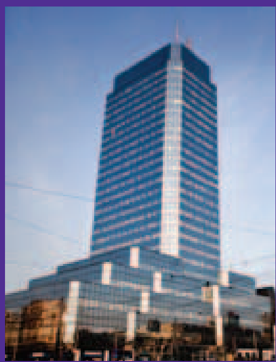
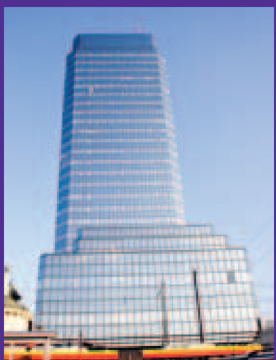
Fprop plc

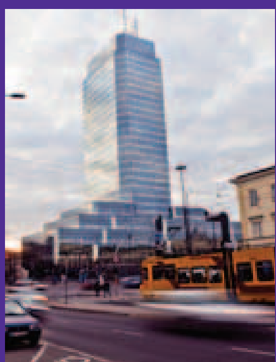
First Property Group plc



Annual Report &
Financial Statements
Year ended
31 March

2012



Property Fund Management

First Property Group plc

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

Contents

IPD Funds Measured Gold Level

Commenting on the results, Ben Habib, Chief Executive of First Property Group, said:

"It has now been over four years since the credit crunch began. Throughout this period First Property Group's client funds have delivered positive overall returns to their investors and the Company has remained profitable at all times, having increased its dividend payment every year since 2008. Our funds have, once again, been ranked as the best performing versus the IPD Central & Eastern European universe, now for the six year period to December 2011. We are proud of this track record, which results from judicious investing and the hard work of our excellent team.

The investment landscape remains difficult with eurozone problems overhanging all capital markets. However, within Europe, Poland still stands out as one of, if not the best investment markets. Our intention remains to concentrate on Poland and the UK, where we see good value and we have considerable expertise in delivering attractive returns to investors."

* Front cover images are of Blue Tower, Warsaw, Poland (one of two properties held directly by the Group)

Financial highlights

PROFIT BEFORE TAX (continuing operations)

£3.97m +35%

NET ASSETS

£17.36m +5%

Diluted earnings per share (continuing operations) **2.73p**

Total dividend 1.08p

PROFIT BEFORE TAX FROM PROPERTY FUND MANAGEMENT (FPAM)

£3.07m +12%

PROFIT BEFORE TAX FROM GROUP PROPERTIES

£2.54m +105%

ASSETS UNDER MANAGEMENT

£365m

Operational highlights

Although headline assets under management remained broadly unchanged year on year, there was underlying movement in funds with assets in the UK increasing to 27% of total assets under management whilst a weakening Euro versus Sterling resulted in a 6% reduction in assets in Poland to 70% of total assets under management;

Material increased contribution to earnings from Group Properties, resulting from a full year's contribution from properties acquired by Fprop Opportunities plc (FOP) in 2010;

UK PPP fund, established in February 2010, 90% invested with £93.5 million under management at year end;

In receipt of expressions of interest to invest in a new UK fund to pursue the same higher yielding investment strategy as UK PPP;

Funds under management once again rated by Investment Property Databank (IPD) as the best performing versus the IPD Central & Eastern European (CEE) universe, now for the six years to 31 December 2011.

The business model of First Property Group 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;
- earn a return on its own capital invested in these funds.

Our Investment Philosophy is predicated on:

- The pursuit of sustainable income as a priority.
- The recognition that property investment is comparatively illiquid. This illiquidity can only be compensated with any degree of certainty by rental income – achieving liquidity through income. In any case, over the long term it is income and not capital value movements which largely determine total returns (source = IPD).
- The pursuit of capital preservation before the pursuit of high returns. Over the long term, capital is more likely to be protected if investments yield a high income because income cushions possible capital value reductions.
- A fundamental approach to investing (as opposed to sentiment/momentum investing). Consensus may chase a particular investment theme but it does not justify the theme.
- Flexibility in the light of market changes.
- An active approach to asset management (where possible), in order to drive income and in turn boost capital values by hands-on property management, relying as much as is possible on internal resources.
- Remaining flexible and thinking from first principles.

Objectives, Strategy, Key Performance Indicators (KPI's) and Principal Risks

Objective 1	Objective 2	Objective 3
Maintain and improve the Group's good investment performance of its funds under-management	Increase the Group's sustainable earnings	Increase the intellectual goodwill of the Group
Strategy	**Strategy**	**Strategy**
Continue to monitor our chosen markets, to be judicious in our buying decisions, to closely monitor and manage the Group's portfolio of properties.	Grow assets under management, perform well and earn performance fees, increase the earnings derived from the Group's co-investment in funds and from the two direct investments made.	Retain and expand the Group's team of best in class professionals.
Principal risks	**Principal risks**	**Principal risks**
Sudden adverse changes in our chosen markets.	A failure to raise new funds or replace existing funds as they reach their term and adverse sudden changes in our chosen markets.	A failure to create an attractive working environment.
KPI's	**KPI's**	**KPI's**
The absolute returns earned for the Group's clients and the relative performance of the funds managed, as assessed by independent trade bodies (such as Investment Property Databank [IPD]).	The value of the Group's assets under management, the number of funds managed by the Group and the Group's investment track record.	The investment performance of the Group, the breadth of funds managed by the Group and the Group's profitability.

Markets

“The combined effect of a strong economy, rising rents and investor demand makes Poland an attractive jurisdiction in which to invest…”

Fund raising outlook

The fund raising market remains challenging. However, the two funds we have been marketing, our new UK fund and FOP, have both been well received by potential investors.

We are in the process of determining a suitable fund structure for our new UK fund and intend to firm up demand for it once this structure is in place.

We are also in receipt of expressions of interest to invest in FOP on an asset by asset basis. The eurozone troubles last and this year have made us particularly cautious at the moment but we are exploring some interesting investments. If we should proceed with these, we would be confident in raising the required funding. In any event, FOP is currently only half invested.

As mentioned at the time of our interim results, we are considering launching a retail bond in order to assist the Group with seeding new funds under management. We intend to conduct a feasibility study for such a bond shortly.

I am delighted to report that we have appointed Laure Duhot as a non-executive director of First Property Asset Management Ltd, in order to benefit from her experience in fund raising for real estate. Laure is Director of Strategic Capital Markets at Grainger plc and until recently was Head of Equity Raising for Pradera and sat on its executive board.

Commercial property markets outlook

The sovereign debt crisis in the eurozone continues to weigh heavily on the capital markets across Europe and in the UK. In view of the collective failure of eurozone governments to act decisively, we expect this situation to continue for some time to come.

Poland:

The Polish Zloty (PLN) has weakened against the Euro since the middle of last year, from a level of circa PLN 4/ €1 to PLN 4.30/ €1. This increases pressure on tenants who typically pay their rent in Euros. We have not yet experienced any such stress in our portfolios and, as shareholders may recall, our portfolios stood the test of a weakening PLN in 2009 very well, when it reached a low of PLN 4.95/ €1. At its current level we do not therefore think the PLN is likely to adversely impact property values.

Poland’s GDP growth in 2011 was 4.3%. This rate of growth is expected to slow this year to 3% (source: IMF) but such a rate would still leave Poland at close to, if not at, the top of all EU member countries. Interest rates are likely to remain low for some time. This factor, coupled with Poland’s faster rate of economic growth and the higher yields available in its investment property market, should result in Polish commercial property continuing to deliver attractive rates of return.

United Kingdom:

The outlook for the UK economy is poor.

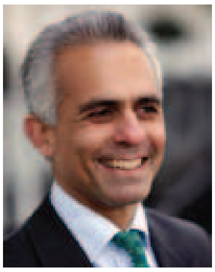
The UK’s GDP contracted by 0.3% in both the last quarter of 2011 and the first quarter of 2012, putting the country back into recession. Property values declined by 0.7% in the first quarter of 2012 (according to IPD) and we expect the tone of the market to remain weak. We do not, however, expect a collapse in prices.

The UK economy re-entering recession is of little consequence to our UK investment strategy which has been predicated on a protracted recessionary environment. We have been typically acquiring well located regional retail warehouses with a strong emphasis on discount retailers, good covenants and long leases. We particularly favour properties which have been recently let and where rents have been set at a low level. This emphasis will continue.

Contrary to most investor interest, we are wary of investing in central London because generally values are too high and yields too low to make it attractive. We can, relatively safely, earn yields of one and a half to twice those available on London property by investing in the regions, where property values have not recovered in the way that they have in London.

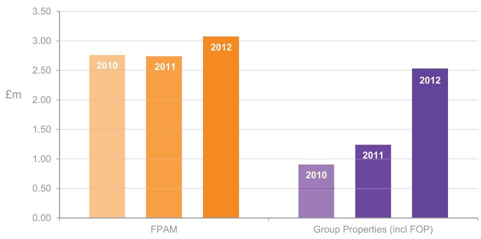
Chief Executive's Statement

"I am pleased to report final results for the twelve months ended 31 March 2012."



Ben Habib
Group Chief Executive

Earnings Breakdown



Dividend History

Financial results

Revenue earned by the Group increased by 31% to £9.34 million (2011: £7.11 million) yielding a 35% increase in profit before tax of £3.97 million (2011: £2.95 million). Diluted earnings per share grew by 44% to 2.73 pence (2011: 1.90 pence).

The Group ended the period with net assets of £17.36 million (2011: £16.57 million) and a cash balance of £9.98 million (2011: £5.44 million), of which £4.76 million (2011: £1.9 million) is held within Fprop Opportunities plc, (84.1% owned by the Group) and £669,000 (2011: £545,000) is held within Corp SA (68.3% owned by the Group), the property management company for Blue Tower in Warsaw.

Dividend

The Directors have resolved to recommend an increased final dividend of 0.75 pence (2011: 0.74 pence), which together with the interim dividend of 0.33 pence (2011: 0.32 pence) equates to a dividend for the year of 1.08 pence (2011: 1.06 pence). The final dividend, if approved, will be paid on 21 September 2012 to shareholders on the register at 24 August 2012.

Review of operations

Property Fund Management (First Property Asset Management Ltd or FPAM)

At 31 March 2012 aggregate assets under management remained broadly unchanged year on year at £365 million (2011: £366 million). The lack of movement in this headline figure masks the underlying movement in funds. Assets under management in the UK increased to 27% (2011: 22%) of total assets under management, whilst a weakening of Euro versus Sterling resulted in a 6% reduction in assets under management in Poland to 70% (2011: 75%) of total assets under management.

We completed six purchases in the period, all in the UK, with a total value of £20.3 million and no sales.

Revenue earned by this division grew by 9% to £4.34 million (2011: £3.97 million), generating a 12% increase in profit before tax of £3.07 million (2011: £2.74 million). This represents 55% of Group profit before tax and unallocated central overheads. Earnings increased even though assets under management remained unchanged from March 2011 principally because:

- we had the benefit of a full year's worth of fees on assets acquired on behalf of our UK fund, UK PPP, in 2010/11; and
- the €/ £ rate was at an average of €1.16/ £1 during the year whereas at the year end the €/ £ exchange rate was €1.20/ £1. For the majority of the first half of the year assets under management averaged £370 million.

A substantial proportion of our income is earned in Euros and should the €/ £ rate remain at current levels, or weaken, our earnings in Sterling would be adversely affected. It is too early to judge the effect of this, if any, on Group earnings in the current year.

Apr 2012
Performance data for 2011 released by IPD; FPAM retained its No.1 ranking versus IPD CEE universe, now over the six years to 31 December 2011.

May 2011
Performance data for 2010 released by IPD; FPAM retained its No.1 ranking versus IPD CEE universe, now over the five years to 31 December 2010.

Mar 2011
Disposal of Group's 60% shareholding in First Property Services Ltd.

Oct 2010
Ninth fund established with £7 million of Group cash, augmented by £1.28 million from staff, family and friends - Fprop Opportunities plc (FOP) - to invest in high yielding commercial property in Europe & UK, focused on Poland.

Apr 2010
Performance data for 2009 released by IPD; FPAM retained its No.1 ranking versus IPD CEE universe, now over the four years to 31 December 2009.

Apr 2010
Disposal of Commercial Property Database Ltd and CPD Ltd for a nominal consideration.

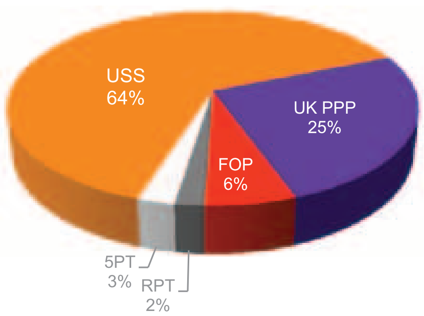
Feb 2010
Eighth fund established with cash commitments of £105 million from 3 pension fund clients of Stamford Associates Ltd, the international investment consultancy, plus a £1 million co-investment by the Group FPG, to invest in UK commercial property.

We currently manage six closed ended funds. A brief synopsis of the value of assets and maturity of each of these funds is set out below:

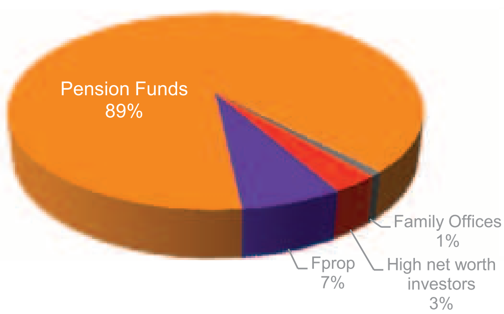
Fund	Established	Fund life	Assets under management	% of total assets under management
SAM Property Company Ltd (SAM)	August 2004	Rolling	Not subject to recent revaluation	Not subject to recent revaluation
Regional Property Trading Ltd (RPT)	August 2004	5 years to August 2009, extended to August 2012	£7.0m	1.9%
5th Property Trading Ltd (5PT)	December 2004	7 years to December 2011, extended to December 2014	£9.2m	2.5%
USS Fprop Managed Property Portfolio LP	August 2005	10 years to August 2015	£233.1m	63.9%
UK Pension Property Portfolio LP (UK PPP LP)	February 2010	7 years to February 2017	£93.5m	25.6%
Fprop Opportunities plc (FOP)	October 2010	10 years to October 2020	£22.2m	6.1%
Total			**£365.0m**	**100%**

AUM Breakdown

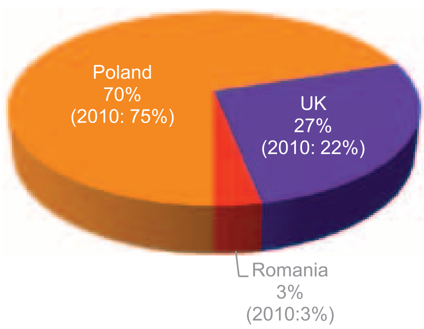
By fund:



By investor category:



By geography:



In the UK, the core income fund (UK PPP) which we established in February 2010 is generating an un-geared dividend yield of 6.3% per annum for its investors and is nearly fully invested. We are now raising a new UK fund to replicate this investment strategy and have held preliminary discussions with a number of potential investors from whom we have received favourable responses. We hope to report on this further during the course of the year.

Our funds under management have once again been ranked by Investment Property Databank (IPD) as the best performing against the Central & Eastern European universe, now for the six years to December 2011. All four of our funds invested there have come through the credit crunch well and are generating an average pre-tax income return on equity in excess of 20% per annum.

Fprop Opportunities plc (FOP) has some £4.8 million of equity at its disposal for further purchases. It also has access to significant but unspecified amounts of additional equity from institutional investors which have expressed an interest in joint venturing the purchase of properties with FOP. We remain cautious, as ever, particularly in view of the troubles in the eurozone but we are continually evaluating potential investments. We are confident that as and when we identify suitable investment opportunities we will be able to raise the requisite equity capital to acquire them.

Group Properties

Group Properties comprise two directly held properties and shareholdings in four of the Group's six managed funds (as set out in the tables below). It is the Group's policy to carry its investments at the lower of cost or valuation for accounting purposes.

Apr 2009	Dec 2008	Nov 2007	May 2007	May 2007	Feb 2006
Performance data submitted to IPD for analysis; FPAM funds under management ranked No.1 versus IPD CEE universe over the three years to 31 December 2008.	Purchase by the Group of 28% of Blue Tower, a Class B office building in Warsaw's Central Business District (CBD), followed in November 2009 with the purchase of a controlling interest in the management company which controls the building.	Purchase by the Group of a Class C office building on Bacha Street, Mokotow, Warsaw	Seventh fund augmented by a further £50 million of equity from Universities Superannuation Scheme (USS), bringing the mandate up to £100 million of equity, with gearing permitted at up to 4x. Fund still running and earning a return on equity invested >20% per annum (as at 31 Mar 2012).	Authorised & Regulated by Financial Services Authority.	Acquired 60% stake in First Property Services Limited, an electrical and mechanical (M&E) contractor.

Chief Executive's Statement (continued)

Directly held properties:

	Purchase date	Book cost	Bank loan	Valuation at 31 March 2012	Net rent	Contribution to pre-tax profit during the year
Bacha St, Mokotow, Warsaw	Nov 2007	PLN 11.7m (£2.4m)	Nil	PLN 11.8m (£2.4m)	£344,000	£243,000
Blue Tower, Central Business District, Warsaw	Dec 2008	US$ 12.9m (£8.3m)	US$ 10.6m (£6.6m)	US$19.7 m (£12.3 m)	£1,292,000	£831,000
Total		**£10.7m**	**£6.6m**	**£14.7 m (Net: £8.1 m)**	**£1.64 m**	**£1.07m**

The pre-tax profit generated by these two properties during the period represents a rate of return on the equity invested of some 10.1% and 48.9% per annum respectively; both are multi-let office buildings located in Warsaw.

Co-investments:

FUND	% owned by First Property Group	Book value of First Property's share in fund	Current market value of holdings	Group's share of pre-tax profit earned by fund
Interest in associates				
5th Property Trading Ltd (5PT)	37.8%	£594,000	£1,165,000	£141,000
Regional Property Trading Ltd (RPT)	28.6%	£213,000	£239,000	£41,000
Share of results in associates				**£182,000**
Investments				
UK Pension Property Portfolio LP (UK PPP LP)	0.9%	£903,000	£906,000	*£63,000
Consolidated undertaking				
Fprop Opportunities plc (FOP)	84.1%	£6.6 m	£8.5 m	**£1.03 m
Total		**£8.3 m**	**£10.8 m**	**£1.3 m**

*represents dividend received

**after non-controlling interest

The results of FOP, of which 84.1% is owned by the Group, are consolidated in these accounts. FOP's revenue and profit before tax for the year to 31 March 2012 amounted to £2.33 million (2011: £907,000) and £1.22 million (2011: £256,000) respectively, whereas the Group's 84.1% share of these amounted to £1.96 million (2011: £763,000) and £1.03 million (2011: £215,000) respectively. The substantial increase in revenue and profit contribution from FOP results from the company having held its two investments for a full year.

The profit before tax earned by FOP equates to a pre-tax return on equity of 15% per annum, even though FOP has only invested half its capital.

Our shareholdings in our two other Polish funds, 5th Property Trading and Regional Property Trading, contributed £182,000 (2011: £221,000) to the Group's profit before tax. We do not have a controlling interest in these funds and they are accounted for as "shares in associates".

Our co-investment in UK PPP contributed £63,000 (2011: £14,000) of dividend income to the Group and is accounted for as a separate line item in our Income Statement.

Current trading and prospects

It has now been over four years since the credit crunch began. Throughout this period First Property Group's client funds have delivered positive overall returns to their investors and the Company has remained profitable at all times, having increased its dividend payment every year since 2008. Our funds have, once again, been ranked as the best performing versus the IPD Central & Eastern European universe, now for the six year period to December 2011. We are proud of this track record, which results from judicious investing and the hard work of our excellent team.

The investment landscape remains difficult with eurozone problems overhanging all capital markets. However, within Europe, Poland still stands out as one of, if not the best investment markets. Our intention remains to concentrate on Poland and the UK, where we see good value and we have considerable expertise in delivering attractive returns to investors.

Ben Habib
Chief Executive

11 June 2012

Aug 2005	Jun 2005	Dec 2004	Aug 2004	Aug 2004	Jul 2004	Oct 2003
Seventh fund established with £50 million of equity from Universities Superannuation Scheme (USS) to invest in commercial property in the United Kingdom and Central Europe.	First Property Poland Sp. z o.o. (FPP) established, following the Group's decision to largely exit the UK market due to the disappearance of the yield gap between the cost of debt finance and commercial property yields.	Sixth fund (5th Property Trading Ltd) established with £3.25 million of equity to invest in UK commercial property, subsequently amended in September 2005 to include Poland.	Fifth fund (Regional Property Trading Ltd) established with £925,000 of equity to invest in UK commercial property, subsequently amended in September 2005 to include Poland.	Fourth fund (SAM Property Company Ltd) established on behalf of a client of Coutts & Co to invest in UK commercial property. This fund is not re-valued annually and FPAM does not have full discretion over its management.	Issue of 18,125,000 new shares at 16p, raising approximately £2.9 million (before expenses) of cash for expansion, representing approximately 19.5% of the Company's issued share capital prior to the placing.	Third fund (Third Property Trading Ltd) established with £1.89 million of equity to invest in UK commercial property. Dissolved in January 2008 and money returned to shareholders having earned a net IRR of 24% per annum.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2012.

Principal activities and review of the business

The principal activity of the Group is the provision of fund management services to the property industry.

The consolidated income statement is set out on page 14.

Review of the business

This business review is contained in both the Chief Executive's Statement on pages 6 to 8 and the Directors' report, including comments on the position of the Group at the end of the financial period. The Key Performance Indicators and Principal Risks and Uncertainties laid out on page 4 also form part of this review.

Results and Dividends

The Group made a total profit before taxation of £3.97 million (2011: £2.81 million, inclusive of discontinued operations). The retained profit was £2.02 million (2011: £1.06 million) after dividend payments, non-controlling interest and sale of treasury shares, and will be retained by the Group. The Directors recommend the payment of a dividend of 0.75 pence per share (2011: 0.74 pence) payable on 21 September 2012 to shareholders on the register at 24 August 2012, making a total for the year of 1.08 pence (2011:1.06 pence).

Group profit before tax and non-controlling interest for continuing operations for the year ended 31 March 2012 increased by 35% from £2.95 million to £3.97 million. Diluted earnings per share increased to 2.73 pence from 1.90 pence on the same basis.

The Group held cash of £9.98 million at 31 March 2012 (2011: £5.44 million) and borrowings of £24.92 million (2011: £23.45 million). Net assets increased to £17.36 million (2011: £16.57 million).

Employees

First Property Group employed 39 staff in total at 31 March 2012 (2011: 40); of these 27 employees were based in Poland providing essential service support to the various properties located in this area. The Group's policy is to consult and discuss with employees, through regular meetings with subsidiary company management, matters likely to affect employees' interests.

Compliance and regulations

First Property Group has one subsidiary, First Property Asset Management Ltd, which is authorised and regulated by the Financial Services Authority (FSA). First Property Asset Management is a provider of property fund management services to various property funds.

Corporate governance

The Group is subject to the Corporate Governance code applicable for AIM listed companies.

There are separate Audit and Remuneration Committees comprising the two Non-executive Directors.

Key performance indicators

There are four main key performance indicators for the Group, all of which are financial:

- Funds under management;
- Group turnover;
- Operating profit; and
- Earnings per share.

These key performance indicators and the segmental performance on revenue, overheads and operating margins are reviewed in the Chief Executive's Statement.

Risk identification and management

The identification, control and monitoring of risks facing the business remain management priorities and steps continue to be taken to improve further our risk management procedures.

Economic risk

There are four main economic risks that could affect the Group's performance:

- A major slowdown in the economies of the UK and Poland;
- A major weakening in the Euro and Polish Zloty;
- An extended period of interest rate tightening in the EU; and
- A slump in UK and Polish commercial property values.

The Group has, where possible, implemented actions to mitigate some of the effects of these risks. A detailed review of the Group's performance, financial results, future development and prospects is contained within the Chief Executive's Statement.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in interest rate risk, liquidity risk, debt market prices, and foreign exchange risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company and these are outlined in Note 27 to the accounts.

Share capital

On 5 April 2011 the Company issued 100,000 new ordinary shares following the exercise of 100,000 share options at 7.00 pence per ordinary share. On 18 April 2011 the Company issued 80,000 of its own ordinary shares following the exercise of 80,000 share options at 14.75 pence per ordinary share. On 20 April 2011 the Company issued 70,000 of its own ordinary shares following the exercise of 70,000 share options at 14.75 pence per ordinary share. Details of share options outstanding are set out in Note 24 on page 40.

On 25 August 2011 the Company sold 23,310 of its own ordinary shares held in treasury at a price of 21.45 pence per ordinary share, thereby reducing the number of shares held in treasury to 3,781,304. On 30 January 2012 the Company sold 28,769 of its own ordinary shares held in treasury at a price of 17.38 pence per ordinary share, thereby reducing the number of shares held in treasury to 3,752,535. The profit on both these sales of shares, of £1,000, has been credited to the share premium account. The number of voting shares in issue at 31 March 2012, following the treasury transaction, is 111,098,580 ordinary shares.

Directors' Report (continued)

Directors and their interests

The Directors are listed below:

The beneficial interests of the Directors in the share capital of the Company at 1 April 2011, 31 March 2012 and 9 July 2012, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act, were as follows:

	Ordinary shares of 1 pence			Option over ordinary shares of 1 pence		
	9/7/2012	31/3/2012	1/4/2011	9/7/2012	31/3/2012	1/4/2011
A J D Locke	8,571,990	8,571,990	8,571,990	–	–	–
P Moon	228,053	228,053	175,974	–	–	–
B N Habib	16,700,000	16,700,000	16,700,000	1,250,000	1,250,000	1,250,000
G R W Digby	150,000	150,000	150,000	1,500,000	1,500,000	1,500,000

1,250,000 share options were granted on 19 July 2004 as Unapproved Share Options at an exercise price of 16.5 pence per ordinary share. These share options have an expiry date of 18 July 2014.

The remaining 1,500,000 share options were granted on 16 June 2006 at an exercise price of 15.75 pence per ordinary share; of these 634,920 share options were granted under the Enterprise Management Incentive arrangements and 865,080 share options were granted as Unapproved Share Options. These share options have an expiry date of 15 June 2016.

The market price of the Company's ordinary shares at the end of the financial year was 16.88 pence and the range of market prices during the year was between 15.5 pence and 24.5 pence.

Non-current assets

Details of intangible and tangible non-current assets and capital expenditure are shown in Notes 15 and 16 of the financial statements on pages 34 and 35.

Differences between the market and book value of interests in land held as non-current assets is contained in the Chief Executive's report on page 8.

Substantial shareholdings

At 9 July 2012 the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules Sourcebook published by the Financial Services Authority that the following persons had substantial interests in the voting rights of the Company.

	Number of ordinary 1 pence shares*	Percentage of issued ordinary 1 pence shares held %
B N Habib	16,700,000	14.54%
J C Kottler	15,006,783	13.07%
Universities Superannuation Scheme Ltd	9,550,000	8.32%
A J D Locke	8,571,990	7.46%
NFU Mutual Insurance Society	3,750,000	3.27%

* Number of ordinary shares in respect of which voting rights held.

Creditor payment policy

The Group's current policy is to settle its liabilities to creditors within agreed credit periods whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. The Group does not have a universal standard or code which deals specifically with the payment of suppliers.

The Company's average creditor period at 31 March 2012 was 35 days (2011: 40 days).

Health and safety at work

The well-being of the employees is given the highest priority throughout the Group and it is the Group's policy not only to comply with Health & Safety measures, as required by law, but to act positively to prevent injury and ill health, and damage to the environment arising from its operations.

Annual general meeting

The notice convening the Annual General Meeting to be held on Friday 14 September 2012, which can be found on pages 48 to 49, contains details of special resolutions empowering the Directors to:

1. Allot relevant securities for cash up to a maximum nominal amount of £370,291, representing 33.33% of the issued ordinary share capital of the Company, less the number of ordinary shares held in Treasury.

Given the growth stage of the Company and the Group, the resolution being proposed is a means of ensuring that the Directors have the ability to take advantage of opportunities becoming available, rapidly and without undue transaction costs.

2. Purchase of up to 10% of its own issued ordinary shares of 1 pence each.

The Directors now propose that the Company be authorised to purchase a maximum of 11,109,858 ordinary shares of 1 pence each (representing 10% of the Company's issued ordinary share capital as at 9 July 2012) within the limits described in Resolution 8 contained in the notice of the Annual General Meeting. It is intended that purchases will only be made on The London Stock Exchange. This should not be taken to imply that ordinary shares will be purchased. The Directors will only exercise the authority to purchase the Company's own ordinary shares if to do so would result in an increase in earnings per share and is in the best interests of its shareholders generally.

The effect of such purchases would either be to cancel the number of ordinary shares in issue (and the Directors would accordingly only make such purchases after considering the effect on earnings per share and the benefit for longer term shareholders), or the Directors may elect to hold them in treasury pursuant to The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations").

Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under a company's employees' share scheme. Once held in treasury, a company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Furthermore, no dividend or other distribution of a company's assets may be made to the company in respect of the treasury shares.

Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit and loss of the Group for that period having regard to the commercial substance of transactions.

The Directors confirm that suitable accounting policies have been used and applied consistently, except as discussed on pages 20 and 24 in order to adopt new accounting standards, and that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 March 2012. The Directors also confirm that applicable accounting standards have been followed, that the financial statements have been prepared on a going concern basis and that the integrity of the Group's websites has been maintained.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the Company's financial position and enable them to ensure compliance with the Companies Act 2006, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Information published on the Internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements. UK legislation governing the preparation and dissemination of financial segments may therefore differ from that in other jurisdictions.

Statement of disclosure to the Auditor

After due enquiry the Board hereby confirms that each Director has taken the steps they ought to have taken as a Director to acquaint themselves with any relevant audit information and that all such information has been communicated to the auditors. So far each Director is aware, there is no information, which would be needed by the Company's auditors in connection with preparing their audit report, of which the auditors are not aware.

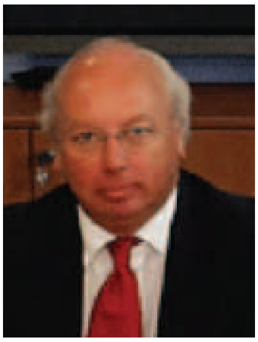
By order of the board

George R W Digby
Company Secretary

20 July 2012

The Board

for the year ended 31 March 2012



Alasdair Locke, MA (Oxon)

Non-Executive Chairman

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.

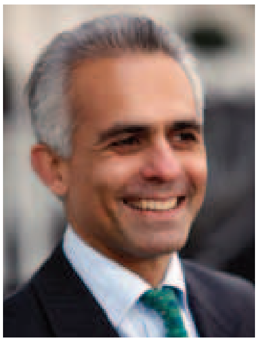
Alasdair is also Chairman of Argenta Holdings plc, an unlisted holding company which trades in Lloyds of London.

Peter Moon, BSc (Econ)

Independent Non Executive Director

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 and Arden Partners plc (Independent NED).

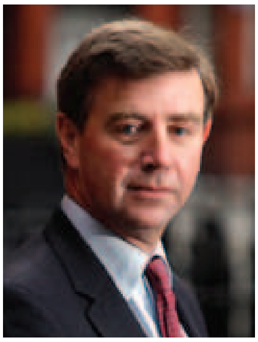


Ben Habib, MA (Cantab)

Group Chief Executive

Ben founded First Property Group plc in 2000. He is responsible for all aspects of the operations of the Group 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 establishing the Group, 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.



George Digby, ACA BA (Hons)

Chief Financial Officer and Company Secretary

George joined First Property Group in 2003 and has overseen the expansion of the fund management division during this period, including the development of operations in Poland, involving in total 34 separate companies to date. Prior to joining the Group, George spent 10 years as Finance Director 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 an accounting consultancy for five years. Aged 56 George brings broad financial experience to the Group. He is a member of the Institute of Chartered Accountants in England and Wales.

Independent Auditor's Report to the Members of First Property Group plc

We have audited the financial statements of First Property Group plc for the year ended 31 March 2012 which comprise the Group and parent Company Balance Sheet, the Group Income Statement, the Group Statement of Other Comprehensive Income, the Group and the parent Company Cash Flow Statements, the Group and parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provision of the Companies Act 2006.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Garrett BA FCA

For and on behalf of
HW, Chartered Accountants
Chartered Accountants and Statutory Auditors
Oxford

23 July 2012

Consolidated Income Statement

for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 Total results £'000	Year ended 31 March 2011 Total results £'000
Continuing operations			
Revenue	3	**9,342**	7,110
Cost of sales		**(1,308)**	(1,050)
Gross profit		**8,034**	6,060
Operating expenses		**(3,604)**	(2,852)
Operating profit		**4,430**	3,208
Share of results in associates		**182**	221
Dividend income		**63**	14
Interest income	6	**131**	109
Interest expenses	6	**(837)**	(602)
Profit on ordinary activities before taxation	3	**3,969**	2,950
Tax expense	10	**(527)**	(621)
Profit for the year from continuing operations		**3,442**	2,329
Discontinued operations			
Profit/(loss) for year from discontinued operations	4	**–**	(82)
Continuing and discontinued operations			
Profit for the year		**3,442**	2,247
Attributable to:			
Owners of the Company		**3,196**	2,178
Non-controlling interest		**246**	69
		3,442	2,247
Profit for the year from continuing operations attributable to:			
Owners of the Company		**3,196**	2,221
Non-controlling interest		**246**	108
		3,442	2,329
Profit/(loss) for the year from discontinued operations attributable to:			
Owners of the Company		**–**	(43)
Non-controlling interest	4	**–**	(39)
	4	**–**	(82)
Earnings per share			
Basic			
– from continuing operations	13	**2.88p**	2.02p
– from discontinued operations	13	**–**	(0.04)p
– from continuing and discontinued operations	13	**2.88p**	1.98p
Diluted			
– from continuing operations	13	**2.73p**	1.90p
– from discontinued operations	13	**–**	(0.04)p
– from continuing and discontinued operations	13	**2.73p**	1.86p

Consolidated Separate Statement of Other Comprehensive Income

for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 Total results £'000	Year ended 31 March 2011 Total results £'000
Profit for the year		**3,442**	2,247
Other comprehensive income			
Exchange differences on retranslation of foreign subsidiaries		**(1,531)**	(171)
Taxation		**–**	–
Total comprehensive income for the year		**1,911**	2,076
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,803**	2,012
Non-controlling interest		**108**	64
		1,911	2,076

Company income statement

All operations are continuing.

The Company is taking advantage of the exemption in s.408 of The Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Balance Sheets

as at 31 March 2012

	Notes	2012 Group £'000	2012 Company £'000	2011 Group £'000	2011 Company £'000
Non-current assets					
Goodwill	15	**114**	**–**	114	–
Investment properties	14	**20,161**	**–**	22,061	–
Property, plant and equipment	16	**67**	**–**	79	–
Investments in Group undertakings	17	**–**	**2,597**	–	2,597
Interest in associates	18a	**499**	**106**	377	106
Other financial assets	18b	**903**	**903**	711	711
Other receivables	20	**432**	**9,877**	473	11,187
Deferred tax assets	23	**259**	**–**	199	–
Total non-current assets		**22,435**	**13,483**	24,014	14,601
Current assets					
Inventories – land and buildings	19	**10,714**	**–**	10,896	–
Current tax assets		**53**	**–**	95	–
Trade and other receivables	20	**1,256**	**119**	1,660	202
Cash and cash equivalents		**9,975**	**2,109**	5,441	681
Total current assets		**21,998**	**2,228**	18,092	883
Current liabilities					
Trade and other payables	21	**(2,160)**	**(3,826)**	(1,859)	(3,357)
Financial liabilities	22	**(608)**	**–**	(500)	–
Current tax liabilities		**–**	**–**	(39)	–
Total current liabilities		**(2,768)**	**–**	(2,398)	(3,357)
Net current assets		**19,230**	**(1,598)**	15,694	(2,474)
Total assets less current liabilities		**41,665**	**11,885**	39,708	12,127
Non-current liabilities					
Financial liabilities	22	**(24,310)**	**–**	(22,946)	–
Deferred tax liabilities	23	**–**	**–**	(191)	–
Net assets		**17,355**	**11,885**	16,571	12,127
Equity					
Called up share capital	24	**1,149**	**1,149**	1,146	1,146
Share premium		**5,491**	**5,491**	5,463	5,463
Foreign exchange translation reserve		**(715)**	**–**	678	(75)
Share – based payment reserve		**195**	**195**	140	140
Retained earnings		**10,967**	**5,050**	8,950	5,453
Equity attributable to the owners of the Company		**17,087**	**11,885**	16,377	12,127
Non-controlling interest		**268**	**–**	194	–
Total equity		**17,355**	**11,885**	16,571	12,127

The financial statements were approved and authorised for issue by the Board of Directors on 20 July 2012 and were signed on its behalf by:

George Digby
Finance Director

Consolidated Statement of Changes in Equity

for the year ended 31 March 2012

Group

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Foreign exchange translation reserve £'000	Purchase of own shares £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
At 1 April 2011	1,146	5,463	140	678	(621)	9,571	194	**16,571**
Profit for the period	–	–	–	–	–	3,442	–	**3,442**
Issue of new shares	3	27	–	–	–	–	–	**30**
Movement on foreign exchange	–	–	–	(1,393)	–	–	(138)	**(1,531)**
Sale of treasury shares	–	1	–	–	9	–	–	**10**
Issue of share options	–	–	55	–	–	–	–	**55**
Non – controlling interest	–	–	–	–	–	(246)	246	**–**
Dividends paid	–	–	–	–	–	(1,188)	(34)	**(1,222)**
At 31 March 2012	**1,149**	**5,491**	**195**	**(715)**	**(612)**	**11,579**	**268**	**17,355**
At 1 April 2010	1,136	5,423	105	844	(625)	8,520	251	**15,654**
Profit for the period	–	–	–	–	–	2,247	–	**2,247**
Sale of discontinued business	–	–	–	–	–	–	(103)	**(103)**
Issue of new shares	10	39	–	–	–	–	–	**49**
Movement on foreign exchange	–	–	–	(166)	–	–	(5)	**(171)**
Sale of treasury shares	–	1	–	–	4	–	–	**5**
Issue of share options	–	–	35	–	–	–	–	**35**
Non-controlling interest in FOP share capital	–	–	–	–	–	–	13	**13**
Non-controlling interest	–	–	–	–	–	(69)	69	**–**
Dividends paid	–	–	–	–	–	(1,127)	(31)	**(1,158)**
At 31 March 2011	1,146	5,463	140	678	(621)	9,571	194	**16,571**

Company Statement of Changes in Equity

for the year ended 31 March 2012

Company

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Foreign exchange translation reserve £'000	Purchase of own shares £'000	Retained earnings £'000	Total £'000
At 1 April 2011	1,146	5,463	140	–	(621)	5,999	**12,127**
Profit for the period	–	–	–	–	–	851	**851**
Issue of new shares	3	27	–	–	–	–	**30**
Sale of treasury shares	–	1	–	–	9	–	**10**
Share options issued	–	–	55	–	–	–	**55**
Dividend paid	–	–	–	–	–	(1,188)	**(1,188)**
At 31 March 2012	**1,149**	**5,491**	**195**	**–**	**(612)**	**5,662**	**11,885**
At 1 April 2010	1,136	5,423	105	113	(625)	4,634	**10,786**
Profit for the period	–	–	–	–	–	2,567	**2,567**
Issue of shares	10	39	–	–	–	–	**49**
Movement on foreign exchange	–	–	–	(188)	–	–	**(188)**
Translation reserve	–	–	–	–	–	–	**–**
Re-allocation	–	–	–	75	–	(75)	**–**
Sale of treasury shares	–	1	–	–	4	–	**5**
Share options issued	–	–	35	–	–	–	**35**
Dividends paid	–	–	–	–	–	(1,127)	**(1,127)**
At 31 March 2011	1,146	5,463	140	–	(621)	5,999	**12,127**

Foreign exchange translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign Group companies.

Share based payment reserve

The Group grants certain of its employees rights to its equity instruments as part of its share based payment incentive plans. The value of these rights has been changed to the income statement and has been credited to the share based payment reserve (which is a distributable reserve).

Purchase of own ordinary shares

The cost of the Company's ordinary shares purchased by the Company for treasury purposes is held in this treasury reserve. The reserve is non distributable.

Consolidated Cash Flow Statements

for the year ended 31 March 2012

	Notes	2012 Group £'000	2012 Company £'000	2011 Group £'000	2011 Company £'000
Cash flows from operating activities					
Operating profit		**4,430**	**(1,516)**	3,208	(1,443)
Adjustments for:					
Depreciation of property, plant & equipment		**41**	**–**	28	–
(Profit)/loss on sale of associates and subsidiaries		**(3)**	**–**	(27)	247
Released (profit) from sale of associate		**–**	**–**	(26)	–
Share based payments		**55**	**55**	35	35
(Increase)/decrease in inventories	19	**(113)**	**–**	(171)	–
(Increase)/decrease in trade and other receivables		**256**	**1,393**	483	(6,416)
Increase/(decrease) in trade and other payables		**291**	**469**	671	776
Other non-cash adjustments		**–**	**(281)**	–	–
Cash generated from operations		**4,957**	**120**	4,201	(6,801)
Taxes paid		**(791)**	**–**	(582)	–
Net cash from/(used in) operating activities of continuing operations		**4,166**	**120**	3,619	(6,801)
Net cash from/(used in) operating activities by discontinued activities		**–**	**–**	(465)	–
Net cash flow from/(used in) operating activities		**4,166**	**120**	3,154	(6,801)
Cash flow from/(used in) investing activities					
Proceeds from sale of subsidiary company – discontinued activity		**–**	**–**	20	20
Cash and cash equivalent disposed on sale of subsidiary		**–**	**–**	(110)	–
Purchase of investments	18 (b)	**(192)**	**(192)**	(612)	(682)
Proceeds from sale of associates		**–**	**–**	131	131
Purchase of investment properties		**–**	**–**	(21,955)	–
Purchase of property, plant & equipment		**(33)**	**–**	(75)	–
Proceeds from sale of property, plant & equipment		**3**	**–**	–	–
Interest received		**131**	**138**	109	215
Dividends from associates	18 (a)	**60**	**60**	103	103
Dividends received		**63**	**2,488**	14	3,705
Net cash from/(used in) investing activities of continuing operations		**32**	**2,494**	(22,375)	3,492
Net cash from/(used in) investing activities by discontinued activities		**–**	**–**	–	–
Net cash flow from/(used in) investing activities		**32**	**2,494**	(22,375)	3,492
Cash flow from/(used in) financing activities					
Proceeds from issue of shares		**31**	**31**	49	49
Proceeds from shareholder loans in subsidiary		**–**	**–**	1,267	–
Repayment of shareholder loan in subsidiary		**(71)**	**–**	–	–
Proceeds from bank loan		**3,197**	**–**	–	–
Repayment of bank loan		**(64)**	**–**	–	–
Proceeds from finance lease		**–**	**–**	15,394	–
Repayment of finance lease		**(447)**	**–**	(187)	–
Sale/(purchase) of shares held in treasury		**9**	**9**	4	4
Interest paid		**(837)**	**(38)**	(602)	(50)
Dividends paid		**(1,188)**	**(1,188)**	(1,127)	(1,127)
Dividends paid to non-controlling interest		**(34)**	**–**	(31)	–
Net cash/(used in) financing activities of continuing operations		**596**	**(1,186)**	14,767	(1,124)
Net cash from/(used in) financing activities by discontinued activities		**–**	**–**	(33)	–
Net cash flow from/(used in) financing activities		**596**	**(1,186)**	14,734	(1,124)
Net increase/(decrease) in cash and cash equivalents		**4,794**	**1,428**	(4,487)	(4,433)
Cash and cash equivalents at the beginning of the period		**5,441**	**681**	10,126	5,114
Currency translation gains/losses on cash and cash equivalents		**(260)**	**–**	(198)	–
Cash and cash equivalents at the end of the period		**9,975**	**2,109**	5,441	681

Notes to the Financial Statements

for the year ended 31 March 2012

1. Basis of preparation and presentation of financial statements

The financial statements for both the Group and parent Company have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRIC) Interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for items carried at fair value in accordance with IAS 39. These financial statements are presented in Sterling since that is the currency in which the Group and parent Company transact a substantial part of its business and it's the currency considered most convenient for shareholders. Different functional currencies are used in the Group and these are set out in Note 27 on page 42.

Standards and interpretations effective in the current period

The following standards and interpretations have been applied for the first time in these financial statements. None of them have had material impact on these financial statements.

- IFRS 3: Business Combinations has had no impact on these financial statements;
- IAS 27: Consolidated and separate financial statements has had no impact on these financial statements:
- Amendments to IAS 39: Eligible hedged items has had no impact on these financial statements;
- Amendment to IFRS 2 Group cash-settled share-based payment transactions has had no impact on these financial statements;
- Amendment to IAS 32 Classification of rights issues has had no impact on these financial statements;
- Improvements to IFRS (Issued May 2008) has had no impact on these financial statements;
- Improvements to IFRS (Issued April 2009) has had no impact on these financial statements;
- IFRIC 15 Agreements for the construction of real estate has had no impact on these financial statements;
- IFRIC 16 Hedges of a net investment in a foreign operation has had no impact on these financial statements;
- IFRIC 17 Distribution of non-cash assets to owners has had no impact on these financial statements;
- IFRIC 18 Transfer of assets from customers has had no impact on these financial statements;
- IFRIC 19 Extinguishing financial statements with equity instruments;
- Amendments to IFRS 1: Limited exemption from comparative IFRS 7 disclosures; and
- Amendment to IFRIC 14: Prepayments of a minimum funding requirement.

New standards and interpretations

As of the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Amendments to IFRS 7 Financial instruments: Disclosures: Transfers of financial assets (Effective for p/c on or after 1 July 2011);
- Amendments to IFRS 1: First time adoption of IFRS: Severe hyperinflation and removal of fixed dates for first time adopters (Effective for p/c on or after 1 July 2011);
- Amendments to IAS12: Income taxes: Deferred tax: Recovery of underlying assets (Effective for p/c on or after 1 December 2012);
- IFRS 10 Consolidated financial statements (Effective for p/c on or after 1 January 2013);
- IFRS 11 Joint arrangements (Effective for p/c on or after 1 January 2013);
- IAS 12 Disclosure of interests in other entities (Effective for p/c on or after 1 January 2013);
- IAS 28 (Revised) Investments in associates and joint ventures (Effective for p/c on or after 1 January 2013);
- IAS 27 (Revised) Separate financial statements (Effective for p/c or after 1 January 2013);
- IFRS 13 Fair value measurement (Effective for p/c on or after 1 January 2013);
- Amendments to IAS1 Presentation of items of other comprehensive income (Effective for p/c on or after 1 July 2012);
- IAS 19 Employee benefits (2011) (Effective for p/c on or after 1 January 2013);
- IFRIC Interpretation 20 Stripping costs in the production phase of a surface mine (Effective for p/c on or after 1 January 2013);
- Amendments to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities (Effective for p/c on or after 1 January 2013);

- Amendments to IAS 32 Offsetting financial assets and liabilities (Effective for p/c on or after 1 January 2014);
- IFRS 9 Financial instruments (effective for p/c on or after 1 January 2015);
- Improvements to IFRS 2010; and
- Amendment to IFRIC 14: Prepayments of minimum trading requirement.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

2. Significant accounting policies

The principal accounting policies set out below have, unless otherwise stated, been applied consistently by the Group and the Company to each period presented in these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings which it controls, made up to 31 March 2012. Intra-Group balances, sales and profits are estimated fully on consolidation.

There are two consolidated subsidiaries within the Group with non coterminous accounting year ends. These companies have 31 December accounting year ends and for consolidation purposes the accounts are extracted from the audited figures for the year to 31 December 2011 and the management accounts for the three month period to 31 March 2012.

On acquisition of a subsidiary of business, all of the assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. The results of subsidiary undertakings have been included from the dates of acquisition and up to the dates of disposal, being the dates that control passes.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with adopted IFRS's requires management to make judgments, estimates and assumptions that affect the application of policies on reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on experience and other relevant factors, but will seldom equal the subsequent actual results.

Key judgments management have made are contained in the accounting policies and notes to the financial statements, being:

- Impairment review of investments and goodwill;
- Estimation of residual values of investment property;
- Estimation of fair value of other investments;
- Valuation of share based payments;
- Recognition of deferred tax liabilities;
- Recoverability of deferred tax assets;
- Reviewing contracts for percentage of completion; and
- Estimation of accrued income and costs.

The Group has evaluated these estimates and judgments that have been made thereon and concluded that there is no significant risk of them causing a material adjustment to their carrying values within the next financial year.

Goodwill

Goodwill is stated at cost less, when appropriate, impairment in value. Under IFRS 3, para 55, annual impairment tests are mandatory for goodwill and, as such, have been carried out. Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the net assets acquired.

Investments in subsidiaries

In the Company balance sheet investments in subsidiaries are held at cost less adequate provisions, where necessary, for impairments to value.

Investments in associates

The Group's share of profits less losses of associates is included in the consolidated income statement, and the Group's share of their net assets is included in the consolidated balance sheet. Entities in which the Group is in a position to exercise significant influence but does not have the power to control are defined as associates. The Group adopts the cost model in respect of investment properties owned by

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

associates in order to be consistent with the Group's accounting policy for investment properties. The Company's accounting policy is to include the interest in associates at cost subject to an annual impairment review.

Impairment

The carrying values of the Group's non-financial assets, excluding goodwill, are reviewed at each reporting date to determine whether there are any indications that an asset may be impaired. If there are any indications of impairment, the assets' recoverable value is estimated and any impairment loss, measured against its carrying value, is recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at their purchase cost, together with any incidental costs of acquisition, or fair value on acquisition, less accumulated depreciation and where appropriate, provision for impairment. Depreciation is calculated so as to write off property, plant and equipment, less their estimated residual values, on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Computer equipment	33.33
Office equipment	33.33
Motor vehicles	25.00
Short leasehold improvements	33.33

The residual values and useful lives of all property, plant and equipment are reviewed and adjusted if appropriate at each financial year end.

Investment properties

Investment properties are properties held for long term rental income or for capital appreciation or both. Acquisitions through direct asset purchases are initially held at cost including related transaction costs. The Group has adopted the cost model of valuation for investment properties so that after initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. The properties have not been depreciated as in the Directors' opinion the properties estimated residual value at the end of the period of ownership will be higher than carrying value.

Inventories – land and buildings

Trading properties held for resale are stated at the lower of purchase cost, together with incidental costs of acquisition and any subsequent development costs, and net realisable value. The latter is assessed by the Group having regard to suitable valuations performed by third party, external valuers.

Finance leases

Assets owned under finance leases have been included at cost under property, plant and equipment and depreciated accordingly. Payments in respect of finance leases have been apportioned between the finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest.

Operating leases

Costs in respect of operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. Any incentives to enter operating leases are recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Taxation

The tax expense represents the sum of the current tax payable and movements in deferred tax during the year.

Current taxation

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductable in other years or that may never be taxable or deductable. The Group's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

Deferred taxation

Deferred taxation is provided in full, on all temporary differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they are recognised based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

A net deferred tax asset is regarded as recoverable and is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits in the foreseeable future from which the reversal of the underlying temporary differences can be deducted. Management carry out a review of such items at the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Revenue recognition

Revenue recognition in the income statement depends on the type of revenue concerned, and excludes VAT. Rental income is recognised over the period of the lease. Income from sale of properties is recognised on unconditional exchange of contracts. Management and administration fees are recognised in the income statement as they are earned. Performance fees are recognised when the performance period has ended and the performance calculation can be performed with reasonable certainty. Transaction fees are recognised once the relevant transaction has completed. Interest income and expense is recognised on an accruals basis. The above policies on revenue recognition result in both deferred and accrued income.

Operating profit

Operating profit as stated in the consolidated income statement is described as the profit derived from sales revenue less cost of sales and less operating expenses.

Share – based payments

The Group issues options over the Company’s equity to certain employees and these are professionally measured for fair value at the date of grant, using the Black-Scholes-Merton model. This fair value is fully expensed in the year that the share option vests and is credited to the share based payment reserve shown under equity and reserves in the balance sheet. Managements’ best estimates of leavers, price volatility and exercise restrictions have been used in the valuation method.

Foreign currencies

At entity level, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the date the transaction is recorded. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date and the resultant exchange differences are recognised in the separate statement of other comprehensive income.

On consolidation the results of overseas subsidiaries are translated into Sterling at the average exchange rate for the period and all their assets and liabilities are translated into Sterling at the exchange rate ruling at the reporting date.

In the cash flow statement, cash flows denominated in foreign currencies are translated into Sterling at the exchange rate for the period.

On consolidation exchange differences arising from the translation of foreign operations are classified as equity in the foreign currency exchange translation reserve in the statement of other comprehensive income and accumulated in a separate reserve in equity. On disposal these accumulated gains or losses are reclassified into profit or loss.

Financial instruments

The Group’s financial assets and liabilities are recorded in the balance sheet at historic cost or fair value. Income and expenditure arising on financial instruments is recognised on an accruals basis and taken to the income statement in the financial period in which it arises.

- Trade receivables

Trade receivables are measured at initial recognition at fair value. Subsequently, they are measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as a difference between the carrying amount of the asset and the recoverable amount.

- Investments

Investments are recognised on the contract date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned and are initially measured at cost, including transaction costs. Assets available for sale are held at fair value. Any changes to the fair value are recognised in other comprehensive income, if material, and accumulated in a separate reserve in equity. Equity investments are classified as available for sale assets and are valued by independent valuers. Listed investments are stated at market value at the balance sheet date.

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

- Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, term deposits and other short term, liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

- Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities, except for borrowing costs incurred in respect of development and trading property, which are included in acquisition costs of the asset.

- Bank borrowing

Interest bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. Interest charges are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise. Borrowing costs incurred in respect of the purchase of trading properties are capitalised together with other acquisition costs of the property and are amortised over the period of the loan.

- Trade payables

Trade payables are initially measured at fair value. Subsequently they are measured at amortised cost.

- Equity instruments

Equity instruments issued by the Company are recorded as the proceeds are received, net of direct issue costs.

Business combinations

Acquisitions of subsidiaries are accounted for by using the purchase method. This method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

3. Segmental analysis

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Directors and for which discrete financial information is available.

The property fund management segment is organised into separate funds operating across all the Group's chosen geographic areas. It enjoys a recurring income from managing commercial property on behalf of its various fund investors. A table of funds managed is listed in this report in the Chief Executive's statement.

The group properties segment comprises the revenues and profits from the Group's trading in its own properties. Rental and service charge income from the properties owned by the Group is included in this segment. The profits and losses of trading in these properties can be volatile depending on the frequency and size of sale and by its nature, unpredictable. At the year-end this division owned two properties, held at cost in inventories under current assets.

The property facilities management segment ("FPS") is represented by one UK company operating independently from the other segments. FPS specialises in the installation and maintenance of air conditioning and ventilation systems in offices. This company was sold in March 2011 and represents a discontinued activity for the purposes of these consolidated accounts.

A new segment arose last year with the launch of the new pan European fund, Fprop Opportunities plc ("FOP") in October 2010. The group owns 84.1% of this fund through seed capital with the intention of raising further third party investment from co–investees, thereby diluting its stake to a minority interest holding. Management has concluded that it does not suit the criteria for existing segments and that for the purposes of transparency and clarity it should be reported as a separate segment called Group fund properties.

Head office costs and overheads that are common to all segments are show separately under unallocated central costs.

Interest income is not allocated to a separate segment because all surplus cash is managed centrally and is netted off against unallocated central overheads.

Assets, liabilities and costs that relate to Group central activities have not been allocated to business segments.

Segment Reporting 2012

	Property fund management £'000	Group properties £'000	Group fund properties ("FOP") £'000	Unallocated central overheads £'000	Total £'000
External revenue – existing operations	4,341	2,671	2,330	–	**9,342**
Less: Discontinued operations	–	–	–	–	**–**
	4,341	2,671	2,330	–	**9,342**
Depreciation and amortisation	(28)	(13)	–	–	**(41)**
Operating Profit – existing operations	**3,072**	**1,247**	**1,829**	**(1,718)**	**4,430**
Share of results in associates	–	182	–	–	**182**
Dividend income	–	63	–	–	**63**
Interest income	–	11	45	75	**131**
Interest payable	–	(184)	(653)	–	**(837)**
Profit/(loss) before tax	**3,072**	**1,319**	**1,221**	**(1,643)**	**3,969**
Analysed as:					
Before performance fees and related items	3,232	1,344	1,028	(941)	**4,663**
Performance fees	–	–	–	–	**–**
Staff incentives	(160)	(25)	(20)	(702)	**(907)**
Realised foreign currency gain	–	–	213	–	**213**
Total	**3,072**	**1,319**	**1,221**	**(1,643)**	**3,969**
Assets – Group	608	12,853	25,855	4,618	**43,934**
Assets – associates	–	807	–	(308)	**499**
Liabilities	(352)	(7,050)	(18,868)	(808)	**(27,078)**
Net assets	256	6,610	6,987	3,502	**17,355**
Additions to non-current assets					
Property, plant and equipment	23	10	–	–	**33**
Investment properties	–	–	–	–	**–**
Investments	–	192	–	–	**192**
Interest in associates	–	182	–	–	**182**

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

Segment Reporting 2011

	Property fund management £'000	Group properties £'000	Group fund properties ("FOP") £'000	Property facilities management ("FPS") £'000	Unallocated central overheads £'000	Total £'000
External revenue – existing operations	3,970	2,233	907	2,305	–	**9,415**
Less: Discontinued operations	–	–	–	(2,305)	–	**(2,305)**
	3,970	2,233	907	–	–	**7,110**
Depreciation and amortisation	(18)	(10)	–	(32)	–	**(60)**
Operating Profit – existing operations	**2,735**	**1,022**	**581**	**(114)**	**(1,130)**	**3,094**
Share of results in associates	–	221	–	–	–	**221**
Dividend income	–	14	–	–	–	**14**
Interest income	–	–	–	1	109	**110**
Interest payable	–	(277)	(325)	(7)	–	**(609)**
Less: Discontinued operations	–	–	–	120	–	**120**
Profit/(loss) before tax	**2,735**	**980**	**256**	**–**	**(1,021)**	**2,950**
Analysed as:						
Before performance fees and related items	2,826	995	268	–	(653)	**3,436**
Performance fees	–	–	–	–	–	**–**
Staff incentives	(91)	(15)	(12)	–	(368)	**(486)**
Total	**2,735**	**980**	**256**	**–**	**(1,021)**	**2,950**
Assets – Group	1,151	12,159	22,824	–	5,595	**41,729**
Assets – associates	–	685	–	–	(308)	**377**
Liabilities	(563)	(7,538)	(17,167)	–	(267)	**(25,535)**
Net assets	588	5,306	5,657	–	5,020	**16,571**
Additions to non-current assets						
Property, plant and equipment	64	11	–	8	–	**83**
Investment properties	–	–	22,061	–	–	**22,061**
Investments	–	612	–	–	–	**612**
Interest in associates	–	221	–	–	–	**221**

Geographic analysis – continuing operations	Revenue		Non – current assets	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
UK	**914**	2,967	**1,442**	1,140
UK – less discontinued operations	**–**	(2,305)	**–**	–
Total UK	**914**	662	**1,442**	1,140
Europe – non UK	**8,428**	6,448	**20,993**	22,874
Continuing operations	**9,342**	7,110	**22,435**	24,014

4. Discontinued operations

The Group sold its 60% interest in First Property Services Ltd ("FPS"), for £170,000 on 17 March 2011 resulting in a profit on sale of £16,000. The carried value of the Group's shareholding in FPS at the date of the sale was £154,000 (March 2010: £213,000). The consideration of £170,000 was partly settled by a cash payment of £20,000 on the date of sale, with the remaining £150,000 payable in cash over the following twenty four months. At 31 March 2012 £150,000 (2011: £150,000) remained owing; and is due by 17 March 2013, together with accrued interest.

Year ended 31 March 2011

The pre-tax loss during the year up to the date of the disposal of discontinued operations amounted to £136,000.

Financial performance of discontinued operations	**2012 £'000**	2011 £'000
Trading performance of discontinued operations		
External revenue	**–**	2,305
Operating costs	**–**	(2,435)
Operating profit	**–**	(130)
Interest income	**–**	1
Interest expense	**–**	(7)
(Loss)/profit before tax	**–**	(136)
Tax(expense)/credit	**–**	38
(Loss)/profit after tax	**–**	(98)
Non-controlling interest	**–**	39
(Loss)/profit attributable to owners of the parent	**–**	(59)
Profit/(loss) for the year from discontinued operations		
Profit/(loss) after tax	**–**	(98)
Profit on disposal of discontinued operations	**–**	16
Tax on profit on disposal of discontinued operations	**–**	–
	–	(82)

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

Net assets disposed and disposal proceeds of discontinued operations	2012 £'000	2011 £'000
Increase/(decrease) in retained liabilities	–	–
Cash and cash equivalent disposed on sale of subsidiary	–	(110)
Profit/(loss) on disposal before tax	–	16
Cash consideration received, net of costs	–	20
Consideration deferred to future periods	–	150
Total consideration	–	170
Net assets of discontinued operations disposed of	–	(154)
Profit/(loss) on disposal before tax	–	16
Net cash inflow/(outflow) from disposals	–	(90)

Summary of net assets disposed of

	2012 £'000	2011 £'000
Non-current assets	–	63
Debtors	–	955
Cash	–	110
Current liabilities	–	(854)
Non-current liabilities	–	(17)
Non-controlling interest	–	(103)
	–	154

5. Cash flow from discontinued operations for the year ended 31 March 2012

	Note	2012 Group £'000	2011 Group £'000
Cash flows from operating activities (discontinued operations)			
Operating profit/(loss) (discontinued operations)	4	**–**	(130)
Adjustments for:			
Depreciation of property, plant and equipment		**–**	32
Profit/(loss) on sale of property, plant and equipment		**–**	(1)
(Increase)/decrease in inventories		**–**	(23)
(Increase)/decrease in trade and other receivables		**–**	254
Increase/(decrease) in trade and other payables		**–**	(547)
Cash generated from discontinued operations		**–**	(415)
Total tax paid (discontinued operations)		**–**	(50)
Net cash from/(used in) operating activities by discontinued operations		**–**	(465)
Cash flow from/(used in) investing activities (discontinued operations)			
Proceeds on disposal of property, plant and equipment		**–**	7
Purchase of property, plant and equipment		**–**	(8)
Interest received		**–**	1
Net cash from/(used in) operating activities by discontinued operations		**–**	–
Cash flow from/(used in) financing activities (discontinued operations)			
Interest paid		**–**	(7)
Repayment of finance lease		**–**	(26)
Proceeds from finance lease		**–**	–
Dividend paid to minority interest		**–**	–
Net cash from/(used in) financing activities by discontinued operations		**–**	(33)

6. Interest income/expense

	2012 £'000	2011 £'000
Interest income – bank deposits	**131**	109
Total interest income	**131**	109
Interest expense – property loans	**(264)**	(269)
Interest expense – bank and other	**(40)**	(11)
Finance charges on finance lease	**(533)**	(322)
Total interest expense	**(837)**	(602)

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

7. Employee information

The average monthly number of persons (including Executive Directors) employed during the year was:

	2012 Number	2011 Number
Management	**9**	7
Property operations	**13**	17
Technical operations	**17**	31
	39	55

An analysis of staff costs is set out below:

	2012 £'000	2011 £'000
Wages and salaries	**2,453**	2,634
Social security costs	**196**	262
Share based payments	**55**	35
	2,704	2,931

8. Directors' remuneration and emoluments

	2012 £'000	2011 £'000
Basic pay	**442**	439
Pension	**13**	3
Fees	**50**	48
Benefits	**14**	17
Annual incentive arrangements	**702**	368
	1,221	875

Annual incentive arrangements

For 2011 the Company operated an incentive plan (the Growth Securities Ownership Plan (GSOP)) for the Executive Directors related to growth in profit before tax. As a result of the growth achieved in 2011, payments will be made to the Executive Directors and other participants under the GSOP.

The remuneration of the Directors was as follows:

	Salary & benefits £'000	Annual incentives £'000	Fees £'000	2012 £'000	2011 £'000
A J D Locke	–	–	25	**25**	25
P Moon (appointed 1 May 2010)	–	–	25	**25**	23
B N Habib	319	614	–	**933**	635
G R W Digby	150	88	–	**238**	192
	469	702	50	**1,221**	875

There are no retirement benefits accruing to Directors (2011: none) under money purchase pension schemes.

9. Profit on ordinary activities before taxation

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment	**43**	59
– Cost of share-based payments (IFRS 2)	**55**	35
– (Profit)/loss on disposal of property, plant and equipment	**(3)**	–
– Differences on foreign exchange	**(282)**	(40)
– Staff costs (see note 7)	**2,704**	2,931
Auditors' remuneration		
– Group audit [Company £25,000 (2011: £18,000)]	**86**	91
– Non-audit fees (bureau services – Romania)	**8**	15
– Operating lease rentals	**57**	97
– Rental income from investment properties	**2,175**	907
– Direct operating expenses arising from investment property that generated rental income during the period	**239**	73
– Direct operating expenses arising from investment property that did not generate rental income	**262**	253

10. Tax expense

Analysis of charge in the period

	2012 £'000	2011 £'000
Current tax	**812**	499
Deferred tax	**(259)**	122
Adjustment for prior year	**(26)**	–
Total tax charge for period – continuing operations	**527**	621
Total tax charge for period – discontinued operations	**–**	(38)

The tax charge includes actual current and deferred tax from continuing operations.

Deferred tax assets have been recognised on foreign currency property loans as a result of weakness in the Polish Zloty, the currency in which all Polish taxes are paid.

There was insufficient income earned in the UK against which to relieve operating costs incurred in the UK. This should have given rise to a deferred tax asset. However, the Group was not able to recognise this deferred tax asset in these accounts because there is not a reasonable prospect of earning sufficient taxable income in the UK in the near future.

As a result of the above the effective tax rate payable by the Group decreased to 13% (2011: 21%).

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

Factors affecting the tax charge for the period

The effective rate of the tax applicable to the profit in the period is lower than the standard rate of corporation tax. The differences are explained as follows:

	2012 £'000	2011 £'000
Profit/(loss) on ordinary activities before tax	**3,969**	2,950
Profit/(loss) on ordinary activities multiplied by the standard rate of 26% (2011: 28%)	**1,032**	826
Effects of:		
– Expenses not deductible for tax purposes	**16**	11
– Depreciation in excess of capital allowances	**2**	(9)
– Movement on deferred tax unprovided	**84**	101
– Effect of overseas mainstream tax rates	**(323)**	(313)
– Other adjustments	**1**	(117)
Total tax charge for the period	**812**	499

Provision for deferred tax

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	**(4)**	**–**	(5)	–
Tax losses carried forward	**902**	**830**	794	640
Other differences	**(25)**	**(25)**	–	–
Unprovided deferred tax asset	**873**	**805**	789	640

Management have concluded that there is insufficient evidence to support the recoverability of this asset from future capital profits and therefore have not recognised this asset in the balance sheet. UK deferred tax has been calculated at a rate of 25% versus 26% for 2011.

11. Parent Company result for the year

As permitted by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's retained loss for the year after sale of treasury shares was £129,000 (2011 profit: £1,444,000).

12. Dividend on ordinary shares

	2012 £'000	2011 £'000
Interim dividends paid during the year 2012: 0.33 pence (2011: 0.32 pence)	367	351
Final dividend paid for the year ended 31 March 2011: 0.74 pence per share (2010: 0.72 pence per share)	821	776
	1,188	1,127

The total dividend for the current year ended 31 March 2012 of 1.08p (2011: 1.06p) will be subject to shareholder approval at the Annual General Meeting to be held on 14 September 2012.

13. Earnings per share

	2012	2011
Basic earnings per share – continuing operations	**2.88p**	2.02p
Basic earnings per share – total continuing and discontinued operations	**2.88p**	1.98p
Diluted earnings per share – continuing operations	**2.73p**	1.90p
Diluted earnings per share – total continuing and discontinued operations	**2.73p**	1.86p

	2012 £'000	2011 £'000
Basic earnings – continuing operations	**3,196**	2,221
Basic earnings – total continuing and discontinued operations	**3,196**	2,178
Diluted earnings assuming full dilution – continuing operations	**3,212**	2,238
Diluted earnings assuming full dilution – total continuing and discontinued operations	**3,212**	2,195

The following numbers of ordinary shares have been used to calculate both the basic and diluted earnings per share:

	2012 Number	2011 Number
Weighted average number of ordinary shares in issue (used for basic earnings per share calculation)	**111,056,118**	109,890,897
Number of share options assumed to be exercised	**6,500,000**	7,790,000
Total number of ordinary shares used in the diluted earnings per share calculation	**117,556,118**	117,680,897

The following earnings have been used to calculate both the basic and diluted earnings per share:

Basic earnings per share	2012 £'000	2011 £'000
Basic earnings – continuing operations	**3,196**	2,221
– discontinued operations (note 4)	**–**	(43)
Basic earnings – total continued and discontinued operations	**3,196**	2,178

Diluted earnings per share	2012 £'000	2011 £'000
Basic earnings – continuing operations	**3,196**	2,221
Notional interest on share options assumed to be exercised	**16**	17
Diluted earnings – continuing operations	**3,212**	2,238
– discontinued operations	**–**	(43)
Diluted earnings – total continued and discontinued operations	**3,212**	2,195

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

14. Investment properties

Investment properties indirectly owned by the Group in FOP are stated at cost and both have been valued by third party professional commercial property valuers at the Group's financial year end at a fair value of €26.60 million (2011: €26.35 million), the Sterling equivalent at closing foreign exchange rates being £22.20 million (2011: £23.30 million). The properties have not been depreciated as in the Directors' opinion the properties estimated residual value at the end of the period of ownership will be higher than their carrying value.

	2012 Group £'000	2011 Group £'000
Investment properties		
1 April	**22,061**	–
Additions	**–**	21,955
Foreign exchange translation	**(1,900)**	106
31 March	**20,161**	22,061

15. Goodwill

	2012		2011	
	Group £'000	**Company £'000**	Group £'000	Company £'000
At 1 April	**114**	**–**	139	–
Goodwill arising on consolidation as a result of business acquisition	**–**	**–**	–	–
Business disposals	**–**	**–**	(25)	–
At 31 March	**114**	**–**	114	–

Goodwill relates to the acquisition of Corp S.A. and in the Directors' opinion this represents the cash generation unit for the purposes of goodwill impairment. Based on cash flow forecasts no impairment write-down is necessary.

16. Property, plant and equipment

Group 2012	**Computer equipment £'000**	**Office equipment £'000**	**Motor vehicles £'000**	**Short leasehold improvements £'000**	**Total £'000**
Cost					
At 1 April 2011	116	40	27	35	218
Foreign currency translation	(6)	(2)	(1)	–	(9)
Additions	24	7	–	2	33
Disposals	(2)	(4)	–	–	(6)
At 31 March 2012	132	41	26	37	236
Depreciation					
At 1 April 2011	95	23	17	4	139
Foreign currency translation	(4)	(2)	(1)	–	(7)
Charge for year	19	8	5	11	43
Disposals	(2)	(4)	–	–	(6)
At 31 March 2012	108	25	21	15	169
Net book value					
At 31 March 2012	24	16	5	22	67

Group 2011	Computer equipment £'000	Office equipment £'000	Motor vehicle £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 April 2010	209	82	126	12	429
Foreign currency translation	(5)	(2)	(3)	–	(10)
Additions	31	17	–	35	83
Business disposals	(63)	(44)	(69)	–	(176)
Disposals	(56)	(13)	(27)	(12)	(108)
At 31 March 2011	116	40	27	35	218
Depreciation					
At 1 April 2010	194	61	55	12	322
Foreign currency translation	(4)	(1)	(1)	–	(6)
Charge for year	24	9	22	4	59
Business disposals	(63)	(34)	(39)	–	(136)
Disposals	(56)	(12)	(20)	(12)	(100)
At 31 March 2011	95	23	17	4	139
Net book value					
At 31 March 2011	21	17	10	31	79

The Company had no property, plant or equipment (2011: nil).

17. Investments in Group undertakings

The Company has the following investments in consolidated subsidiaries:

	2012		2011	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Investments in Group undertakings				
– shares at cost	**–**	**2,597**	–	2,597
	–	**2,597**	–	2,597

18. Investments in associates and other financial assets

The Group and the Company have the following investments:

	2012 Group £'000	**2012 Company £'000**	2011 Group £'000	2011 Company £'000
a) Associates				
At 1 April	**377**	**106**	337	133
Release of profit withheld in sale to associate in 2007	**–**	**–**	26	–
Disposals	**–**	**–**	(104)	(27)
Share of associates profit after tax	**182**	**–**	221	–
Dividends received	**(60)**	**–**	(103)	–
At 31 March	**499**	**106**	377	106

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

The Group's investment in associates is held at cost plus its share of post acquisition profits assuming the adoption of the cost model for accounting for investment properties under IAS40 and comprises the following:

	2012 Group £'000	2012 Company £'000	2011 Group £'000	2011 Company £'000
Investments in associates				
5th Property Trading Ltd	**594**	**53**	495	53
Regional Property Trading Ltd	**213**	**53**	190	53
	807	**106**	685	106
Less: Group share of profit after tax withheld on sale of property to an associate in 2007	**(308)**	**–**	(308)	–
	499	**106**	377	106

If the Group had adopted the alternative fair value model for accounting for investment properties, the carrying value of the investment in associates would have increased by £905,000 (2011: £1,036,000) to £1,404,000 (2011: £1,413,000).

	2012 Group £'000	2012 Company £'000	2011 Group £'000	2011 Company £'000
b) Other financial assets and investments				
At 1 April	**711**	**711**	99	99
Additions	**192**	**192**	612	612
Transfer to Group undertakings	**–**	**–**	–	–
Impairment charge	**–**	**–**	–	–
At 31 March	**903**	**903**	711	711

The addition is in respect of the Group's 0.9% interest in UK Pension Property Portfolio L.P., a fund raised in February 2010. The Group holds two investments, one listed, the other unlisted. Both are held at fair value. All of the assets have been classified as available for sale. Fair value for the unlisted investment has been arrived at by applying the Group's percentage holding in this investment of the fair value of the net assets of the company.

The principal investments of the Group at 31 March 2012 are as follows:

		% of ordinary shares held by	
	Principal activities	Company %	Subsidiary %
Group undertakings			
UK			
First Property Asset Management Limited	– Property asset management	100	–
IP Finance Limited (formerly First Property International Limited)	– Property finance	100	–
First Property Sterling General Partner Limited	– General partner of property fund	100	–
First Property General Partner Limited	– General partner of property fund	51	–
Poland			
First Property Poland Sp. z o.o.	– Property investment and management	100	–
Scaup Sp. z o.o.	– Property investment and management	100	–
Ross Sp. z o.o.	– Property investment and management	100	–
Corp SA	– Property services management	–	68
Romania			
First Property Asset Management Romania SRL		95	5
Group of companies owned by Fprop Opportunities plc (FOP)			
UK			
Fprop Opportunities plc	– Property fund	84	
Fprop Opportunity Lodz Limited	– Property holding company		100
Fprop Opportunities Pila Limited	– Property holding company		100
First Property 250 Limited	– Property holding company		100
Fprop Opportunity Krasnystaw Limited	– Property holding company		100
Poland			
Fprop Lodz Sp. z o.o.	– Property holding company		100
Fprop Krasnystaw Sp. z o.o	– Property holding company		100
Associates and other investments			
UK			
Regional Property Trading Limited	– Property fund	29	–
5th Property Trading Limited	– Property fund	38	–
UK Pension Property Portfolio LP	– Nominee	1	
Poland			
E&S Estates Poland Sp. z o.o.	– Property fund		14
5th Property Poland Sp. z o.o.	– Property fund		38

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

	Principal activities	% of ordinary shares held by Company %	Subsidiary %
Dormant nominee companies in which the Group has no beneficial interest			
First Property General Partner (Nominee Limited)	– Nominee	–	100
First Property Sterling General Partner (Nominee1) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 2) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 3) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 4) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 5) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 6) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 7) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 8) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 9) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 10) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 11) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 12) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 13) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 14) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 15) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 16) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 17) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 18) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 19) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 20) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 21) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 22) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 23) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 24) Limited	– Nominee	–	100

The above companies are incorporated and registered in England and Wales unless stated and operate principally in their countries of incorporation/ registration.

First Property Sterling General Partner Limited and First Property General Partner Limited have not been consolidated on the grounds that they are not material to the Group.

19. Inventories – land and buildings

	2012		2011	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Directly held Group properties for resale at cost				
1 April	10,896	–	11,365	–
Additions	113	–	171	–
Foreign exchange translation	(295)	–	(640)	–
At 31 March	10,714	–	10,896	–

The fair value of these properties, both located in Warsaw, Poland, as at the 31 March 2012 was £14,700,000 (2011: £14,300,000) using closing rate foreign exchange rates and independent third party property valuations.

20. Trade and other receivables

	2012		2011	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Current assets				
Trade receivables	**852**	**–**	1,059	–
Other receivables	**57**	**–**	312	–
Payments and accrued income	**347**	**119**	289	202
	1,256	**119**	1,660	202
Non-current assets				
Other receivables	**432**	**–**	473	–
Amounts owed by subsidiary undertakings	**–**	**9,877**	–	11,187

Amounts owed by subsidiary undertakings to the Company include non – current assets amounting to £9,877,000 falling due in more than one year (2011: £11,187,000). For further information see note 28.

In the opinion of the Directors the Group is not exposed to any one material credit risk.

21. Trade and other payables

	2012		2011	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Current liabilities				
Trade payables	**734**	**–**	831	–
Amounts due to subsidiary undertaking	**–**	**3,017**	–	3,089
Other taxation and social security	**288**	**–**	313	–
Other payables and accruals	**1,121**	**809**	698	268
Deferred income	**17**	**–**	17	–
	2,160	**3,826**	1,859	3,357

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

22. Financial liabilities

	2012 £'000	2011 £'000
Current liabilities		
Bank loan	**123**	1
Finance leases	**485**	499
	608	500
Non-current liabilities		
Loan repayable by subsidiary ("FOP") to third party shareholders	**1,196**	1,267
Bank loans	**9,395**	6,616
Finance leases	**13,719**	15,063
	24,310	22,946

	2012 £'000	2011 £'000
Total obligations under bank loans and finance leases		
Repayable within one year	**608**	500
Repayable within one and five years	**11,576**	2,323
Repayable after five years	**12,734**	20,623
	24,918	23,446

Bank loans and finance leases totalling £23,722,000 (2011: £22,179,000) included within financial liabilities are secured against investment properties owned by FOP and properties owned by the Group shown under inventories.

Loans repayable by FOP to third party shareholders are repayable in December 2020.

23. Deferred tax

Deferred tax assets and liabilities are attributable to the following items:

	2012			2011	
	Group assets £'000	Group liabilities £'000	Group net asset £'000	Group assets £'000	Group liabilities £'000
Accrued interest payable	246	–	246	170	(74)
Accrued income	–	(76)	(76)	–	(14)
Foreign bank loan	251	–	251	14	(29)
Investment properties and inventories	–	(194)	(194)	–	(48)
Other temporary differences	57	(25)	32	15	(26)
	554	(295)	259	199	(191)

Relevant Group companies are making taxable profits. The Directors therefore consider that the deferred tax asset will be recoverable.

24. Called-up share capital

	2012 £'000	2011 £'000
Authorised		
240,000,000 (2011: 240,000,000) ordinary shares of 1 pence each	2,400	2,400
Issued and fully paid		
114,851,115 (2011: 114,601,115) ordinary shares of 1 pence each of issued share capital, of which 3,752,535 ordinary shares (2011: 3,804,614) are held in treasury	1,149	1,146

The issued share capital increased by 250,000 ordinary 1 pence shares, as a result of the exercise of 250,000 share options during the year.

	2012 Ordinary shares number	2012 Treasury shares number	2012 Share options number
1 April 2011	110,796,501	3,804,614	7,790,000
Exercise of share options	250,000	–	(250,000)
Issue of shares to non-executive	52,079	(52,079)	–
Lapse of share options	–	–	(40,000)
31 March 2012	111,098,580	3,752,535	7,500,000

The Company had 7,500,000 options over ordinary shares outstanding at 31 March 2012 (2011: 7,790,000), including those noted in Directors' interests in the Directors' Report. Once these share options are exercised, the ordinary shares issued will rank pari passu with the existing ordinary shares.

Year of grant	Exercise price (p)	Exercise period	2012 Numbers	2011 Numbers
2001/02	7.00	Dec 2002 to Apr 2011	**–**	33,333
2001/02	7.00	Dec 2003 to Apr 2011	**–**	33,334
2001/02	7.00	Dec 2004 to Apr 2011	**–**	33,334
2004/05	16.50	July 2005 to July 2014	**616,666**	616,667
2004/05	16.50	July 2006 to July 2014	**616,667**	616,667
2004/05	16.50	July 2007 to July 2014	**616,667**	616,667
2006/07	15.75	June 2007 to June 2016	**583,333**	583,333
2006/07	15.75	June 2008 to June 2016	**583,333**	583,333
2006/07	15.75	June 2009 to June 2016	**583,334**	583,334
2006/07	15.25	April 2007 to April 2016	**33,333**	33,333
2006/07	15.25	April 2008 to April 2016	**33,333**	33,333
2006/07	15.25	April 2009 to April 2016	**33,334**	33,334
2006/07	14.75	August 2007 to Aug 2016	**–**	63,333
2006/07	14.75	August 2008 to Aug 2016	**–**	63,333
2006/07	14.75	August 2009 to Aug 2016	**–**	63,334
2006/07	17.25	Dec 2007 to Dec 2016	**166,666**	166,666
2006/07	17.25	Dec 2008 to Dec 2016	**166,667**	166,667
2006/07	17.25	Dec 2009 to Dec 2016	**166,667**	166,667
2006/07	16.25	Dec 2007 to Dec 2016	**33,333**	33,333
2006/07	16.25	Dec 2008 to Dec 2016	**33,333**	33,333
2006/07	16.25	Dec 2009 to Dec 2016	**33,334**	33,334
2006/07	17.00	Jan 2008 to Jan 2017	**166,666**	166,666
2006/07	17.00	Jan 2009 to Jan 2017	**166,667**	166,667
2006/07	17.00	Jan 2010 to Jan 2017	**166,667**	166,667
2008/09	11.50	Feb 2010 to Feb 2019	**333,333**	333,333
2008/09	11.50	Feb 2011 to Feb 2019	**333,333**	333,333
2008/09	11.50	Feb 2011 to Feb 2019	**333,334**	333,334
2009/10	16.50	Dec 2011 to Dec 2019	**566,666**	566,667
2009/10	16.50	Dec 2011 to Dec 2019	**566,667**	566,667
2009/10	16.50	Dec 2011 to Dec 2019	**566,667**	566,667

During the year no share options were granted, 250,000 share options were exercised and 40,000 share options lapsed. 1,345,526 share options have been issued under the HMRC Enterprise Management Incentive Scheme, with the remaining 6,154,474 share options issued under the Company's Unapproved Share Option Scheme.

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

25. Contractual commitments

The Group has contractual commitments at 31 March 2012 amounting to £97,000 (2011: £289,000) which are expected to be expended over the next twelve months. This is in respect of the Group's investment in the UK Pension Property Portfolio LP.

26. Financial commitments

At 31 March 2012 the Group had total commitments under non-cancellable operating leases payable as follows:

	Land and buildings 2012 £'000	Land and buildings 2011 £'000
Total amounts due		
– within a year	**49**	57
– between one and five years inclusive	**122**	172
– over five years	**–**	–
	172	**229**

The liability relates to two operating leases for the offices in London and Warsaw. The Company had no commitments under non-cancellable operation leases expiring within one year at 31 March 2012 (2011: nil).

27. Financial instruments and risk management

The Group and Company's financial instruments comprise or have comprised cash and liquid resources, including trade receivables, trade payables and short term deposits derived from its operations. The primary objective of these financial instruments is to finance the Group and Company's operations.

Objective, policies and strategies

The main areas of the Group's exposure are interest rate risk, liquidity risk and foreign exchange and credit risk. The Group's policy does not permit entering into speculative trading of financial instruments and this policy has continued to be applied throughout the year.

Interest rate risk

The Group is exposed to interest rate risk on its short term cash balances, deposits and also its bank borrowings.

The Group regularly reviews market rates of interest to ensure that beneficial rates are secured on its cash and short-term deposits, so that maximum returns are being achieved.

The Group policy is to consider on a case by case basis whether or not to enter into interest rate swaps, options and forward rate agreements to manage interest rate exposures, in the event that long or short term finance is in place. Interest rate caps are utilised to mitigate this risk on both bank loans and finance leases if they are not a requirement of the borrowing agreement at the outset of the agreement.

Liquidity risk

The Group prepares monthly budgets, cash flow analyses and forecasts, which enable the Directors to assess the levels of borrowings, required in future periods. This detail is used to ensure that appropriate facilities are put in place to finance the future planned operations of the Group.

Budgets and projections will be used to assess any future potential investment and the Group will consider the existing level of funds held on deposit as part of the process to assess the nature and extent of any future funding requirement.

Market risk

Currency risk

The Group is exposed to currency risk through its overseas operations. Where possible overseas investment is financed in the local currency so that exposure to currency markets is limited. The Group regularly reviews the pertinent currency rates and calculates and reports the currency exposure on a monthly basis. Under the Group's foreign currency risk management policy hedging instruments can be used to hedge a proportion of specific items as specified in IAS 39.

The tables below show the extent to which the Group has residual assets and liabilities in currencies other than Sterling at the balance sheet date. Foreign exchange differences on translation of these assets and liabilities are taken to the foreign exchange translation reserve in the balance sheet.

	Net foreign currency monetary assets/liabilities			
Functional currency of operations	**Polish Zloty Poland £'000**	**US Dollar Poland £'000**	**Romanian Leu Romania £'000**	**Total £'000**
2012				
Sterling Equivalent	**3,352**	**1,548**	**246**	**5,146**
2011				
Sterling Equivalent	3,941	786	56	4,783

All UK Group companies use Sterling as their functional currency. Ross Sp. z o.o. has the US Dollar as its functional currency and all other Polish Group companies use the Polish Zloty. First Property Asset Management (Romania) S.R.L. uses the Romanian New Leu as its functional currency.

Sensitivity analysis

The following table illustrates the effect on the income statement and items that are recognised directly in equity that would result from possible movements in interest rates and foreign exchange rates before the effect of tax.

	2012 Income statement £'000	2012 Equity £'000
Interest rate sensitivity analysis		
UK interest rate + 1%	**71**	**71**
EURO interest rate + 1%	**(25)**	**(25)**
US Dollar interest rate + 1%	**(66)**	**(66)**
RON interest rate + 1%	**2**	**2**
PLN interest rate + 1%	**22**	**22**
Foreign currency sensitivity analysis		
EURO exchange rate +10%	**50**	**93**
US Dollar exchange rate +10%	**40**	**77**
RON exchange rate +10%	**11**	**12**
PLN exchange rate +10%	**140**	**167**

The interest rate sensitivity analysis has been determined based on the exposure to interest rates for cash, bank loans and finance leases. The analysis is prepared assuming the amounts at the balance sheet date were outstanding for the whole year.

The foreign currency sensitivity analysis includes all foreign currency balance sheet items and adjusts their translation at the period end for a 10% change in foreign currency rates.

Credit Risk

The Group's main principal financial assets are bank deposits, bank current account balances, and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. It is the policy of the Group to present the amount for trade and other receivables net of allowances for doubtful debts, estimated by the Group's management based on prior experience and making due allowance for the prevailing economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group uses a number of banks thereby spreading this exposure over a number of counterparties.

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2012 and 31 March 2011 was as follows:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Non-interest bearing £'000	Total £'000
Other receivables due after 1 year	–	–	–	–
Cash	3,782	–	–	3,782
Short term deposits	–	6,193	–	6,193
At 31 March 2012	**3,782**	**6,193**	**–**	**9,975**
Other receivables due after 1 year	–	–	–	–
Cash	2,697	–	–	2,697
Short term deposits	–	2,744	–	2,744
At 31 March 2011	2,697	2,744	–	5,441

The fair value of the financial assets is considered to be their book value.

Floating rate financial assets earn interest at floating rates based on LIBOR.

Fixed rate short term deposits at 31 March 2012 were £6,193,000 (31 March 2011: £2,744,000).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2012 and 31 March 2011 was as follows:

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Non-interest bearing £'000	Total £'000
Bank loans	9,518	–	–	9,518
Finance lease obligations	11,079	3,125	–	14,204
Other financial liabilities	–	–	1,196	1,196
At 31 March 2012	**20,597**	**3,125**	**1,196**	**24,918**
Bank loans	6,617	–	–	6,617
Finance lease obligations	12,242	3,320	–	15,562
Other financial liabilities	–	–	1,267	1,267
At 31 March 2011	18,859	3,320	1,267	23,446

The Group's debt maturity other than short term trade creditors and accruals at 31 March 2012 and 31 March 2011 was as follows:

	Bank loans £'000	Finance lease £'000	Other financial liabilities £'000	Total £'000
In one year or less	123	485	–	608
Between one and five years	9,395	2,181	–	11,576
Over five years	–	11,538	1,196	12,734
Total at 31 March 2012	9,518	14,204	1,196	24,918
In one year or less	1	499	–	500
Between one and five years	188	2,135	–	2,323
Over five years	6,428	12,928	1,267	15,063
Total at 31 March 2011	6,617	15,562	1,267	23,446

Loans repayable by FOP to third party shareholders are repayable in August 2020.

Bank loans and finance leases totalling £23,722,000 (2011: £22,179,000) included within financial liabilities are secured against investment properties owned by Fprop Opportunities plc ("FOP") and properties owned by the Group shown under inventories.

There are two foreign currency bank loans. The first of these two is for a sum of £6,639,000 (2011: £6,617,000), is included under non-current financial liabilities and is secured against the Blue Tower office block owned by the Group. It is non-recourse and is denominated in US Dollars. Capital repayments commence in November 2013 at the rate of US$17,675 per month until its maturity in November 2015. Interest payments are charged at an annualised rate of one month US$ Libor plus a margin of 2.15%.

The second bank loan is for a sum of £2,879,000 (2011: nil) is partly included under current liabilities and partly under non-current liabilities and is secured against the Krasnystaw shopping centre owned by FOP. It is non-recourse and is denominated in Euros. The loan was drawn by FOP in June 2011. Capital repayments are made on a quarterly basis at the rate of approximately €30,000 per quarter until its maturity in 2014. Interest payments are fixed for 30% of the loan at an annualised rate of 2.4% plus a margin of 2.8% and for the remaining 70%, charged at an annualised rate of three month Euribor plus a margin of 2.8%.

The finance lease outstanding is for £14,204,000 (2011: £15,562,000) is included partly under current liabilities and partly under non-current liabilities and is secured against the Lodz hypermarket owned by FOP. It is non-recourse and is denominated in Euros. Capital repayments are made on a monthly basis at a rate of approximately €45,000 per month until its maturity in 2017. The monthly interest rate payable is fixed at an annualised rate of 3.58% until October 2013 when it reverts to a floating rate based on an annualised rate of three month Euribor plus an all in margin of 2.68%. Interest rate caps are in place with effect from October 2013 until maturity.

Borrowing facilities

At 31 March 2012 the Group had £nil committed borrowing facilities available (31 March 2011: nil undrawn).

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

28. Related party transactions

First Property Group plc is the parent Company of the Group and the ultimate controlling party. Although the parent Company does not trade it does incur the costs of the Board of Directors and other unallocated central costs. The parent Company also provides finance for funding to member companies of the Group on an unsecured basis. No provision has been charged to income for outstanding balances between the parent Company, its subsidiaries and its associates; and no guarantees given.

During the year, Group companies entered into the following transactions with the parent Company, its subsidiaries and its associates.

Related party transactions for the Group

	2012 £'000	2011 £'000
Property management fees to associates	**180**	150
Funding transactions with associates	**–**	–
Amounts owed by associates at year-end	**19**	21

Related party transactions for the Company

	£'000	£'000
Management charge to subsidiaries	**200**	10
Dividends received from subsidiaries during the year	**2,346**	3,728
Net funding transactions with subsidiaries	**(637)**	5,256
Shareholder loan interest from subsidiaries receivable during the year	**135**	186
Shareholder loan interest payable to subsidiaries during the year	**46**	49
Amounts owed by subsidiaries at year-end	**9,877**	11,187
Amounts owed to subsidiaries at year-end	**3,017**	3,089
Amounts owed by associates at year-end	**–**	–

Key management compensation

	£'000	£'000
Short term employee benefits (see note 8)	**1,221**	875

Key managers are the Group Directors.

All transactions were made in the ordinary course of trading or funding of the Group's continuing activities.

All loans made by the Company to UK subsidiary companies totalling £9,521,000 (2011: £10,701,000) are unsecured and interest free. All loans made by the Company to non-UK subsidiaries totalling £356,000 (2011: £486,000) are unsecured but interest bearing at commercial rates of interest.

Five Year Financial Summary

Five year financial summary

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Continuing operations					
Profit before tax	**3,969**	2,950	2,610	3,862	6,285
Performance fees	**–**	–	–	589	5,650
Basic earnings per share	**2.88p**	2.02p	2.00p	2.81p	4.04p
Dividend per share	**1.08p**	1.06p	1.03p	1.00p	0.80p
Dividend cover	**2.7**	1.9	1.9	2.8	5.1
Net (borrowings)/cash	**(13,747)**	(16,738)	3,133	2,696	6,169
Net cashflow from operating activities	**4,166**	3,154	816	(2,274)	5,122
Net assets (excluding non-controlling interest)	**17,087**	16,377	15,403	13,478	11,986

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the "**Meeting**") of FIRST PROPERTY GROUP PLC (the "**Company**") will be held at Cavalry and Guards Club, 127 Piccadilly, London, W1J 7PX on 14 September 2012 at noon for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following resolutions, each of which will be proposed as an Ordinary Resolution:

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2012.
2. To declare and approve a final dividend of 0.75 pence per ordinary share of 1 pence each ("**Ordinary Share**") which makes a total dividend of 1.08 pence per ordinary share of 1 pence each for the year.
3. To re-appoint George Digby as a Director who retires in accordance with Article 97 of the Company's Articles of Association ("**Articles**") and is entitled to be re-appointed in accordance with Article 97 of the Articles.
4. To re-appoint HW Chartered Accountants as Auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next General Meeting of the Company at which accounts are laid.
5. To authorise the Directors to determine the remuneration of the Auditors.

Special Business

To consider and, if thought fit, pass the following resolution, which will be proposed as an Ordinary Resolution.

6. That the Directors be and are hereby generally and unconditionally authorised and empowered pursuant to and in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares and/or grant rights to subscribe for or to convert any security into shares ("**Rights**") up to an aggregate nominal amount of £370,291 being 33.33 per cent of the issued share capital of the Company as at 9 July 2012, less shares in treasury, such authority to expire on the earlier of the next Annual General Meeting of the Company held after the date on which this resolution is passed and the date fifteen months after the passing of this resolution, save that the Company may at any time before such expiry make an offer or enter into an agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

   This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

To consider and, if thought fit, pass the following resolutions, each of which will be proposed as a Special Resolution:

7. That the Directors be and are hereby generally authorised in accordance with Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company either pursuant to the authority conferred by Resolution 6 above or by way of a sale of treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this authority shall be limited to:

   a. the allotment of equity securities in connection with an offer by the way of rights in favour of the holders of equity securities in proportion (as nearly as may be possible) to the respective number of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems in respect of overseas holders or otherwise; and

   b. the allotment of equity securities or sale by the Company of treasury shares (otherwise than pursuant to Resolution 7 (a)) up to a maximum aggregate nominal amount of £55,549,

   and this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed and the date fifteen months after the passing of this resolution save that the Company may make an offer or enter into an agreement before such expiry which would or might reacquire equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

   This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of equity securities already made, offered or agreed to be made pursuant to such authorities.

8. That in accordance with Article 57 of the Articles and Chapter 4 of Part 18 of the Act and subject to the following provisions of this resolution, the Company be and is hereby generally and unconditionally authorised (pursuant to Section 701 of the Act) to make market purchases (within the meaning of section 693(4) of the Act) of any of its own Ordinary Shares on such terms and in such manner as the Directors may from time to time determine provided that:-

   a. the maximum number of Ordinary Shares authorised to be acquired is 11,109,858 (representing just under 10 per cent of the Company's issued ordinary share capital as at 9 July 2012);

   b. the minimum price which may be paid for each Ordinary Share is 1 pence (exclusive of expenses);

c. unless a tender or partial offer is made to all holders of the Ordinary Shares on the same terms, the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is, in respect of a share contracted to be purchased on any day, to be not more than 5 per cent above the average of the middle market quotation of an Ordinary Share of the Company taken from the Daily Official List of London Stock Exchange plc for the five business days immediately preceding the day on which the contract of purchase is made;

d. the Company may enter into one or more contracts to purchase Ordinary Shares under this authority before this authority expires which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts;

e. this authority will (unless renewed, varied or revoked) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, on the date twelve months from the date of passing this resolution.

9. That the following sales of treasury shares by the Company be and are hereby ratified and approved:

a. the sale of 25,974 Ordinary Shares to Peter Moon on 2 February 2011;

b. the sale of 23,310 Ordinary Shares to Peter Moon on 1 September 2011;

c. the sale of 28,769 Ordinary Shares to Peter Moon on 2 February 2012.

Date 20 July 2012

By Order of the Board

George R W Digby
Company Secretary

Registered Office:
35 Old Queen Street
London
SW1H 9JA

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specified that only those members registered on the Company's register of members by:
   - 6.00 pm on 12 September 2012 or,
   - if this is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. Failure to specify the number of shares to which each proxy appointment relates or specifying more shares than the number of shares held by you at the time set out in note 1 above will result in the proxy appointments being invalid.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
   - received by Capita Registrars Limited no later than 48 hours before the meeting.

   CREST members should use the CREST electronic proxy appointment service and refer to note 8 below in relation to the submission of a proxy appointment via CREST.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

   In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the Meeting or adjourned meeting together (except in the case of appointments made electronically through CREST) with any authority (or notarially certified copy of such authority) under which it is signed.

Appointment of proxies through CREST

8. As an alternative to completing the hardcopy proxy form, CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from http://www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA 10) by not later than 48 hours prior to the time appointed for the Meeting or adjourned meeting. For this purpose, the time of the receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such actions as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

    Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by Capita Registrars Limited not less than 48 hours before the time for holding the Meeting or adjourned meeting.

    If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

    Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Notes to the Notice of Annual General Meeting (continued)

Corporate representatives

12. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights.

13. As at midday on 9 July 2012, the Company's issued share capital comprised 111,098,580 ordinary shares of 1 pence each and 3,752,535 treasury shares. Each ordinary share (except the treasury shares) carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at midday on 9 July 2012 is 111,098,580.

Nominated persons

14. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("**Nominated Person**"):
    - You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("**Relevant Member**") to be appointed or to have someone else appointed as a proxy for the Meeting.
    - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
    - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

Communication

15. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
    - calling the Capita Registrars shareholder helpline on 0871 664 0300 or, if calling from outside the UK on +44 208 639 3399 (calls cost 10 pence per minute plus network extras). The helpline is available between the hours of 9.00am and 5.30pm Monday to Friday excluding public holidays;

      or
    - First Property Group plc on 0207 340 0270 available 24 hours a day, seven days a week.

    You may not use any electronic address provided either:
    - in this notice of Annual Meeting; or
    - any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

Resolution 9 – retrospective ratification of transfer of treasury shares

16. As previously disclosed, under the terms of his appointment letter Peter Moon receives 40% of his emoluments (£10,000 is the relevant annual value) in Ordinary Shares. Accordingly, the Company sold Peter Moon a total of 78,053 treasury shares during the financial years ended 31 March 2011 and 31 March 2012 ("**Relevant Years**") as set out in Resolution 9.

    It has been brought to the Directors' attention that under the Companies Act 2006 shareholder approval of the sales of treasury shares to Peter Moon as if section 561(1) of the Companies Act 2006 did not apply should have been obtained prior to such sales.

    Consequently, the shareholders are being asked to ratify and approve the sales of treasury shares set out in Resolution 9 ("**Treasury Share Sales**").

    Peter Moon and any member connected with him will not be entitled to vote on Resolution 9 and the Company shall disregard any vote cast in respect of Resolution 9 by any such person.

    The Company confirms that the aggregate of the Treasury Share Sales and allotments of new Ordinary Shares pursuant to authorities granted to the Directors in respect of the Relevant Years did not exceed 5% of the Company's issued share capital in the respective Relevant Year.

Directors and Advisers

Directors
Alasdair J D Locke
(Non-Executive Chairman)

Benyamin N Habib
(Chief Executive)

George R W Digby
(Chief Financial Officer)

Peter G Moon
(Non-Executive Director)

Company Secretary
George R W Digby

Registered Office
35 Old Queen Street
London
SW1H 9JA
Registered No. 02967020

Website: www.fprop.com

Registered Auditors
HW, Chartered Accountants
Sterling House
19-23 High Street
Kidlington
Oxford
OX5 2DH

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers
Butterfield Private Bank
99 Gresham Street
London
EC2V 7NG

Lloyds TSB Bank
60 Grosvenor Street
London
W1K 3LF

Nominated Adviser & Broker
Arden Partners Plc
Arden House
Highfield Road
Edgbaston
Birmingham
B15 3DU

Legal Advisers
Mills & Reeve LLP
1 St James Court
Whitefriars
Norwich
NR3 1RU

Public Relations
Redleaf Polhill Ltd
11-33 St John Street
London
EC1M 4AA

Fprop plc

First Property Group plc

First Property Group plc
35 Old Queen Street
London
SW1H 9JA
Tel: +44 (0)20 7340 0270
Fax: +44 (0)20 7799 1876
www.fprop.com