# **FINAL RESULTS** 21 June 2011 - FINAL

Date: 21 June 2011
On behalf of: First Property Group plc ("First Property")
Embargoed: 0700hrs

**First Property Group plc**
**Preliminary Results for the twelve months to 31 March 2011**

First Property Group plc (AIM: FPO), the property fund management group, today announces its preliminary results for the 12 months ended 31 March 2011.

**Financial highlights:**

| | **Unaudited Year to 31 March 2011** | Audited Year to 31 March 2010 | Percentage change |
|---|---|---|---|
| **Profit before tax – continuing operations** | **£2.95m** | £2.61m | +13.0% |
| **Net assets** | **£16.57m** | £15.65m | +5.9% |
| **Diluted earnings per share (continuing operations)** | **1.90p** | 1.90p | - |
| **Total dividend** | **1.06p** | 1.03p | +2.9% |

**Profit before tax by segment:**

| | | | |
|---|---|---|---|
| **Profit before tax from property fund management (FPAM)** | **£2.74m** | £2.76m | -0.7% |
| **Profit before tax from Group Properties (incl FOP)** | **£1.24m** | £0.91m | +36.3% |
| | | | |
| **Assets under management** | **£366m** | £300m | +22.0% |

**Operational highlights:**

- New Pan-European fund, focused initially on Poland, Fprop Opportunities plc ("FOP"), established in October 2010, seeded by a £7 million cash investment by the Group.
- UK Fund 72% invested with £75.5 million under management.
- Plans afoot for a new UK fund.
- Retained ranking as the best performing fund manager versus both the Investment Property Databank (IPD) Central and Eastern European (CEE) and Polish Benchmarks, for the five years to 31 December 2010.
- Disposal of First Property Services Ltd, its 60% owned Mechanical & Electrical (M&E) contracting business, for £170,000.

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

*"The Group has navigated the credit crunch extremely well and our funds under management have performed well against a challenging backdrop for property investment. This performance is reflected in our being ranked by IPD as the best performing fund manager in CEE and in Poland for the five years to 31 December 2010.*

*The Group remains focused on growing its assets under management whilst maintaining its good performance track record. Raising new funds is not easy in this climate but we are in discussions with a number of parties in relation to investing in Fprop Opportunities plc and we hope to be in a position to report positive news in due course.*

*We have an excellent team of people in the UK and Poland. Our track record speaks for itself and we therefore look to the future with confidence."*

**A briefing and conference call for analysts will be held at 09:30hrs today at Redleaf Polhill, 11-33 St. John Street, London, EC1M, 4AA. A conference call facility will also be available; for details please register at http://tinyurl.com/3zz7nju. A recorded copy of the call will subsequently be posted on the company website, www.fprop.com.**

**For further information please contact:**

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**Notes to investors and editors**

First Property Group plc is a property fund manager with operations in the United Kingdom and Central Europe. The performance of its funds under management is ranked No.1 versus the Investment Property Databank (IPD) Central & Eastern European (CEE) Benchmark for the three, four and five years to 31 December 2008, 2009 and 2010 and No.1 versus the IPD Polish Benchmark for the four and five years to 31 December 2009 and 2010.

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.

## CHIEF EXECUTIVE'S STATEMENT

### Financial results

I am pleased to report final results for the 12 months ended 31 March 2011.

Revenue during the period grew by 10.0% on a continuing basis to £7.11 million (2010: £6.46 million), yielding a 13.0% increase in profit before taxation of £2.95 million (2010: £2.61 million).

Diluted earnings per ordinary share from continuing operations remained static at 1.90 pence (2010: 1.90 pence).

The Group ended the period with net assets of £16.57 million (2010: £15.65 million) and a cash balance of £5.44 million (2010: £10.1 million), of which £1.9 million is held within Fprop Opportunities plc, which is 84.1% owned by the Group.

### Dividend

The Directors have resolved to recommend an increased final dividend of 0.74 pence, which together with the interim dividend of 0.32 pence equates to a dividend for the year of 1.06 pence (2010: 1.03 pence). The final dividend, if approved, will be paid on 23 September 2011 to shareholders on the register at 26 August 2011.

### Review of operations

<u>Property fund management (First Property Asset Management Limited or FPAM)</u>

At 31 March 2011 assets under management had increased by £66 million to £366 million (2010: £300 million). Of these, 22% were located in the UK (2010: 11%), 75% in Poland (2010: 85%) and the remaining 3% in Romania (2010: 4%). We completed three sales in the period with a total value of £16.2 million and 14 purchases with a total value of £87.4 million amounting to a net gain of £71.2 million in assets under management which was partly offset by negative foreign exchange and revaluation differences of £5 million.

Revenue earned by this division grew by 2.1% to £3.97 million (2010: £3.89 million), generating an operating profit of £2.74 million (2010: £2.76 million). This represents 68.9% of Group profit before tax (2010: 75.3%) prior to the deduction of unallocated central overheads. Our management fee income is currently running at some £4.2 million per annum on an annualised basis.

The earnings of this division did not grow in line with the growth in assets under management for a number of reasons. First, the growth in assets under management was phased during the year and the fee income earned on the growth in assets under management was accordingly phased. Second, fee income, which is a function of the value of assets under management, was held back by weakness in the Euro during the year. The €/ £ exchange rate at the beginning and end of the year under review was € 1.12/ £1 and €1.13/ £1 respectively but the average €/£ rate for the year was some 5% weaker at 1.18 (2010: 1.13). The Euro is not the only foreign currency to which we have an exposure but the exposure we have is significant, with 78% of our assets denominated in Euros. Finally, the fee rate we levy on our UK fund is lower than the fee rate we levy on our other funds.

We currently manage six closed ended funds. A brief synopsis of the value of assets under management 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) | Aug 2004 | Rolling | Not subject to recent revaluation | Not subject to recent revaluation |
| Regional Property Trading Ltd (RPT) | Aug 2004 | 5 years to Aug 2009, extended to Aug 2012 | £8.1 million | 2.2% |
| 5th Property Trading Ltd (5PT) | Dec 2004 | 7 years to Dec 2011, extended to Dec 2014 | £9.5 million | 2.6% |
| USS Fprop Managed Property Portfolio LP | Aug 2005 | 10 years to Aug 2015 | £249.9 million | 68.2% |
| UK Pension Property Portfolio LP (UK PPP LP) | Feb 2010 | 7 years to Feb 2017 | £75.5 million | 20.6% |
| Fprop Opportunities plc (FOP) | Oct 2010 | 10 years to Oct 2020 | £23.3 million | 6.4% |
| **Total** | | | **£366.3 million** | **100%** |

UK PPP LP and FOP are both in investment phases.

UK PPP LP will, once fully invested, have some £106 million of assets under management. There is therefore capacity of £30 million for further purchases.

UK PPP LP is nearly 75% invested and we will therefore soon be taking steps to raise another fund targeting UK assets. The investment criteria for this new UK fund are likely to be very similar to those of UK PPP LP. We remain concerned about the macro-economic outlook for the UK but yields on commercial properties located outside central London can be attractive and the new fund will target recessionary resilient properties, ideally let in 2009 or later and being sold on high yields.

FOP has thus far made two investments, both of which are high yielding retail properties in Poland. The first was a hypermarket let to Carrefour in Lodz (a purchase price of €19.9 million), Poland's second largest city, and the second was a shopping centre in Krasnystaw (a purchase price of €5.3 million), a small town in the East of Poland.

We expect further growth in our assets under management this year. We do not plan to sell any properties during the year and we will be acquiring properties in the UK on behalf of UK PPP LP. We should also grow our assets under management in Poland as we raise new funds and invest these on behalf of FOP. In view of the above, and the fact that the properties acquired last year on behalf of these two funds will make a full year's contribution to earnings this year, we expect earnings from our fund management activities will also increase this year.

I am pleased to report that the Company has retained its ranking as the best performing fund manager versus both the Investment Property Databank (IPD) Central and Eastern Europe (CEE) and Polish Benchmarks over the period of our activities in Central and Eastern Europe, now for the five years ended 31 December 2010.

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.

Directly held properties:

| | **Purchase date** | **Purchase price** | **Bank loan** | **Valuation at 31 March 2011** | **Net rent** | **Contribution to pre-tax profit during the year** |
|---|---|---|---|---|---|---|
| Bacha St, Mokotow, Warsaw | Nov 2007 | PLN 11.7 million (£2.3 million) | Nil | PLN 12.8 million (£2.8 million) | £299,000 | £281,000 |
| Blue Tower, Central Business District, Warsaw | Dec 2008 | US$ 12.9 million (£8.5 million) | US$ 10.6 million (£6.6 million) | US$ 18.4 million (£11.5 million) | £745,000 | £498,000 |
| **Total** | | **£10.8 million** | **£6.6 million** | **£14.3 million (Net: £7.7 million)** | **£1.04 million** | **£779,000** |

Our directly held assets have performed very well for the Group throughout their period of ownership. Since acquiring these assets we have been able to increase rents as well as reduce costs.

The Blue Tower property in particular has proven to be a very profitable investment. During the year under review we significantly cut the costs of managing this property. The full benefit of these savings is not reflected in the above earnings figures and should accrue to the Group in the current year. There are further asset management gains which we expect to derive from this property, on which we hope to report in due course.

Investments in managed funds:

Revenue and earnings arising for the Group from our investments in the four funds is, for funds in which we do not have a controlling interest (being three out of the four funds), accounted for either on an associated or investment basis and for FOP, in which we currently have a controlling 84.1% shareholding, on a consolidated basis.

| **Fund** | **% owned by First Property Group** | **Book value of First Property's share in fund** | **First Property's share of pre-tax profits earned by fund** |
|---|---|---|---|
| 5th Property Trading Ltd (5PT) | 37.8% | £495,000 | £168,000 |
| Regional Property Trading Ltd (RPT) | 28.6% | £190,000 | £53,000 |
| UK Pension Property Portfolio LP (UK PPP LP) | 0.9% | £711,000 | £14,000 |
| Fprop Opportunities plc (FOP) | 84.1% | £7.0 million | £215,000 |
| **Total** | | **£8.4 million** | **£450,000** |

FOP's revenue and profit before tax consolidated in these accounts amounted to £907,000 and £256,000 respectively, whereas the Group's 84.14% share of these was £763,000 and £215,000 respectively. In line with the Group's policy to account for investment assets at the lower of cost or book value, we have excluded revaluation gains from these earnings figures. It is expected that the Group's majority shareholding in FOP will be diluted down to a minority shareholding over time as FOP grows and raises additional third party investment. Once the Group's interest is reduced to a minority, FOP will also be accounted for on an associated basis.

The earnings arising from investments made by the Group in UK PPP LP and FOP during the year under review do not represent a full year's worth of earnings. We therefore expect the earnings derived from these investments to rise this year. These earnings should also benefit from any further property purchases made by these funds during the current year.

**Discontinued activities - First Property Services Ltd (FPS) & Commercial Property Database (CPD)**

As announced during the year, we sold our 60% interest in First Property Services Ltd (FPS) for £170,000 on 17 March 2011 resulting in a profit on sale of £16,000. FPS made a post-tax loss during the period of £98,000 (2010: profit £137,000). Our share of this loss was £59,000 (2010: profit of £83,000). The carried value of our shareholding in FPS at the date of the sale was £154,000 (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.

In April 2010 the Group also disposed of Commercial Property Database Ltd for a nominal consideration. This subsidiary had been in runoff for several years and the sale price represented the book value of its assets and liabilities, with the consequence that there was no impact on the Group's year-end figures.

**UK head office relocation**

In November 2010 the London office of the Group relocated to Westminster where all UK staff are now based. The total cost of this relocation amounted to £33,000. This sum has been charged to the income statement as part of unallocated central overheads.

**Fund raising market outlook**

Our ability to raise funds is naturally crucial to our growth.

We are currently raising funds for FOP and anticipate raising funds for a new UK fund soon.

The fund raising market for blind pool funds, such as the type we have raised to date, is challenging. However our excellent track record should be of assistance in raising new funds. Investor appetite for Polish commercial real estate is growing again and we do have expressions of interest to invest in FOP. These discussions are not yet finalised but we hope to report positively on these efforts in due course.

**Commercial property markets outlook**

Poland:

Poland's GDP growth slowed in 2009 to a rate of 1.7% but it did not go into recession, making it the only member state of the 27 member European Union to escape recession that year. Poland's GDP growth accelerated to 3.8% in 2010. The IMF forecasts GDP growth of 3.8% again for 2011 with a number of other forecasters anticipating a figure in excess of 4%. Retail sales growth in Poland has continued its strong upwards trend with growth of 18.6% in the year to April 2011 and manufacturing output grew by 10.7% in the year to February 2011.

As a result of its strong economy and a relatively slow delivery of new properties to the market, the retail and office markets in Poland are beginning to experience rental growth again. Investor interest in Polish commercial property is also rising with some €1.73 billion of assets trading in 2010 (2009: €631 million).

The combined effect of a strong economy, rising rents and investor demand makes Poland an attractive jurisdiction in which to invest and we will continue to concentrate on Poland for FOP's future investments. In particular we will be targeting retail property where the increasing prosperity of the Polish consumer should be quickly reflected in rent increases.

United Kingdom:

Our view on the UK commercial property market is largely unchanged from this time last year. We remain cautious about the UK's economic outlook, and whilst its commercial property market has recovered significantly from the lows of 2009 these increases in value in many cases mask the economic pressure on occupants. In particular, prime central London properties have risen dramatically in value on the back of international investor demand and a perception that rents are and will continue to rise. We do not fully share this optimism. With prime yields at levels not seen since 2007, we fear that the prime end of the central London market is overheated.

With the exception of certain pockets of the UK, we expect occupier demand to remain subdued until the banking sector has recapitalised itself, the Government has reduced its budget deficit and the economy resumes sustained growth. We expect this will take many years.

Our focus in the UK therefore remains risk averse and on discount or mainstream retailers where rents have been established since 2009, or where the yield properly compensates for higher rents established in earlier years. We remain opportunistic in our asset selection but are naturally keener on properties which are let on long leases to tenants of strong credit worthiness.

**Current trading and prospects**

The Group has navigated the credit crunch extremely well and our funds under management have performed well against a challenging backdrop for property investment. This performance is reflected in our being ranked by IPD as the best performing fund manager in CEE and in Poland for the five years to 31 December 2010.

The Group remains focused on growing its assets under management whilst maintaining its good performance track record. Raising new funds is not easy in this climate but we are in discussions with a number of parties in relation to investing in Fprop Opportunities plc and we hope to be in a position to report positive news in due course.

We have an excellent team of people in the UK and Poland. Our track record speaks for itself and we therefore look to the future with confidence.

**Ben Habib**
**Chief Executive**

21 June 2011

## CONSOLIDATED INCOME STATEMENT
## for the year ended 31 March 2011

| Continuing operations | Notes | **Year ended 31 March 2011 (unaudited) Total results £'000** | Year ended 31 March 2010 (audited) Total results £'000 |
|---|---|---|---|
| **Revenue** | 2 | **7,110** | 6,461 |
| **Cost of sales** | | **(1,050)** | (1,333) |
| **Gross profit** | | **6,060** | 5,128 |
| Operating expenses | | **(2,852)** | (2,571) |
| **Operating profit** | | **3,208** | 2,557 |
| Share of results in associates | | **221** | 233 |
| Dividend income | | **14** | 9 |
| Interest income | | **109** | 134 |
| Interest expense | | **(602)** | (323) |
| **Profit on ordinary activities before taxation** | 3 | **2,950** | 2,610 |
| Tax expense | 4 | **(621)** | (436) |
| **Profit for the year from continuing operations** | | **2,329** | 2,174 |
| | | | |
| **Discontinued operations** | 5 | **(82)** | 137 |
| **Profit/(loss) for year from discontinued operations** | | | |
| **Continuing and discontinued operations** | | | |
| **Profit for the year** | | **2,247** | 2,311 |
| **Attributable to:** | | | |
| **Owners of the company** | | **2,178** | 2,243 |
| **Non-controlling interest** | | **69** | 68 |
| | | **2,247** | 2,311 |
| | | | |
| **Profit for the year from continuing operations attributable to:** | | | |
| **Owners of the company** | | **2,221** | 2,161 |
| **Non-controlling interest** | | **108** | 13 |
| | | **2,329** | 2,174 |
| **Profit/(loss) for the year from discontinued operations attributable to:** | | | |
| **Owners of the company** | 5 | **(43)** | 82 |
| **Non-controlling interest** | 5 | **(39)** | 55 |
| | | **(82)** | 137 |
| | | | |
| **Earnings per share** | | | |
| **Basic** | | | |
| **- from continuing operations** | 7 | **2.02p** | 2.00p |
| **- from discontinued operations** | 7 | **(0.04)p** | 0.07p |
| **- from continuing and discontinued operations** | 7 | **1.98p** | 2.07p |
| **Diluted** | | | |
| **-from continuing operations** | 7 | **1.90p** | 1.90p |
| **-from discontinued operations** | 7 | **(0.04)p** | 0.07p |
| **-from continuing and discontinued operations** | 7 | **1.86p** | 1.97p |

## CONSOLIDATED SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME for year ended 31 March 2011

| | Notes | **Year ended 31 March 2011 (unaudited) Total results** | Year ended 31 March 2010 (audited) Total results |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Profit for the year** | | **2,247** | 2,311 |
| **Other comprehensive income** | | | |
| Exchange differences on retranslation of foreign subsidiaries | | 171 | 681 |
| Taxation | | - | - |
| **Total comprehensive income for the year** | | **2,418** | 2,992 |
| **Total comprehensive income for the year attributable to:** | | | |
| **Owners of the company** | | **2,354** | 2,918 |
| **Non-controlling interests** | | **64** | 74 |
| | | **2,418** | 2,992 |

## CONSOLIDATED BALANCE SHEETS
## as at 31 March 2011

| | Notes | **As at 31 March 2011 (unaudited) £'000** | As at 31 March 2010 (audited) £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | **114** | 139 |
| Investment properties | 8 | **22,061** | - |
| Property, plant and equipment | | **79** | 107 |
| Interest in associates | 9 | **377** | 337 |
| Other financial assets | 9 | **711** | 99 |
| Other receivables | 11 | **473** | - |
| Deferred tax assets | | **199** | 142 |
| Total non - current Assets | | **24,014** | 824 |
| **Current assets** | | | |
| Inventories – land and buildings | 10 | **10,896** | 11,365 |
| Current tax assets | | **95** | - |
| Trade and other receivables | 11 | **1,660** | 2,902 |
| Cash and cash equivalents | | **5,441** | 10,126 |
| Total current assets | | **18,092** | 24,393 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **(1,859)** | (2,490) |
| Financial liabilities | 13 | **(500)** | (25) |
| Current tax liabilities | | **(39)** | (7) |
| Total current liabilities | | **(2,398)** | (2,522) |
| **Net current assets** | | **15,694** | 21,871 |
| **Total assets less current liabilities** | | **39,708** | 22,695 |
| **Non-current liabilities**: | | | |
| Financial liabilities | 13 | **(22,946)** | (7,029) |
| Deferred tax liabilities | | **(191)** | (12) |
| **Net assets** | | **16,571** | 15,654 |
| **Equity** | | | |
| Called up share capital | | **1,146** | 1,136 |
| Share premium | | **5,463** | 5,423 |
| Foreign Exchange Translation Reserve | | **678** | 844 |
| Share-based payment reserve | | **140** | 105 |
| Retained earnings | | **8,950** | 7,895 |
| Equity attributable to the owners of the company | | **16,377** | 15,403 |
| Non-controlling interest | | **194** | 251 |
| **Total equity** | | **16,571** | 15,654 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## for the year ended 31 March 2011

| Group | Share capital | Share premium | Share-based payment reserve | Foreign exchange translation reserve | Purchase of own shares | Retained earnings | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| 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/ purchase 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** |
| | | | | | | | | |
| At 1 April 2009 | 1,116 | 5,307 | 80 | 169 | (564) | 7,370 | 126 | **13,604** |
| Profit for the period | - | - | - | - | - | 2,311 | - | **2,311** |
| Issue of new shares | 20 | 116 | - | - | - | - | - | **136** |
| Movement on foreign exchange | - | - | - | 675 | - | - | 6 | **681** |
| Sale/ purchase of treasury shares | - | - | - | - | (61) | - | - | **(61)** |
| Issue of share options | - | - | 25 | - | - | - | - | **25** |
| Non-controlling interest on acquisition | - | - | - | - | - | - | 89 | **89** |
| Non-controlling interest | - | - | - | - | - | (68) | 68 | **-** |
| Dividends paid | - | - | - | - | - | (1,093) | (38) | **(1,131)** |
| **At 31 March 2010** | **1,136** | **5,423** | **105** | **844** | **(625)** | **8,520** | **251** | **15,654** |

## CONSOLIDATED CASH FLOW STATEMENTS
## for the year ended 31 March 2011

| | Notes | **2011**<br>**Group**<br>**£'000** | 2010<br>Group<br>£'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating profit | | **3,208** | 2,557 |
| Adjustments for: | | | |
| Depreciation of property, plant & equipment | | **28** | 26 |
| (Profit)/loss on sale of property, plant & equipment | | **-** | - |
| (Profit)/loss on sale of associates | | **(27)** | - |
| Released (profit) from sale to associate | 9 | **(26)** | - |
| Share based payments | | **35** | 25 |
| (Increase)/decrease in inventories | | **(171)** | (18) |
| (Increase)/decrease in trade and other receivables | | **483** | (513) |
| Increase/(decrease) in trade and other payables | | **671** | (843) |
| Other non-cash adjustments | | **-** | (42) |
| **Cash generated from operations** | | **4,201** | 1,192 |
| Taxes paid | | **(582)** | (524) |
| Net cash from/(used in) operating activities of continuing operations | | **3,619** | 668 |
| Net cash from/(used in) operating activities by discontinued activities | 6 | **(465)** | 148 |
| **Net cash flow from/(used in) operating activities** | | **3,154** | 816 |
| | | | |
| **Cash flow from/(used in) investing activities** | | | |
| Proceeds from sale of subsidiary company –discontinued activity | 5 | **20** | - |
| Cash and cash equivalents disposed on sale of subsidiary | 5 | **(110)** | - |
| Purchase of investments | | **(612)** | (99) |
| Proceeds from sale of associates | | **131** | - |
| Cash paid on acquisition of new subsidiary | | **-** | (260) |
| Cash and cash equivalents received on acquisition of new subsidiary | | **-** | 368 |
| Purchase of investment properties | | **(21,955)** | - |
| Purchase of property, plant & equipment | | **(75)** | (11) |
| Interest received | | **109** | 134 |
| Dividends from associates | | **103** | - |
| Dividends received | | **14** | 9 |
| Net cash from/(used in) investing activities of continuing operations | | **(22,375)** | 141 |
| Net cash from/(used in) investing activities by discontinued activities | 6 | **-** | (20) |
| **Net cash flow from/(used in) investing activities** | | **(22,375)** | 121 |
| | | | |
| **Cash flow from/(used in) financing activities** | | | |
| Proceeds from issue of shares | | **49** | 136 |
| Proceeds from shareholder loans in subsidiary | | **1,267** | - |
| Proceeds from finance lease | | **15,394** | - |
| Repayment of finance lease | | **(187)** | - |
| Sale/(Purchase) of shares held in Treasury | | **4** | (61) |
| Interest paid | | **(602)** | (323) |
| Dividends paid | | **(1,127)** | (1,093) |
| Dividends paid to non-controlling interest | | **(31)** | - |
| Net cash from/(used in) financing activities of continuing operations | | **14,767** | (1,341) |
| Net cash from/(used in) financing activities by discontinued activities | 6 | **(33)** | (62) |
| **Net cash flow from/(used in) financing activities** | | **14,734** | (1,403) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(4,487)** | (466) |
| **Cash and cash equivalents at the beginning of period** | | **10,126** | 10,096 |
| **Currency translation gains/losses on cash and cash equivalents** | | **(198)** | 496 |
| **Cash and cash equivalents at the end of the period** | | **5,441** | 10,126 |

## 1. Basis of preparation

- These preliminary financial statements have not been audited and are derived from the statutory accounts within the meaning of section 434 of the Companies Act 2006. They have been prepared in accordance with the Group's accounting policies that will be applied in the Group's annual financial statements for the year ended 31 March 2011. These are consistent with the policies applied for the year ended 31 March 2010. These accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted by the European Union (EU). Whilst the financial information included in this preliminary statement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to fully comply with IFRS. The comparative figures for the financial year ended 31 March 2010 are not the statutory accounts for the financial year but are derived from those accounts prepared under IFRS which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include references to any matter to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

- These preliminary financial statements were approved by the Board of Directors on 17 June 2011.

## 2. Revenue

Revenue from continuing operations consists of revenue arising in the United Kingdom 9% (2010: 6%) and Central and Eastern Europe 91% (2010: 94%), and all relates solely to the Group's principal activities. All revenue from discontinued activities relates to the UK, both in 2011 and 2010.

### 3. Segment reporting 2011

| | Property fund management | Group properties | Group fund properties "FOP" | Property facilities management ("FPS") | Other fees & income | Unallocated central overheads | **Total** |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | **£'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)** |
| Profit/(loss) before tax - existing operations | 2,735 | 759 | 256 | (120) | - | (1,021) | **2,609** |
| Less: Discontinued operations | - | - | - | 120 | - | - | **120** |
| -Share of results in associates | - | 221 | - | - | - | - | **221** |
| | **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 bonus | (91) | (15) | (12) | - | - | (368) | **(486)** |
| | | | | | | | |
| 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** |

**Segment Reporting 2010**

| | Property fund management | Group properties | Group fund properties ("FOP") | Property facilities management ("FPS") | Other fees & income | Unallocated central overheads | **Total** |
|---|---|---|---|---|---|---|---|
| External revenue - Existing operations | 3,888 | 1,710 | - | 3,863 | 59 | - | **9,520** |
| - Business acquisitions | - | 863 | - | - | - | - | **863** |
| - Discontinued operations | - | - | - | (3,863) | (59) | - | **(3,922)** |
| | **3,888** | **2,573** | **-** | **-** | **-** | - | **6,461** |
| Depreciation and amortisation | (14) | (3) | - | (34) | (2) | - | **(53)** |
| - Discontinued operations | - | - | - | 34 | 2 | - | **36** |
| Profit/(loss) before tax - Existing operations | 2,755 | 620 | - | 183 | 0 | (1,050) | **2,508** |
| Less: Discontinued operations | - | - | - | (183) | - | - | **(183)** |
| - business acquisitions | - | 52 | - | - | - | - | **52** |
| -Share of results in associates | - | 233 | - | - | - | - | **233** |
| | **2,755** | **905** | **-** | **-** | **-** | **(1,050)** | **2,610** |
| Analysed as: | | | | | | | |
| Before performance fees and related items: | 2,821 | 1,227 | - | - | - | (827) | **3,221** |
| Performance fees | - | - | - | - | - | - | **-** |
| Staff bonus | (66) | (19) | - | - | - | (346) | **(431)** |
| | | | | | | | |
| Assets -Group | 610 | 11,709 | - | 1,280 | 24 | 11,257 | **24,880** |
| Assets - associates | - | 671 | | - | - | (334) | **337** |
| Liabilities | (113) | (7,650) | - | (1,435) | (2) | (363) | **(9,563)** |
| Net assets | 497 | 4,730 | - | (155) | 22 | 10,560 | **15,654** |
| **Additions to non-current assets** | | | | | | | |
| Property, plant and equipment | 21 | 2 | - | 38 | - | - | **61** |
| Goodwill | - | 114 | - | - | - | - | **114** |
| Interest in associates | - | 233 | - | - | - | - | **233** |

A new segment has arisen this year with the launch of the new pan European fund, Fprop Opportunities plc (''FOP') in October 2010. The group owns 84.2% of this fund through seed capital with the intention of raising further third party investment from co-investees, thereby diluting its stake to associate status. Management have concluded that it does not suit the criteria for existing segments and that for purposes of transparency and clarity it should be reported as a separate segment.

Interest income is not allocated to a separate segment because all cash is managed centrally and is netted off against unallocated central overheads. Head office costs and overheads that are common to all segments are shown separately under unallocated central overheads. Assets, liabilities and costs which relate to Group central activities have not been allocated to business segments.

The geographic location of non-current assets is UK £1,140,000 (2010: £463,000) and Poland £22,874,000 (2010: £361,000).

**4. Tax expense**

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

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 increased to 21.0% (2010:16.7%).

**5. 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.

**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.

**Year ended 31 March 2010**

The pre-tax profit during the year to 31 March 2010 was earned by operations discontinued during the year to 31 March 2011 and has been shown for comparative purposes.

| **Financial performance of discontinued operations** | **2011 £'000** | 2010 £'000 |
|---|---|---|
| **Trading performance of discontinued operations** | | |
| External revenue | **2,305** | 3,922 |
| Operating costs | **(2,435)** | (3,740) |
| **Operating profit** | **(130)** | 182 |
| Interest income | **1** | 4 |
| Interest expense | **(7)** | (8) |
| **(Loss)/profit before tax** | **(136)** | 178 |
| **Tax (expense)/credit** | **38** | (41) |
| **(Loss)/profit after tax** | **(98)** | 137 |
| **Non-controlling interest** | **39** | (55) |
| **(Loss)/profit attributable to owners of the parent** | **(59)** | 82 |

| | | |
|---|---|---|
| **Profit/(loss) for the year from discontinued operations** | | |
| Profit/(loss) after tax | **(98)** | 137 |
| Profit on disposal of discontinued operations | **16** | - |
| Tax on profit on disposal of discontinued operations | **-** | - |
| | **(82)** | 137 |

| **Net assets disposed and disposal proceeds of discontinued operations** | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Increase/(decrease) in retained liabilities | **-** | - |
| Cash and cash equivalents 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**

| | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Non-current assets | **63** | |
| Debtors | **955** | - |
| Cash | **110** | - |
| Current liabilities | **(854)** | - |
| Non-current liabilities | **(17)** | - |
| Non-controlling interest | **(103)** | - |
| | **154** | - |

### 6. Cash flow from discontinued operations for the year ended 31 March 2011

| | | **2011** | 2010 |
|---|---|---|---|
| | | **Group £'000** | Group £'000 |
| **Cash flows from operating activities (discontinued operations)** | Note | | |
| Operating profit /(loss) (discontinued operations) | 5 | **(130)** | 182 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | **32** | 34 |
| Profit/(loss) on sale of property, plant and equipment | | **(1)** | 2 |
| (Increase)/decrease in inventories | | **(23)** | 5 |
| (Increase)/decrease in trade and other receivables | | **254** | 742 |
| Increase/(decrease) in trade and other payables | | **(547)** | (551) |
| Cash generated from discontinued operations | | **(415)** | 414 |
| Total tax paid (discontinued operations) | | **(50)** | (266) |
| Net cash from/(used in) operating activities by discontinued operations | | **(465)** | 148 |
| **Cash flow from/(used in) investing activities (discontinued operations)** | | | |
| Proceeds on disposal of property, plant and equipment | | **7** | 14 |
| Purchase of property, plant and equipment | | **(8)** | (38) |
| Interest received | | **1** | 4 |
| Net cash from/(used in) operating activities by discontinued operations | | **-** | (20) |
| **Cash flow from/(used in) financing activities (discontinued operations)** | | | |
| Interest paid | | **(7)** | (8) |
| Repayment of finance lease | | **(26)** | (41) |
| Proceeds from finance lease | | **-** | 25 |
| Dividend paid to minority interest | | - | (38) |
| Net cash from/(used in) financing activities by discontinued operations | | **(33)** | (62) |

## 7. Earnings per share

| | **2011** | 2010 |
|---|---|---|
| Basic earnings per share – continuing operations | **2.02p** | 2.00p |
| Basic earnings per share – total continuing and discontinued operations | **1.98p** | 2.07p |
| Diluted earnings per share – continuing operations | **1.90p** | 1.90p |
| Diluted earnings per share – total continuing and discontinued operations | **1.86p** | 1.97p |

| | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Basic earnings – continuing operations | **2,221** | 2,161 |
| Basic earnings – total continuing and discontinued operations | **2,178** | 2,243 |
| Diluted earnings assuming full dilution – continuing operations | **2,238** | 2,173 |
| Diluted earnings assuming full dilution – total continuing and discontinued operations | **2,195** | 2,255 |

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

| | **2011 Number** | 2010 Number |
|---|---|---|
| Weighted average number of ordinary shares in issue (used for basic earnings per share calculation) | **109,890,897** | 108,144,226 |
| Number of share options assumed to be exercised | **7,790,000** | 5,950,000 |
| Total number of ordinary shares used in the diluted earnings per share calculation | **117,680,897** | 114,094,226 |

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

| Basic earnings per share | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Basic earnings – continuing operations | **2,221** | 2,161 |
| – discontinued operations (note 5) | **(43)** | 82 |
| Basic earnings – total continued and discontinued operations | **2,178** | 2,243 |

| Diluted earnings per share | **2011 £'000** | 2010 £'000 |
|---|---|---|
| Basic earnings – continuing operations | **2,221** | 2,161 |
| Notional interest on share options assumed to be exercised | **17** | 12 |
| Diluted earnings – continuing operations | **2,238** | 2,173 |
| – discontinued operations | **(43)** | 82 |
| Diluted earnings – total continued and discontinued operations | **2,195** | 2,255 |

### 8. 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 €26.35 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.

| | **2011** | 2010 |
|---|---|---|
| | **Group £'000** | Group £'000 |
| **Investment properties** | | |
| 1 April 2010 | **-** | - |
| Additions | **21,955** | - |
| Foreign exchange translation | **106** | - |
| 31 March 2011 | **22,061** | - |

### 9. Investments in associates and other financial assets

The Group has the following investments:

| | **2011** | 2010 |
|---|---|---|
| | **Group £'000** | Group £'000 |
| **a) Associates** | | |
| At 1 April | **337** | 104 |
| Release of profit withheld in sale to associate in 2007 | **26** | - |
| Disposals | **(104)** | - |
| Share of associates profit after tax | **221** | 233 |
| Dividends received | **(103)** | - |
| At 31 March | **377** | 337 |

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

| | **2011 Group £'000** | 2010 Group £'000 |
|---|---|---|
| **Investments in associates** | | |
| 5th Property Trading Ltd | **495** | 424 |
| Regional Property Trading Ltd | **190** | 247 |
| | **685** | 671 |
| Less: Share of profit after tax withheld on sale of property to associate in 2007 | **(308)** | (334) |
| | **377** | 337 |

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 £728,000 to £1,413,000.

| | **2011 Group £'000** | 2010 Group £'000 |
|---|---|---|
| **b) Other financial assets and investments** | | |
| At 1 April | **99** | 42 |
| Additions | **612** | 99 |
| Transfer to Group undertakings | **-** | (42) |
| Impairment charge | **-** | - |
| At 31 March | **711** | 99 |

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. In the directors' view the fair value has been estimated to be not materially different from cost. 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.

### 10. Inventories – land and buildings

| | **2011 Group £'000** | 2010 Group £'000 |
|---|---|---|
| Directly held Group properties | **10,896** | 11,365 |

### 11. Trade and other receivables

| | **2011 Group £'000** | 2010 Group £'000 |
|---|---|---|
| **Current assets** | | |
| Trade receivables | **1,059** | 986 |
| Amounts due from associates | **-** | 15 |
| Other receivables | **312** | 769 |
| Prepayments and accrued income | **289** | 1,132 |
| | **1,660** | 2,902 |
| **Non-current assets** | | |
| Other receivables | **473** | **-** |

### 12. Trade and other payables

| | **2011 Group £'000** | 2010 Group £'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | **831** | 1,258 |
| Other taxation and social security | **313** | 387 |
| Other payables and accruals | **698** | 785 |
| Deferred income | **17** | 60 |
| | **1,859** | 2,490 |

### 13. Financial liabilities

| | **2011 £'000** | 2010 £'000 |
|---|---|---|
| **Current liabilities** | | |
| Bank loan | **1** | - |
| Finance leases | **499** | 25 |
| | **500** | 25 |
| **Non – current liabilities** | | |
| Loans repayable by subsidiary (FOP) to third party shareholders | **1,267** | - |
| Bank loans | **6,616** | 6,993 |
| Finance leases | **15,063** | 36 |
| | **22,946** | 7,029 |

| | **2011 £'000** | 2010 £'000 |
|---|---|---|
| **Total obligations under bank loans and finance leases** | | |
| Repayable within one year | **500** | 25 |
| Repayable within one and five years | **2,323** | 36 |
| Repayable after five years | **20,623** | 6,993 |
| | **23,446** | 7,054 |

Bank loans and finance leases totalling £22,179,000 (2010: £7,054,000) 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 August 2020. A repayment of £125,000 was made in May 2011.

The final results are being circulated to all shareholders and can be downloaded from the Company's web site (www.fprop.com). Further copies can be obtained from the registered office at 35, Old Queen Street, London SW1 H9JA.