. Ben has a strong financial background, having been FD of PWS (a reinsurance broking company listed on the LSE) and before that in corporate finance at Shearson Lehman Brothers. Aside from Fprop, he sits on the board of governors of Rugby School.



## **Finance Director, George Digby, BA (Hons), ACA, IMC**

Prior to joining Fprop in 2003, George ran his own private consultancy for five years. He boasts an enviable financial track record, having worked as FD for ten years for Fired Earth plc, overseeing its listing of the LSE, a tripling of its turnover and a doubling of its pre-tax profits.



**Property Director, Martin Pryce, B.Sc, MRICS, IMC**

Having been Managing Director of Propertytrade plc, a commercial property portal, Martin joined the Fprop team in 2001, following its acquisition by Fprop. He brings with him a solid background in chartered surveying, having been a partner at Donaldsons Chartered Surveyors until 2000, specialising in retail property.



**Managing Director of First Property Poland, Przemyslaw Kiszka, MA, CFA**

He has been with First Property for three years and involved in transactions of combined value exceeding €200m. His key responsibilities are asset management and liaising with lending banks as well as mitigation of risk exposures with derivatives instruments. Prior to joining First Property he was the senior analyst for a private equity and a corporate analyst for an open investment fund (Invesco TFI).



**FJB Capital Advisers: Director, Jeremy Barkes**

Following 10 years in equity sales, latterly specialising in real estate, Jeremy joined the Group in February 2009 to raise equity for investment by FPAM, as well as on behalf of 3rd parties.



**Facilities Management (First Property Services): MD, Phil Moore, ONC, HNC**

Phil was Managing Director of Direction Group for seven years before joining Fprop in 2006, following the acquisition of his business by Fprop. Prior to this, he was Director of Rosser and Russell Building Services.

The Group has a policy of managing its property portfolio in-house, as much as possible.

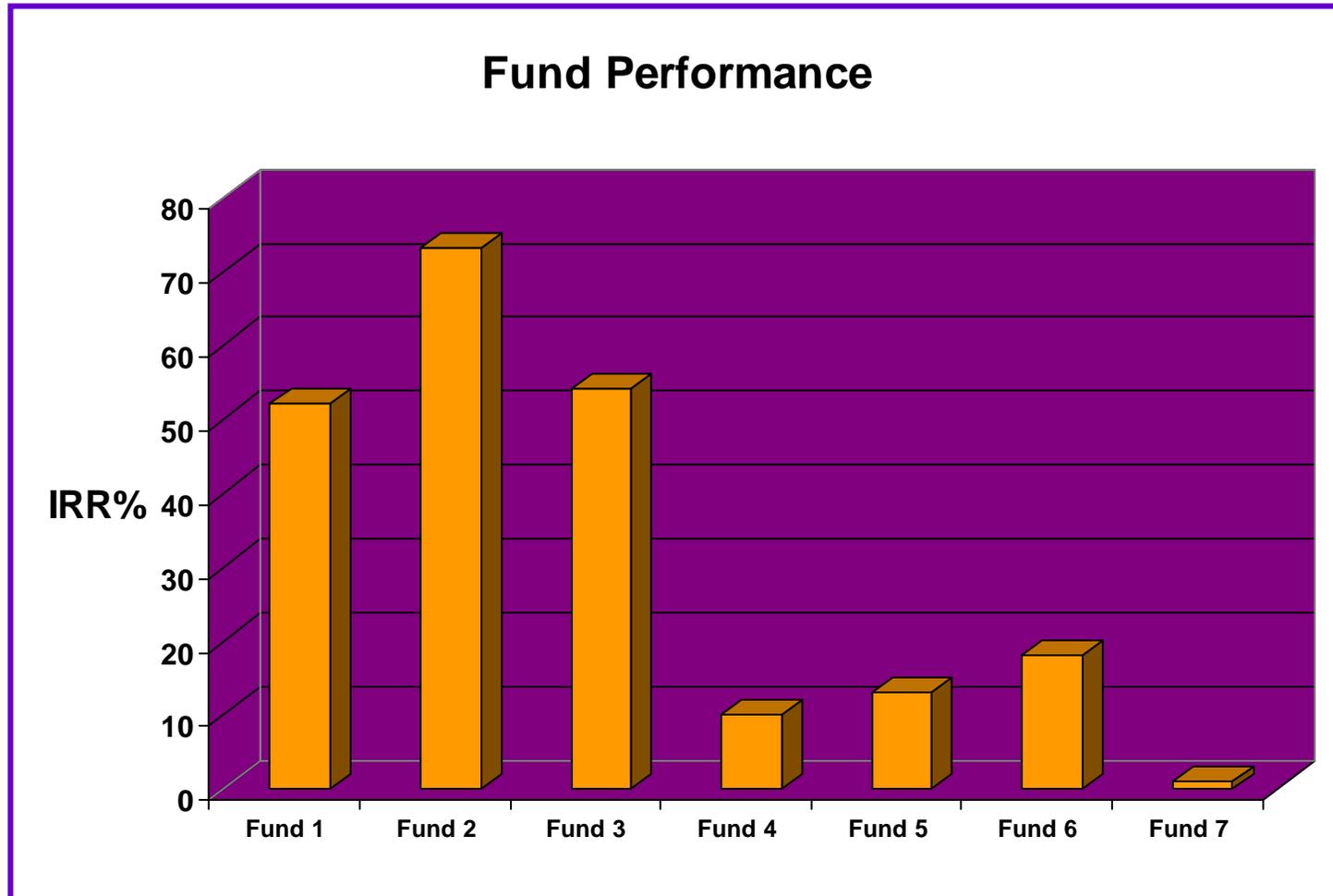
It employs:

- Eight staff in the UK and eighteen staff in Poland in fund management and property trading.
- Eighteen staff in facilities management.



- Fund 1, 2, & 3 (all UK commercial) launched between 2002 & 2003, dissolved between 2006 & 2007: IRR earned from properties respectively of 52%, 73% & 54%.
- Fund 4 (UK offices) launched in 2004 on behalf of a HNW: earning some 9% return of equity per annum from rent alone. The fund is not revalued on an annual basis and First Property does not have full discretion over its management.
- Fund 5 (UK & CEE commercial) launched in 2004: if properties held by the fund had been sold at their value at 30 September 2009, the annualised IRR earned by the fund would have been some 13%.
- Fund 6 (UK & CEE commercial) launched in 2004: if properties held by the fund had been sold at their value at 30 September 2009, the annualised IRR earned by the fund would have been some 18%.

- Fund 7 (UK & CEE commercial, the USS fund) launched in 2005: if properties held by the fund had been sold at their value at 30 September 2009, the annualised IRR earned by the fund would have been some 1%.
- Fprop funds under management in CEE outperformed the IPD Benchmark for that region during 2008 by 4.1% (funds earned an un-gearred total return of 4.9% vs. the Benchmark value of 0.8%).
- Despite being a new entrant to the CEE property investment market in Q4 2005, Fprop funds under management in CEE ranked #1 in terms of performance over the aggregate period 2006 to 2008, according to IPD.



Website: [www.fprop.com](http://www.fprop.com)

Telephone: 020 7731 2844

Address: First Property Group plc  
17 Quayside Lodge  
William Morris Way  
London SW6 2UZ

Email: [enquiries@fprop.com](mailto:enquiries@fprop.com)

Financial PR Enquiries: 0207 7566 6700  
Adam Leviton / Kathryn Hurford

Email: [firstproperty@redleafpr.com](mailto:firstproperty@redleafpr.com)

