

## PERFORMANCE REVIEW

## Fund Management Division

## First Property Asset Management Ltd (FPAM)

Division Revenue

**£4.04m** +19%  
(2021: £3.39m)

Third-Party AUM

**£516.5m** -2%  
(2021: £527.2m)

Our Fund Management Division earns fees from investing for third parties in property via its FCA regulated and AIFMD approved subsidiary, First Property Asset Management Ltd (FPAM). Third-party assets under management ended the year at **£516.5 million (31 March 2021: £527.2 million)**. The decrease was attributable to sales of properties valued at some **£32.7 million** offset by purchases of properties worth some **£10.0 million** and an increase in the value of the remainder of the portfolio of some **£12.0 million**.

One new fund was raised during the year, Fprop Fulcrum Property LP, which had invested £10.0 million by year end, purchasing two properties in the UK. The fund is open ended and further subscriptions and investments are expected. Notices for redemptions may not be given before August 2024, with redemptions taking place 12 months after any such notices are served.

During the year two other funds managed by FPAM sold, for £39.2 million, eight properties in the UK which had been valued at £32.7 million.

One fund, Fprop Romanian Supermarkets Ltd, was closed during the year having earned an internal rate of return over its seven-year life of 42% per annum.

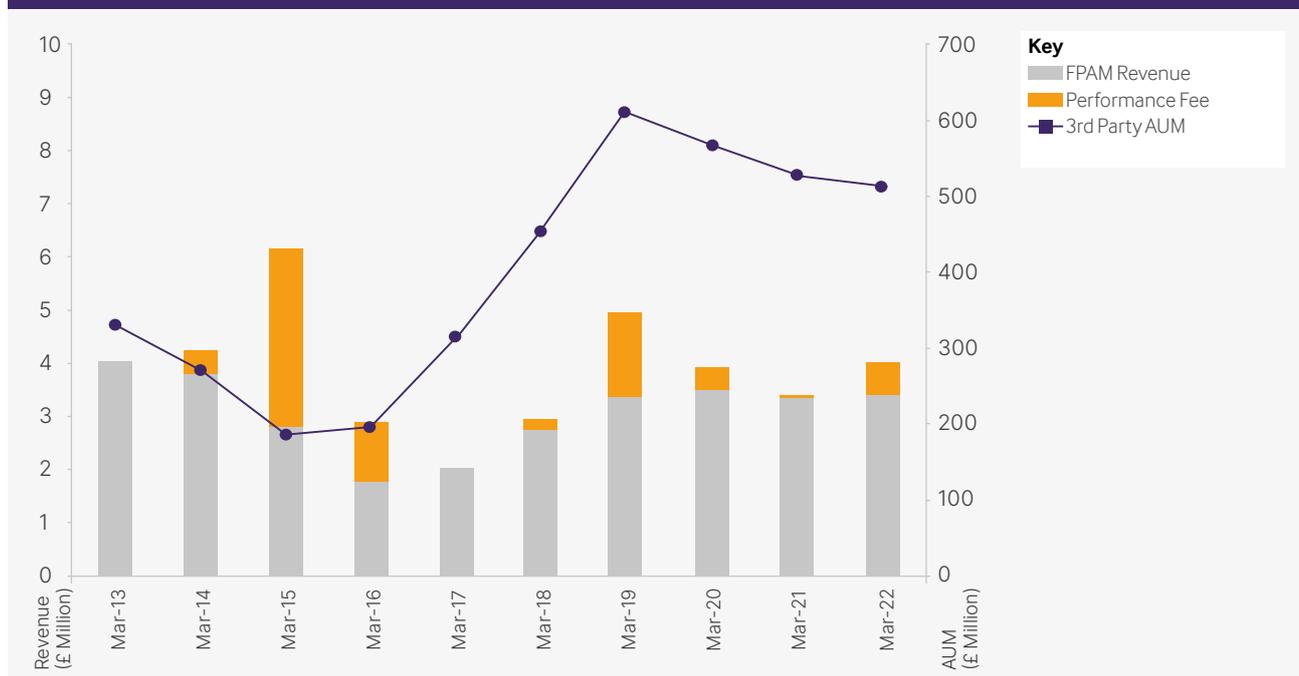
Fund management fees are generally levied monthly by reference to the value of properties. In the case of Fprop Offices LP, the Group is entitled to a share of total profits in lieu of fund management fees and to receive annual payments on account equivalent to 10% of total cumulative income profits and realised capital gains. These payments are adjusted annually, if necessary, for any overpayments made in previous years up to a maximum of total past cumulative payments received.

Revenue earned by this division increased by 19% to £4.04 million (2021: £3.39 million), resulting in profit before unallocated central overheads and tax increasing by 11% to £1.44 million (2021: £1.30 million). The increase was primarily due to an increase in performance fees to £578,000 (2021: £40,000) in the form of profit share earned from Fprop Offices LP.

At the year end fund management fee income, excluding performance fees and the profit share from Fprop Offices LP, was being earned at an annualised rate of £2.66 million (31 March 2021: £2.90 million).

The weighted average unexpired fund management contract term at the year-end was 3 years, 3 months (31 March 2021: 3 years, 11 months).

## SEGMENTAL ANALYSIS: FUND MANAGEMENT REVENUE AND AUM



## RECONCILIATION OF MOVEMENT IN THIRD-PARTY FUNDS UNDER MANAGEMENT DURING FY 2022

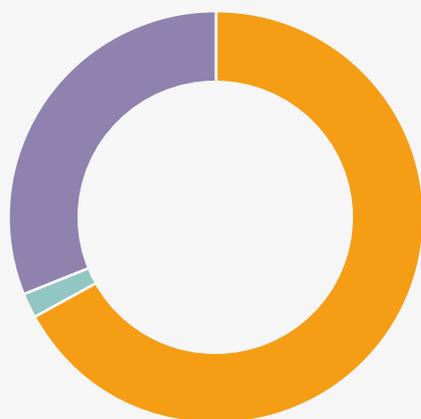
Funds managed for third parties (including funds in which the Group is a minority shareholder)

	UK £m	CEE £m	Total £m	No. of properties
<b>As at 1 April 2021</b>	349.8	177.4	527.2	68
Purchases	10.0	–	10.0	2
Property sales	(32.7)	–	(32.7)	(8)
Capital expenditure	3.3	2.2	5.5	–
Property revaluation	15.1	(7.3)	7.8	–
FX revaluation	–	(1.3)	(1.3)	–
<b>As at 31 March 2022</b>	<b>345.5</b>	<b>171.0</b>	<b>516.5</b>	<b>62</b>

## FUNDS MANAGED BY ASSET CLASS

	UK £m	Poland £m	Romania £m	Total £m	% of Total
Offices	204.2	93.2	8.6	306.0	59.2
Retail warehousing	93.3	–	–	93.3	18.1
Supermarkets	48.0	17.9	–	65.9	12.8
Shopping centres	–	51.3	–	51.3	9.9
Industrial	–	–	–	–	–
<b>Total</b>	<b>345.5</b>	<b>162.4</b>	<b>8.6</b>	<b>516.5</b>	<b>100.0</b>
<b>% of Total Third-Party AUM</b>	<b>66.9%</b>	<b>31.4%</b>	<b>1.7%</b>	<b>100.0%</b>	

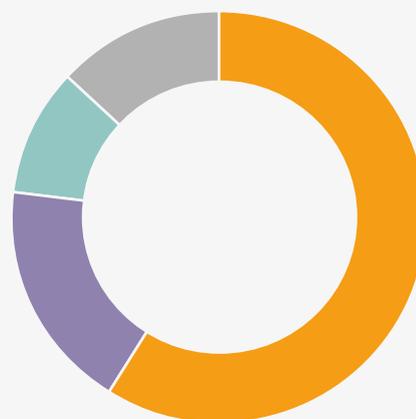
## THIRD-PARTY ASSETS UNDER MANAGEMENT FY 2022



### By Geography

- United Kingdom
- Poland
- Romania

**67%**  
**31%**  
**2%**



### By Sector

- Offices
- Retail warehousing
- Shopping centres
- Supermarkets

**59%**  
**18%**  
**10%**  
**13%**

## PERFORMANCE REVIEW CONTINUED

### Fund Management Division continued

#### THIRD-PARTY FUNDS UNDER MANAGEMENT FY 2022

An overview of the value of assets and maturity of each of the funds is set out below:

Fund	Country of investment	Fund expiry	Assets under management at market value at 31 March 2022 £m	No. of properties	% of total third-party assets under management	Assets under management at market value at 31 March 2021 £m
SAM & DHOW	UK	Rolling	*	*	*	*
5PT	Poland	Dec 2022	7.7	3	1.5	7.7
OFFICES	UK	Jun 2024	136.4	5	26.4	133.5
SIPS	UK	Jan 2025	140.6	24	27.2	134.3
FOP	Poland	Oct 2025	64.5	5	12.5	61.6
FRS	Romania	Jan 2026	**	**	**	**
FGC	Poland	Mar 2026	21.3	1	4.1	21.1
UK PPP	UK	Jan 2027	41.5	12	8.0	64.8
SPEC OPPTS	UK	Jan 2027	17.0	4	3.3	17.2
FKR	Poland	Mar 2027	19.4	1	3.8	20.7
FCL	Romania	Jun 2028	8.5	1	1.7	8.7
FPL	Poland	Jun 2028	49.6	4	9.6	57.6
FUL	UK	Indefinite	10.0	2	1.9	–
<b>Total Third-Party AUM</b>			<b>516.5</b>	<b>62</b>	<b>100.0</b>	<b>527.2</b>

\* Not subject to recent revaluation.

\*\* Fund closed during the year and in the process of being liquidated.



Widewater Place, Denham, UK



Imperial Place, Borehamwood, UK

## PERFORMANCE REVIEW CONTINUED

### Group Properties Division

**Group Properties comprised seven directly owned commercial properties in Poland and Romania valued at £42.24 million (31 March 2021: seven valued at £41.57 million) and interests in eleven of the thirteen funds (classified as Associates and Investments) in which the Group's share is valued at £30.60 million (31 March 2021: £27.47 million).**

The contribution to Group profit before tax and unallocated central overheads from this division was £8.60 million (2021: loss £5.14 million) representing 85.70% of Group profit before unallocated central overheads and tax. The increase was mainly driven by the restructuring of the finance lease secured against our office property in Gdynia, Poland, which resulted in the amount owed reducing by €9.00 million (£7.81 million), as previously described.

#### 1. Directly owned Group Properties (all accounted for under the cost model):

Two of the Group's seven directly owned properties account for 68% by market value (£28.84 million) of their total value. Both are office buildings in Poland of which one is in Warsaw (11,000 m<sup>2</sup>) and the other in Gdynia (13,500 m<sup>2</sup>). The other five properties, representing 32% by market value (£13.40 million), comprise three mini-supermarkets in Poland (one recently developed), an office block in Bucharest and a warehouse in Tureni, Romania.

The seven directly owned properties generated a profit before unallocated central overheads and tax of £7.48 million (31 March 2021: loss of £5.80 million). The increase was almost entirely attributable to the restructuring of the finance lease secured against the office block in Gdynia, as already described. This debt restructuring is the main explanation for the reduction in Group debt by 33% to £23.66 million (31 March 2021: £35.09 million). The loans secured against the seven properties are held in separate non-recourse special purpose vehicles.

Interest costs on the Group's debt amounted to £0.33 million (2021: £0.74 million) in the year. This equates to an average borrowing cost of 1.39% per annum when expressed as a percentage of total outstanding Group debt of £23.66 million, or 2.44% if the deferred consideration of €12.00 million (£10.14 million) in respect of the Group property in Gdynia, on which no interest is payable, is excluded.

Of the Group's interest-bearing loans, the interest rate is fixed on 25% (2021: 27%) and is floating on the balance of 75% (2021: 73%). A one percentage point increase in interest rates would impact the cost of the floating rate loans and would increase the Group's annual interest bill by £0.10 million per annum (2021: £0.31 million). The fixed rate loans expire in 2025 (£2.79 million) and 2029 (£0.62 million).

The average vacancy rate across all seven properties is 35%. If the office property in Gdynia were to be excluded, due to its high level of vacancy, the vacancy rate would reduce to 5%. As announced on 13 May 2022, the property in Gdynia is now 20% let and we expect the new main tenant, the District Court in Gdynia, to attract other tenants to the building.

The weighted average unexpired lease term (WAULT) as at 31 March 2022 was 5 years, 7 months (2021: 4 years, 9 months).

### Group Properties

Division Revenue

**£4.60m** -47%  
(2021: £8.73m)

Directly Owned Group Properties Market Value

**£42.24m** +2%  
(2021: £41.57m)

### Directly owned Group Properties

Two of the Group's seven directly owned properties, Blue Tower in Warsaw and the office building in Gdynia, (pictured below), account for 68% of their aggregate value (£28.84m).



Blue Tower, Warsaw, Poland  
(Fprop 48% share: 11,000 m<sup>2</sup>)



Podolska, Gdynia, Poland  
(13,500 m<sup>2</sup>)

## DIRECTLY OWNED GROUP PROPERTIES AS AT 31 MARCH 2022

Country	Sector	No. of properties as at 31 March 2022	Book value as at 31 March 2022 £m	Market value as at 31 March 2022 £m	No. of properties as at 31 March 2021	Market value as at 31 March 2021 £m	*Contribution to Group profit before tax 31 March 2022 £m	*Contribution to Group profit before tax 31 March 2021 £m
Poland	Offices	2	25.87	28.84	2	29.46	**8.14	(4.59)
Poland	Supermarkets	3	6.42	7.47	3	5.85	***0.20	0.12
Romania	Office and logistics	2	3.92	5.93	2	6.26	0.37	0.32
<b>Total</b>		<b>7</b>	<b>36.21</b>	<b>42.24</b>	<b>7</b>	<b>41.57</b>	<b>8.71</b>	<b>(4.15)</b>

\* Prior to the deduction of direct overhead, holding company and unallocated central overhead expenses.

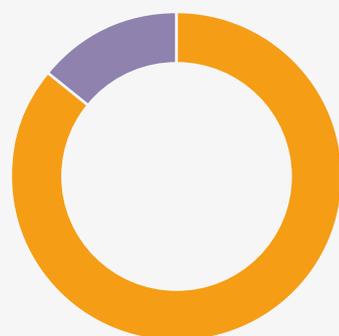
\*\* Includes €9.00 million (£7.81 million) debt reduction following restructuring of the finance lease at Gdynia.

\*\*\* Of which two are let and the third is being redeveloped, scheduled for completion in FY 2023.

## DEBT SECURED AGAINST GROUP'S DIRECTLY OWNED PROPERTIES

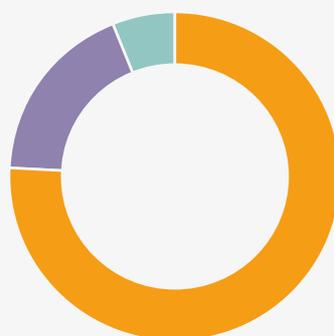
	31 March 2022 £m	31 March 2021 £m
Book value of directly owned properties	36.21	34.95
Market value of directly owned properties	42.24	41.57
Gross debt (all non-recourse to Group)	23.66	35.09
LTV at book value	65.34%	100.41%
LTV at market value	56.01%	84.41%
Weighted average borrowing cost	1.39%	1.60%

## MARKET VALUE OF DIRECTLY OWNED GROUP PROPERTIES



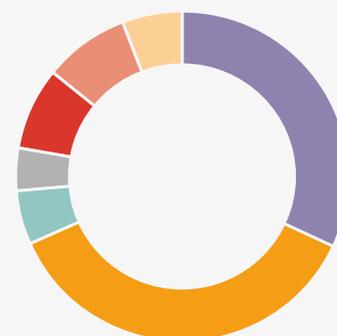
## By Geography

Poland:	86%
Romania:	14%



## By Sector

Office:	76%
Supermarkets:	18%
Industrial:	6%



## By Property

Gdynia, Poland:	32.0%
Blue Tower, Warsaw, Poland:	36.3%
Praga, Poland:	5.5%
Nastroj/Lodz, Poland:	4.1%
Wawer, Poland:	8.0%
Dr Felix, Bucharest, Romania:	8.3%
Tureni, Romania:	5.8%

## PERFORMANCE REVIEW CONTINUED

### Group Properties Division continued

#### Associates and Investments

Division PBT

**£1.12m** +71%  
(2021: £0.66m)

Market Value

**£30.60m** +11%  
(2021: £27.47m)

#### 2. Associates and Investments

These comprise non-controlling interests in eleven of the thirteen funds managed by FPAM and are valued at £30.60 million (31 March 2021: £27.47 million). Of these, seven are accounted for as Associates and held at the lower of cost or fair value (the "cost model"), and four are accounted for as Investments in funds and held at fair value.

The contribution to Group profit before tax and unallocated central overheads from its seven Associates and four Investments increased by 71% to £1.12 million (31 March 2021: £0.66 million) mainly due to an increase in the value of the Group's 44% share in Fprop Opportunities plc (FOP).

Fprop Phoenix Ltd made a loss after tax of which the Group's share amounted to £0.62 million (2021: loss of £0.38 million). This is a turnaround investment which has been impacted by a combination of lockdowns and corresponding working from home, together with a near 50% increase in the supply of office space in Krakow since we first acquired the park out of administration in 2017. We have done much to improve the asset during our ownership: we have resolved legacy legal issues including obtaining clean title over parts which were deficient and upgraded the rental proposition to include first class amenities such as a creche, kindergarten, gym, sports ground, BBQ area and conference centre, amongst other things. However, it is 80% vacant and with a 16% office vacancy rate in Krakow, we expect it will take some time to lease up. We do however expect this investment to generate substantial profits in due course.

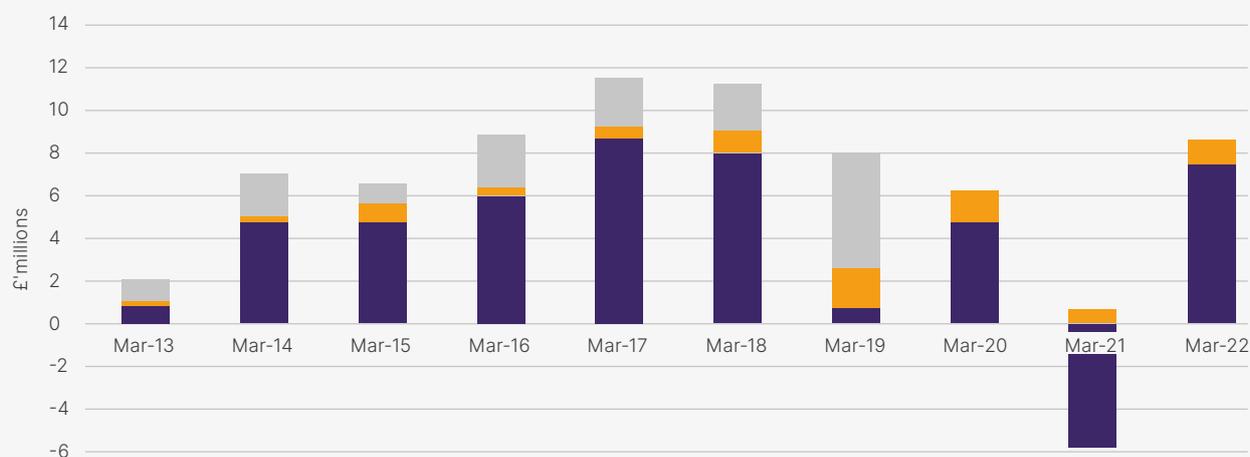


Eximius Park, Poland

## ASSOCIATES AND INVESTMENTS

	% owned by First Property Group %	Book value of Group's share in fund £'000	Current market value of holdings £'000	Group's share of post-tax profits earned by fund 31 March 2022 £'000	Group's share of post-tax profits earned by fund 31 March 2021 £'000
<b>a) Associates</b>					
5PT	40.6	1,344	1,344	97	119
FRS	24.1	–	–	47	50
FOP	43.8	11,983	11,983	1,044	256
FGC	28.2	2,700	2,826	221	179
FKR	18.1	1,580	1,580	(12)	166
FPL	23.4	913	4,619	(617)	(378)
FCL	17.4	615	798	67	78
<b>Sub Total</b>		<b>19,135</b>	<b>23,150</b>	<b>847</b>	<b>470</b>
<b>b) Investments</b>					
UK PPP	0.9	431	431	100	54
FULCRUM	2.5	262	262	–	–
SPEC OPSS	11.1	4,754	4,754	23	34
OFFICES	1.6	1,998	1,998	148	97
<b>Sub Total</b>		<b>7,445</b>	<b>7,445</b>	<b>271</b>	<b>185</b>
<b>Total</b>		<b>26,580</b>	<b>30,595</b>	<b>1,118</b>	<b>655</b>

## GROUP PROPERTY DIVISION CONTRIBUTION TO PROFIT BEFORE TAX (PBT)\*



- Contribution to profit before tax from directly held properties
- Contribution to profit before tax in funds managed by FPAM
- Contribution to profit before tax from Group's share in FOP\*\*

\* PBT is prior to the deduction of unallocated central overheads

\*\* The net assets of FOP were deconsolidated from the Group as at 12 October 2018. The Group's remaining investment in FOP was subsequently accounted for as an associate, with the Group recognising its share of post tax profits.