





## Executive summary

- Credo Polish Properties 1 Limited (“CPP1L”) raised €4,795,587 in its initial equity raise (which closed on the 31st July 2008).
- CPP1L used the equity to acquire a portfolio of properties in Katowice, at a purchase price of Polish Zloty’s (“PLN”) 17.955m (“Initial Portfolio”).
- CPP1L sold its first asset from the Initial Portfolio (Kosciuszki 65), realising a profit after tax of approximately PLN 400k.
- The Polish Zloty has fallen by over 45% against the Euro since 31st July 2008, and this has had a material adverse impact on the current valuation of CPP1L.
- There has been a sharp decline in the volume of property transactions in Katowice over the past few months, and so it is difficult to gauge current market values. Based on this lack of market activity the directors consider it prudent to write-down the value of CPP1L’s assets by 10%.
- The unaudited unit price of CPP1L as at February 2009 is €0.53, compared to a unit price of €1.00 as at 31.7.08. This is based on the currency fall as well as a 10% write-down.
- CPP1L has no debt other than long term shareholder loans and therefore is well placed to wait until the market recovers.
- The strategy is for CPP1L to hold its assets until it is able to implement the intended refurbishment programme. The directors have decided to postpone any property refurbishments until the credit markets have improved.



## Poland economy update

Poland has enjoyed a boom in the past decade, however, demand for the region's exports has recently collapsed and investment with it, while job losses in Poland are rising. There are now concerns over whether Poland (like other Eastern European economies) can service its national debt, which is one of the causes for the recent weakening of the PLN.

## Exchange rate

The fall in the value of the PLN against the Euro has had a material adverse impact on the value of CPP1L.

This currency movement is set out in the graph below, and reflects a 48.8% fall (from PLN 3.22 to PLN 4.79) against the Euro since 31<sup>st</sup> July 2008.





## Poland real estate update

In the past few months Katowice has seen a sharp decline in property investment transactions (similar to the rest of Europe) and it is difficult to gauge where investment property values are at the moment.

In the medium term the directors are confident that the assets held and Huntingdon's expertise should create value for investors.

Credo owns approximately 60% of CPP1L and the property manager, Huntingdon Polska ("Huntingdon") has a 10% interest in the Initial Portfolio, and they both have a strong incentive to deliver good returns for investors.

CPP1L has no bank debt so there is no pressure from bank lenders to prevent the company from implementing its long term strategy; the rationale for the investment in Katowice has not changed.

A recent research publication from Cushman & Wakefield on the Polish Real Estate Market (Spring 2009) reports that "investors recognise the potential of Katowice" for the office space market and that "the relatively low supply results in the very low vacancy rate of approx. 1%. Headline rental rates remain at a stable level of approx. EUR 16 sq.m/month."



## Portfolio update

The Initial Portfolio consisted of four properties in the city centre of Katowice, all with significant value add potential:

- Kosciuszki 65
- Damrota 4 & 2
- Mariacka 21

### **Kosciuszki 65**

Kosciuszki 65 was sold as a back-to-back transaction immediately on acquisition, realising a profit after tax of approximately PLN 400k.

The profit from this transaction has been reinvested into the portfolio since the initial capital raised by CPP1L was not sufficient to complete the purchase of the Initial Portfolio.

### **Damrota (number 2 and 4)**



Damrota street is located in central Katowice. The project involves refurbishing both properties to create a single entity with commercial office space.

Planning consent has been obtained, and local banks have indicated that they will provide finance for this project.

Huntingdon have been trying to pre-let space and have already had some success.

### **Mariacka 21**



This street is also centrally located and is within the area covered by the City Centre renewal project; the street has recently been pedestrianised. The strategy is to create a high standard retail and office/residential space.



## Strategy

The directors have decided to postpone the commencement of the refurbishment programme on the properties at Damrota and Mariacka until the credit markets have improved. Until this point, the strategy is to hold the properties and for Huntingdon to continue to manage them.

## Important Notice

This report is directed at those clients who currently hold shares in Credo Polish Properties 1 Limited and has been prepared on the basis of available information.

This report is provided for information purposes only and should not be construed as an offer of, or as a solicitation of an offer to purchase shares in Credo Polish Properties 1 Limited. An investment in Credo Polish Properties 1 Limited may not be suitable for all readers, please consult a professional advisor if you have any doubts as to the suitability of the investment.

Past performance is not a guide to future performance. The value of investments may go up or down, returns are not guaranteed and you may not get back the original amount invested. The value of the investments may rise or fall due to changes in tax rates and/or the rates of exchange in which the investments are determined if it is different from the investor's own currency.

Whilst Credo has made all reasonable efforts to ensure the accuracy of the information provided, it makes no representation or warranty, express or implied, as to the accuracy or completeness of the information, opinions or forecasts contained herein and expressly disclaims any and all liability relating to or resulting from the use of such information. In particular, no representation or warranty is given as to the achievement or reasonableness of any future projections, estimates or statements about future prospects of any investment opportunity described herein.

Investors should be aware that the shares in Credo Polish Properties 1 Limited are relatively illiquid and it may accordingly be difficult to sell the shares at a reasonable price and, in some circumstances, it may be difficult to sell the shares at any price. The value of property is generally a matter of the valuer's opinion and not fact.

A company in the Credo Group of companies has equity in Credo Polish Properties 1 Limited's shares. In addition, directors, members, employees and members of their families of Credo (or companies in the Credo Group) may have positions in Credo Polish Properties 1 Limited's shares. As a result, Investors should be aware that Credo may have a conflict of interest that could affect the objectivity, independence and impartiality of this report. Investors should only consider this report as a single factor in making their investment decision.

Our policy on managing actual or potential conflicts of interest can be found at [www.credogroup.com](http://www.credogroup.com).

## London

83 Pall Mall London | SW1Y 5ES | United Kingdom  
Tel +44 (0)20 7968 8300  
Fax +44 (0)20 7968 8301

[credolondon@credogroup.com](mailto:credolondon@credogroup.com)

## Geneva

15, Boulevard Helvetique | CH-1207 | Switzerland  
Tel + 41 (0)22 718 7200  
Fax +41 (0)22 718 7201

[credogeneva@credogroup.com](mailto:credogeneva@credogroup.com)

## Johannesburg

Wierda Mews, Block B | 41 Wierda Road West | 2196 | South Africa  
Tel +27 (0)11 883 3222  
Fax +27 (0)11 883 9905

[credojohannesburg@credogroup.com](mailto:credojohannesburg@credogroup.com)

## BVI

Geneva Place | 333, Waterfront Drive | Road Town, Tortola | British Virgin Islands  
Tel +1 (0)284 494 4388  
Fax +1 (0)284 494 3088

[credobvi@credogroup.com](mailto:credobvi@credogroup.com)

## Bermuda

Century House | 16 Par-la-Ville Road | P.O. Box HM 1806 | Hamilton | HM HX  
Tel +1 441 292 7478  
Fax +1 441 295 4164

[credobermuda@credogroup.com](mailto:credobermuda@credogroup.com)

[www.credogroup.com](http://www.credogroup.com)

