



Fprop plc

Preliminary Results, 21 June 2011

First Property Group plc

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First Property Group plc is a property fund manager with operations in the United Kingdom and Central Europe.

Its business model is to:

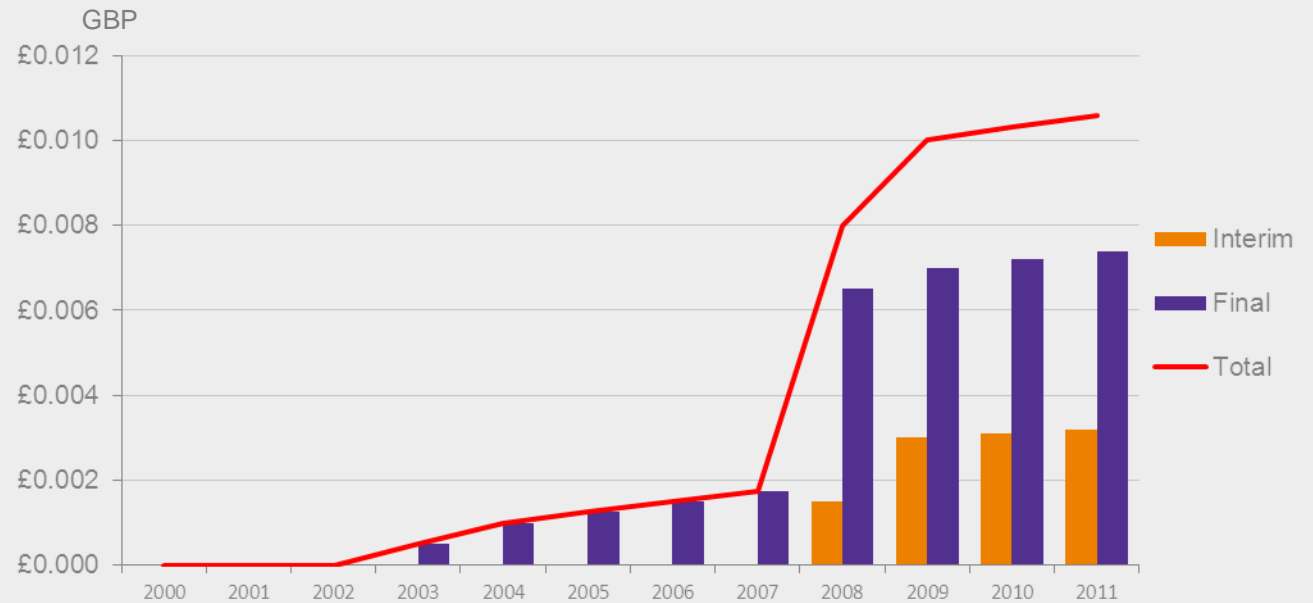
- Raise third party funds to invest in income producing commercial property;
- Co-invest in these funds;
- Earn fees for the management of these funds; fees earned are a function of the value of assets under management as well as the performance of the funds; and
- Earn a return on its own capital invested in these funds.

	Year to 31-Mar-2011 (Unaudited)	Year to 31-Mar-2010 (Audited)	Percentage change
Profit on ordinary activities before tax – continuing operations	£2.95m	£2.61m	+13%
Net Assets	£16.49m	£15.65m	+5.9%
Cash and cash equivalents	£5.44m	£10.13m	-46.3%
Diluted earnings per share	1.90p	1.90p	-
Total Dividend	1.06p	1.03p	+2.9%
<b>Profit before tax by segment:</b>			
Profit before tax from property fund management (FPAM)	£2.74m	£2.76m	-0.7%
Profit before tax from Group Properties	£1.24m	£0.91m	+36.3%
Assets under management (AUM)	£366m	£300m	+22%

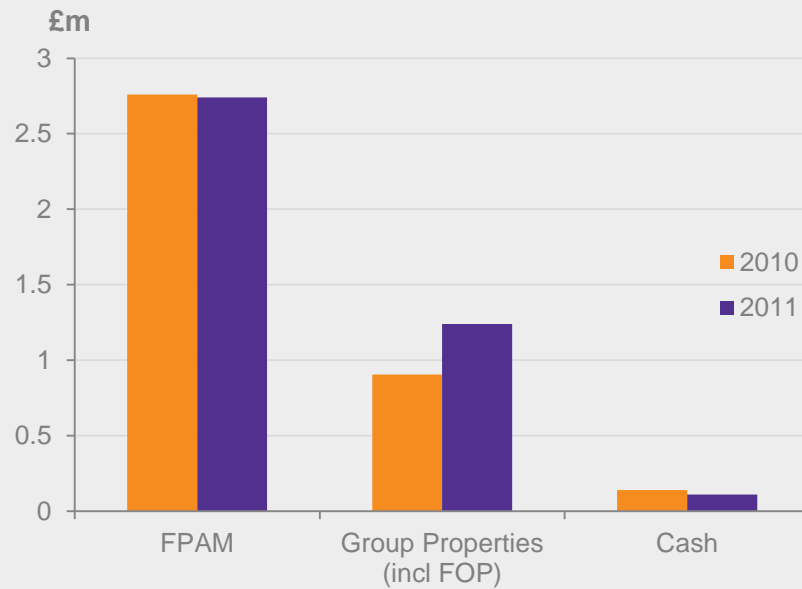
- Board recommends increased final dividend of 0.74p (2010: 0.72p).

<b>Record Date</b>	26 Aug 2011
<b>Payment Date</b>	23 Sep 2011

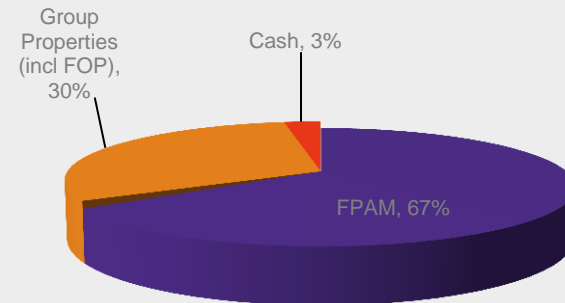
- Total dividend for the year of 1.06p (2010: 1.03p).



In monetary terms:



In percentage terms:



- Assets under management (AUM) grew by 22% to £366 million (2010: £300 million).
- New Pan-European fund, focused initially on Poland, Fprop Opportunities plc (“FOP”), established in October 2010, seeded by a £7 million cash investment by the Group. The Group is currently the majority shareholder (84.1%) and therefore the earnings are currently required to be consolidated onto the Group balance sheet.
- UK Fund now 71% invested with £75.5 million under management.
- Plans afoot for a new UK fund.
- Retained ranking as the best performing fund manager versus the Investment Property Databank (IPD) Central and Eastern European (CEE) and Polish Benchmarks, now for the five years to 31 December 2010.
- Disposal of First Property Services Ltd, 60% owned Mechanical & Electrical (M&E) contracting business, for £170,000.

# Segmental Analysis

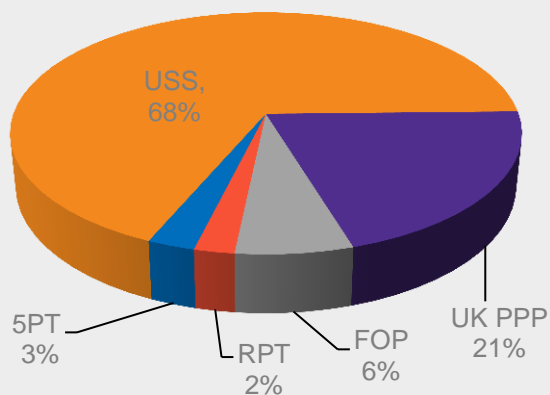
## FPAM – Assets Under Management (AUM)

Fund	Established	Termination Date (unless extended)	Assets under Management at 31 March 2011
SAM Property Company Ltd	2004	Rolling	Not subject to recent revaluation
Regional Property Trading (RPT)	2004	Aug 2012	£8.1 million
5 <sup>th</sup> Property Trading (5PT)	2004	Dec 2014	£9.5 million
USS Fprop Managed Property Portfolio LP	2005	Aug 2015	£249.9 million
UK Pension Property Portfolio LP (UK PPP LP)	2010	Feb 2017	£75.5 million
Fprop Oportunities plc (FOP)	2010	Oct 2020	£23.3 million
<b>Total</b>			<b>£366 million</b>

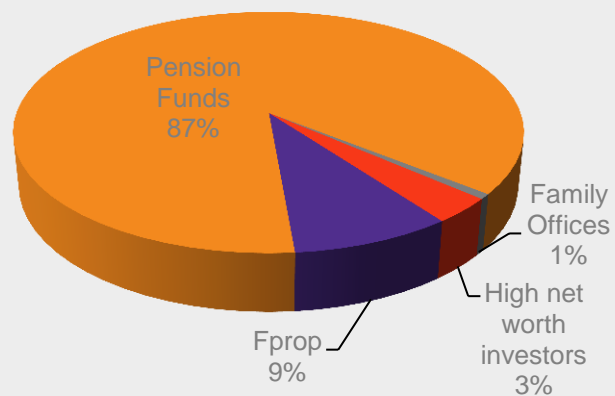
NB. AUM figures were calculated using FX rate on 31 March 2011 of £/€ 1.1296.



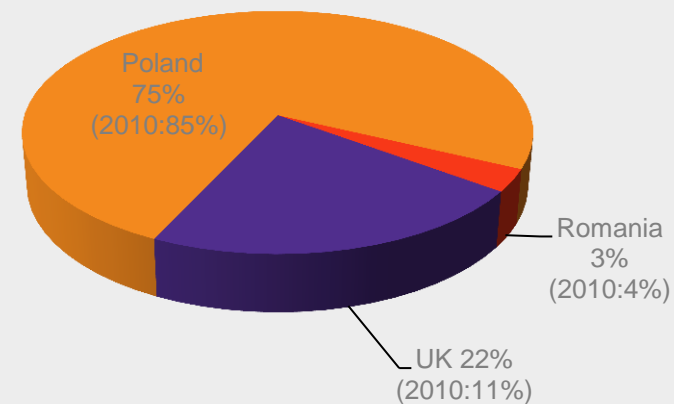
By fund:



By investor category:



By geography:



First Property Group plc is a shareholder in four of FPAM's six funds:

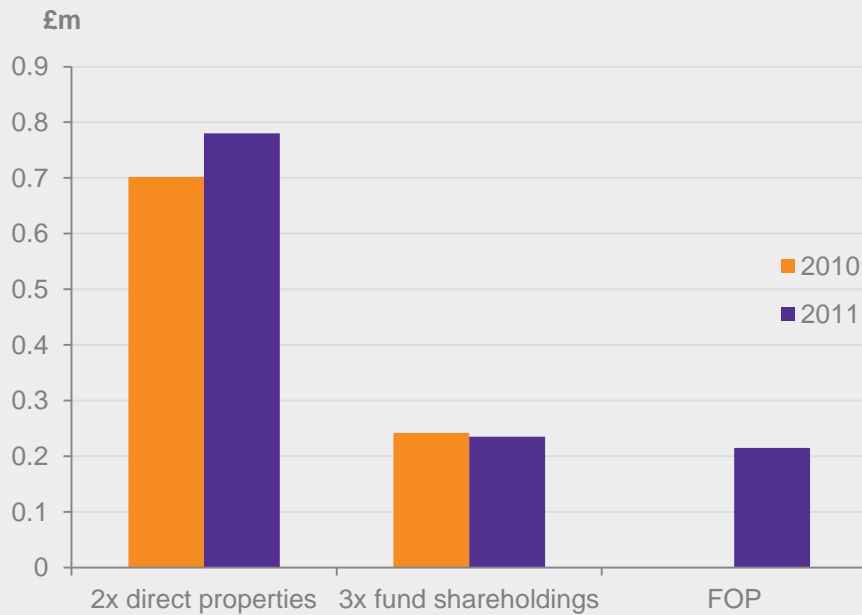
FUND	FPG shareholding 31 Mar 2011	Book Value (IFRS) 31 Mar 2011	Earnings to 31 Mar 2011
5 <sup>th</sup> Property Trading Ltd (5PT)	37.8%	£495,000	£168,000
Regional Property Trading Ltd (RPT)	28.6%	£190,000	£53,000
UK Pension Property Portfolio LP (UK PPP LP)	0.9%	£711,000	£14,000
Fprop Opportunities plc (FOP)	84.1%	£7.0 million	£215,000
<b>TOTAL</b>		<b>£8.40 million</b>	<b>£450,000</b>

# Segmental Analysis

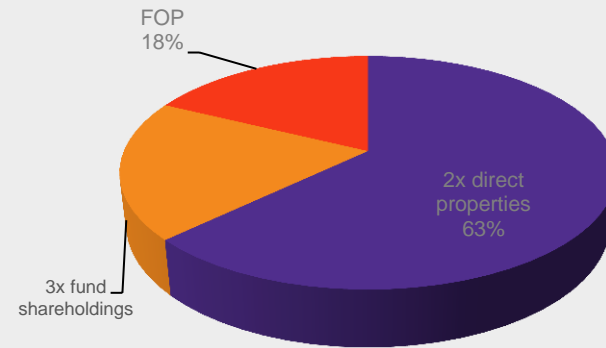
## Group Properties – Directly held assets

Property Name	Purchase date	Purchase price	Bank loan	Valuation at 31.3.11	Net rent	Contribution to pre-tax profit
Bacha St, Mokotow, Warsaw	Nov 2007	PLN 11.7 m (£2.3m)	Nil	PLN 12.8 m (£2.8 m)	£299,000	£281,000
Blue Tower, Central Business District, Warsaw	Dec 2008	US\$ 12.9m (£8.5 m)	US\$10.6 m (£6.6 m)	US\$ 18.4 m (£11.5 m)	£745,000	£498,000
<b>Total</b>		<b>£10.8 million (Net £4.2 million)</b>	<b>£6.6 million</b>	<b>£14.3 million (Net £7.7 million)</b>	<b>£1.04 million</b>	<b>£0.78 million</b>

In monetary terms:



In percentage terms:



## General:

- Raising blind pools is still very challenging, particularly in non core markets (such as Poland).
- But our excellent track record should help our fund raising efforts.

## FOP

- Investor appetite for Polish commercial real estate is growing again.
- We have expressions of interest to invest in FOP.
- Discussions not yet finalised.

## Economy:

- 7th largest economy in the Euro area
- GDP Growth:
  - 2009: 1.7%<sup>(1)</sup>;
  - 2010: 3.8%<sup>(1)</sup>;
  - 2011: 3.8% (forecast)<sup>(1)</sup>.
- Q1 2011 Retail Sales growth of 18.6%<sup>(2)</sup> compared to previous year.
- Balanced economy – circa 60% of GDP internally generated, 40% derived from exports<sup>(3)</sup>.
- €67.3 billion of FDI from EU Cohesion Policy over the period 2007–2013.

## Commercial property market:

- Tenant demand has remained resilient.
- Property values for core assets now rising.
- Opportunities at 8%+ yields still exist in the major cities and conurbations..
- Our strategy:
  - Target secure long term income streams let at sustainable rental levels;
  - Primary focus on retail assets which are dominant in their catchment area.

<sup>(1)</sup> Source: IMF

<sup>(2)</sup> Source: Central Statistical Office (GUS)

<sup>(3)</sup> Source: The World Bank

Poland is among Europe's fastest growing economies

## Commercial property market:

### ➤ We remain cautious:

- Significant uplift in values from the lows of 2009 in many cases mask the economic pressure on occupants;
- Disconnect between occupational and investment market;
- Prime London properties in bubble territory?

### ➤ A two tier market:

- Strong investment demand for well let long income streams;
- Limited investment demand for all other types of property with yields widening.

### ➤ Our strategy:

- Target secure long term income streams let at sustainable rental levels, ideally new leases granted in or after 2009;
- Look beyond London to other parts of the UK.

Weak occupier commercial property market outside of London

## FPAM:

- AUM (and therefore FPAM fee income) is expected to continue to grow due to:
  - Continued investment of FOP;
  - New subscriptions into FOP;
  - Investment of remaining £30 million for UK PPP LP;
  - New UK fund - marketing expected to start 2H.

## Group Properties:

- Earnings from Group Properties expected to grow due to:
  - Shareholdings in our funds continuing to perform well;
  - Additional asset management gains from Blue Tower.
- Group shareholding in FOP expected to reduce to below 50% as a result of new subscriptions.



LSE (AIM) Symbol	FPO.L	
Share price	24p	
Market Cap	£26,650,000	
Dividend yield	4.4%	1.06p (subject to shareholder approval)
PER (undiluted)	11.9x	EPS 2.02p
PER (diluted)	12.6x	EPS 1.90p

	2011	2010	% change
Issued & Fully Paid	<b>114,851,115</b>	113,601,115	+ 1.1%
Issued (excl Treasury )	<b>111,046,501</b>	109,770,527	+ 1.2%
Shares held in Treasury	<b>3,804,614</b>	3,830,588	- 0.7%
Outstanding share options over Ordinary shares	<b>7,790,000</b>	8,650,000	- 9.9%
Average strike price of outstanding share options	<b>15.59p</b>	14.34p	+8.7%

Shareholders > 3% at 31 March 2011

Shareholders > 3%	No of shares	% held (of issued and fully paid)
Benjamin Habib (Chief Executive Officer)	16,700,000	14.5%
J C Kottler Esq	14,746,783	12.8%
Universities Superannuation Scheme Limited	9,550,000	8.3%
Alasdair Locke (Non Executive Chairman)	8,571,990	7.5%
<i>First Property Group Plc Treasury</i>	3,804,614	3.3%
NFU Mutual Insurance Society Ltd	3,750,000	3.3%
<b>Total</b>	<b>36,635,473</b>	<b>49.7%</b>

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

Alasdair is the former executive Chairman of Abbot Group plc, an oil services company which he founded in 1992. It was listed on the London Stock Exchange from 1995 until its sale in 2008 for £906 million to Turbo Alpha Ltd, a company controlled by a US private equity fund. He sold his remaining interest in the Group and stepped down altogether in 2009. His early career started in investment banking at Citigroup in 1974, where he specialised in shipping and oil.

Alasdair is also Chairman of Argenta Holdings plc, an unlisted holding company which trades in Lloyds of London.



### **Independent Non-Executive Director — Peter Moon**

Peter retired as Chief Investment Officer of Universities Superannuation Scheme (USS) in 2009 following a career steeped in the UK investment management industry. Aside from his 17 year tenure at USS, he was a member of the National Association of Pension Funds (NAPF) Investment Committee between 1990-1995, and more recently an adviser to Lincolnshire County Council and London Pension Authority. Earlier roles included investment management positions with British Airways Pensions, National Provident, Slater Walker and Central Board of Finance Church of England.

Additional directorships include Scottish American Investment Company plc (Independent NED) and Arden Partners plc (Independent NED).





## Appendices

# PLC Management Team - Executives

### **Group Chief Executive & FPAM Chief Investment Officer — Ben Habib, MA (Cantab)**

Ben founded First Property Group plc in 2000. He is responsible for all aspects of the operations of Fprop and its fund management business. Subject to the terms and conditions of any given fund's corporate governance, he is amongst other things responsible for property selection, pricing, due diligence (legal, commercial and technical), negotiating property purchases, financing the purchases, and the subsequent asset management of the properties and sales strategy. He is very closely involved in all aspects of the business.

Prior to setting up Fprop, he was Managing Director of a private property development company, JKL Property Ltd, from 1994 - 2000, in which he held a 30% interest. Before joining JKL, he was Finance Director of PWS Holdings plc for 5 years, a quoted Lloyd's reinsurance broker. Ben started his career in corporate finance in 1987 at Shearson Lehman Brothers. He was educated at Rugby School and Cambridge University.



### **Group Finance Director & Finance Director, FPAM — George Digby, BA (Hons), ACA, IMC**

George joined Fprop in 2003 and has overseen the rapid expansion of the fund management division during this period, including the development of the operation in Poland, involving in total 34 separate companies to date. Prior to Fprop, George spent 10 years as FD of Fired Earth plc until its MBO in 1998, during which period he oversaw its listing on the London Stock Exchange, a tripling of its turnover and a doubling of its pre-tax profits. He qualified with Price Waterhouse in 1981, followed by positions with Collins Publishers and Nikon UK Ltd. After Fired Earth he set up and ran a successful accounting consultancy for five years. Aged 55 George brings broad financial experience to the Group. He is a member of the Institute of Chartered Accountants in England and Wales and is a holder of the IMC certificate.





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