

FINAL RESULTS 5 June 2013 Final

Date: 5 June 2013
On Behalf of: First Property Group plc ("First Property", "the Company" or "the Group")
Embargoed: 0700hrs

First Property Group plc Preliminary Results for the twelve months to 31 March 2013

First Property Group plc (AIM: FPO), the commercial property fund management group, today announces its preliminary results for the 12 months ended 31 March 2013.

Financial highlights:

	Unaudited Year to 31 March 2013	Audited Year to 31 March 2012	Percentage change
Profit before tax	¹ £3.54m	² £3.97m	-10.8%
Diluted earnings per share	2.18p	2.73p	-20.1%
Total dividend	1.08p	1.08p	-

Profit before tax and central overheads by segment:

Property fund management (FPAM)	£2.84m	£3.07m	-7.5%
Group Properties (incl FOP)	£2.07m	£2.54m	-18.5%
Average €/£ rate used	1.226	1.161	-5.6%
Year-end €/£ rate used	1.183	1.200	+1.4%
Net assets	£18.54m	£17.36m	+6.8%
Cash Balances	£12.98m	£9.98m	+30.1%
Assets under management	£353m	£365m	-3.3%
Poland	71%	70%	
UK	26%	27%	
Romania	3%	3%	

Notes:

1. Impact of foreign currency translation on profit before tax: £228,000 decrease.
2. Profit before tax in 2012 benefitted from a one-off foreign currency exchange gain of £213,000.

Operational highlights:

- Assets under management reduced marginally during the year as a result of a reduction in values of properties managed, offset by £3.9 million foreign currency translation gains.
- There was one property acquired by funds managed by the Group for a total consideration of £4 million.
- There were no properties sold by the funds managed and one property sold by the Group for a total consideration of some PLN 11,950,000 (£2,309,000).
- Funds under management in Central and Eastern Europe once again rated by Investment Property Databank (IPD) as the best performing versus the IPD Central & Eastern European universe, now for the seven years to 31 December 2012.

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

“Last year was a year dominated by the turbulence created by the European sovereign debt crisis and the general weakness in the UK and European economies. Given this uncertainty we only made one property investment.

“The investment landscape has improved considerably since then and we are actively targeting new investment purchases both in the UK and Poland. We anticipate reporting on these as the current year unfolds.

“We are proud of the fact that within all this turbulence our funds have, once again, been ranked as the best performing versus the IPD Central & Eastern European universe, now for the seven year period to 31 December 2012.”

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A briefing and conference call for analysts will be held at 09.30hrs today at the Group's headquarters, 35 Old Queen Street, London, SW1H 9JA. A conference call facility will also be available on +44 (20) 3139 4830 (PIN number 33971633#). A recorded copy of the call will subsequently be posted on the Company website, www.fprop.com.

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Notes to investors and editors:

First Property Group plc is a co-investing direct commercial property fund manager with operations in the United Kingdom and Central Europe. Its business model is to:

- Raise third party funds to invest in income producing commercial property;
- Co-invest in these funds and thereby earn a return on its own capital invested;
- 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.

The investment performance of its funds under management in Poland and in Central Europe has again been ranked No.1 versus the Investment Property Databank (IPD) universe for Central & Eastern Europe (CEE), now for the seven years to 31 December 2012. The Group's performance had previously been ranked No.1 versus the IPD CEE universe over the three, four, five and six years to 31 December 2008, 2009, 2010 & 2011 respectively.

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CHIEF EXECUTIVE'S STATEMENT

Financial results

I am pleased to report final results for the twelve months ended 31 March 2013.

Revenue earned by the Group increased to £10.64 million (2012: £9.34 million) yielding a profit before tax of £3.54 million (2012: £3.97 million). The reduction in the Group's profit before tax can largely be attributed to a weaker Euro, which resulted in a reduction of £228,000 and the fact that the prior year's profit before tax included a one-off foreign exchange gain of £213,000. Diluted earnings per share were 2.18 pence (2012: 2.73 pence), a reduction of some 20%, even though the profit before tax only reduced by some 11%, because of an increased corporation tax charge for the year.

The Group ended the period with net assets of £18.54 million (2012: £17.36 million) and a cash balance of £12.98 million (2012: £9.98 million). Of this, £4.76 million (2012: £4.76 million) was held by Fprop Opportunities plc (84.1% owned by the Group at 31 March) and £642,000 (2012: £669,000) was held by Corp SA (68.3% owned by the Group), the property management company for Blue Tower in Warsaw.

Dividend

The Directors have resolved to recommend maintaining the final dividend at 0.75 pence (2012: 0.75 pence), which together with the interim dividend of 0.33 pence (2012: 0.33 pence) equates to a dividend for the year of 1.08 pence (2012: 1.08 pence). The final dividend, if approved, will be paid on 27 September 2013 to shareholders on the register at 30 August 2013.

Review of operations

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

As of 31 March 2013 aggregate assets under management were £353 million (2012: £365 million). Of these, 26% were located in the UK and 71% in Poland. There were no sales of properties made by funds under management and only one purchase of £4.0 million.

Revenue earned by this division reduced by 7.3% to £4.02 million (2012: £4.34 million), resulting in a profit before tax of £2.84 million (2012: £3.07 million). This represents 58% (2012: 55%) of Group profit before tax and unallocated central overheads. The decline in our fund management fee income of some £319,000 is primarily due to adverse movements in the foreign exchange rate from an average of €1.2260/£1 during the period compared to €1.161/£1 during the same period last year.

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We currently manage six closed-end 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	*	*
Regional Property Trading Ltd (RPT)	August 2004	5 years to August 2009, extended to August 2012 then August 2015	£7.3 m	2.1%
5 th Property Trading Ltd (5PT)	December 2004	7 years to December 2011, extended to December 2014	£9.1 m	2.6%
USS Fprop Managed Property Portfolio LP	August 2005	10 years to August 2015	£224.3 m	63.5%
UK Pension Property Portfolio LP (UK PPP)	February 2010	7 years to February 2017	£90.3 m	25.6%
Fprop Opportunities plc (FOP)	October 2010	10 years to October 2020	£22.0 m	6.2%
Total			£353.0 m	100%

* Not subject to recent revaluation

Our UK fund, UK PPP mainly targets retail warehousing and properties let to discount retailers, ideally where rents have been established post the onset of the credit crunch. Of the properties owned by the fund some 42% by value are retail warehousing, of which 60% by value are let to discount retailers and 40% by value are subject to leases renewed or entered into after 2009. The weighted average unexpired lease term of the properties owned by the fund is over 10 years and the vacancy level is only 0.6%. UK PPP is generating an un-gearred return on equity of 6.45% per annum for its investors and is nearly fully invested. We continue to seek to raise a new fund to mimic this investment strategy but the fund raising market remains difficult.

At 31 March 2013 Fprop Opportunities plc (FOP) held some £4.76 million of cash available for investment. Following the year-end FOP raised an additional £3.71 million, including a subscription by the Group of £2.0 million. As a result of this new fund raising the Group's interest in FOP has reduced to 76.2% from 84.1% last year. FOP is working on the acquisition of a number of new investments, on which we hope to report later in the year.

As shareholders will be aware, the USS Fprop Managed Property Portfolio, our largest fund under management, will expire in 2015. We have therefore begun to work on a resolution to that fund in advance of 2015 whilst protecting the overall fee income of First Property. We are confident that these plans and the investment of the Group's cash balances will go a long way towards mitigating any reduction in fee income.

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 seven years to 31 December 2012.

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Group Properties

Group Properties comprise a 28% interest in an office building, Blue Tower, located in Warsaw's central business district and shareholdings in four of the six funds managed by FPAM (as set out in the table below). Our interests in these funds are accounted for, in the case of UK PPP as "dividend income", in the cases of 5th Property Trading Ltd and Regional Property Trading Ltd as "shares in associates", and in the case of Fprop Opportunities plc (FOP), on a consolidated basis because of the Group's majority shareholding. It is the Group's policy to carry its investments at the lower of book or market value for accounting purposes.

Our interest in the Blue Tower building was acquired by the Group in December 2008 for £8.3 million (USD12.9 million) and is now valued at some £12.85 million (USD19.5 million). The investment contributed £962,000 to pre-tax profit during the year to 31 March 2013, representing a return on equity invested of 48% over the year. Our investment in this property has proven to be an excellent one and it is our intention to acquire a greater interest in the building if the opportunity should arise.

Co-investments in FPAM managed funds at the year-end:

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	Return on equity invested ¹
Investments					
UK Pension Property Portfolio LP (UK PPP)	0.9%	£856,000	£856,000	£58,000 ²	6.4%
Other quoted investment	N/A	£36,000	£36,000	N/A	N/A
Interest in associates					
5 th Property Trading Ltd (5PT)	37.8%	£686,000	£1,203,000	£104,000	8.5%
Regional Property Trading Ltd (RPT)	28.6%	£237,000	£273,000	£41,000	15.6%
Share of results in associates				£145,000	
Consolidated undertaking					
Fprop Opportunities plc (FOP)	84.1%	£6.27 m	£8.69 m	£840,000 ³	12.1%
Total		£8.09 m	£11.06 m	£1.04m	N/A

¹pre-tax income return divided by the amount of equity invested

²represents dividend received

³after non-controlling interest

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Revenue from Group Properties, including FOP, was £4.3 million (2012: £5.0 million), excluding the sale proceeds of £2.3 million from the sale of Bacha, resulting in a profit before central overhead costs of £2.1 million, representing 42% of Group profit before central overhead costs. The reduction in revenue was largely attributable to the sale of the Bacha property in September 2012 and the adverse effect of the average foreign exchange rate during the year.

The results of FOP, of which 84.1% was owned by the Group at the year-end, are consolidated in these accounts. FOP's revenue and profit before tax for the year to 31 March 2013 amounted to £2.1 million (2012: £2.33 million) and £1.0 million (2012: £1.22 million) respectively, whereas the Group's 84.1% share of these amounted to £1.77 million (2012: £1.96 million) and £0.84 million (2012: £1.03 million) respectively. Profit before tax from FOP for the year ended 31 March 2012 benefited from a one-off realised foreign exchange gain of £213,000. Since the year-end the Group has invested a further £2.0 million in FOP. The net effect of this new subscription, which was part of £3.71 million of new equity raised by FOP, is to reduce the Group's majority shareholding from 84.1% to 76.2%.

Our shareholdings in our two other Polish funds, 5th Property Trading and Regional Property Trading, contributed £145,000 (2012: £182,000) 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 £58,000 (2012: £63,000) of dividend income to the Group and is accounted for as a separate line item in our Income Statement.

Fund raising

The market for fund raising remains challenging. However, as reported in the review of our fund management activities, we raised an additional £3.71 million for FOP since the year-end. FOP now has £8.5 million of equity available to it for new investments. We expect to raise additional funds for FOP once we have invested the majority of its equity.

In the UK we are seeking investors interested in our UK PPP investment strategy, described above and which is delivering a return on equity to investors of 6.45% per annum based on funds invested.

Commercial property markets outlook

The euro zone economies remain weak even though capital markets have recovered and investment appetite seems to be on an upswing. There is still a long way to go before government and consumer balance sheets are repaired and we therefore expect continued economic weakness and low interest rates for the foreseeable future.

Poland:

Poland's growth in GDP in 2012 was some 2%, down from 4.3% in 2011. GDP growth is expected to slow further in the current year to 1.2% before picking up again in 2014 to 2.2%. Even so, such a GDP growth rate would still leave Poland close to, if not at, the top of EU member countries. Interest rates in Poland are also 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.

Turnover in the Polish commercial property investment market in 2012 was €2.6 billion versus a low of €600 million in 2009 and a previous high in 2006 of €5.2 billion. It would appear that investor appetite for Polish property has therefore increased but the bulk of this turnover is made up by large property transactions. Investors continue to target prime investment property and the gap between prime and secondary property remains large.

United Kingdom:

The UK's growth in GDP in 2012 was better than expected at 0.2%. There was widespread speculation of a triple dip recession but GDP growth in the first quarter of 2013 came in at 0.3%.

Turnover in the UK commercial property investment market in 2012 was £40.8 billion versus £37.8 billion in 2011. Of this, £22.8 billion comprised investments in Central London. The gap between Central London and the rest of the UK remains large, with property values in London rising by about 7.3% but otherwise generally declining by some 3.6% in 2012. It would appear that investors are beginning to look outside London to seek higher returns and a number of commentators are expecting a pickup in values of regional property later this year.

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Current Trading and Prospects

Last year was a year dominated by the turbulence created by the European sovereign debt crisis and the general weakness in the UK and European economies. Given this uncertainty we only made one property investment.

The investment landscape has improved considerably since then and we are actively targeting new investment purchases both in the UK and Poland. We anticipate reporting on these as the current year unfolds.

We are proud of the fact that within all this turbulence our funds have, once again, been ranked as the best performing versus the IPD Central & Eastern European universe, now for the seven year period to 31 December 2012.

Ben Habib
Chief Executive

5 June 2013

CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2013

	Notes	Year ended 31 March 2013 (unaudited) Total results £'000	Year ended 31 March 2012 (audited) Total results £'000
Continuing operations			
Revenue	2	10,636	9,342
Cost of sales		(3,244)	(1,308)
Gross profit		7,392	8,034
Operating expenses		(3,421)	(3,604)
Operating profit		3,971	4,430
Share of results in associates		145	182
Dividend income		64	63
Interest income		182	131
Interest expense		(819)	(837)
Profit on ordinary activities before taxation	3	3,543	3,969
Tax expense	4	(762)	(527)
Profit for the year from continuing operations		2,781	3,442
Continuing operations			
Profit for the year		2,781	3,442
Attributable to:			
Owners of the parent		2,568	3,196
Non-controlling interest		213	246
		2,781	3,442
Earnings per share			
Basic			
-from continuing operations	5	2.31p	2.88p
Diluted			
-from continuing operations	5	2.18p	2.73p

**CONSOLIDATED SEPARATE STATEMENT OF
OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2013**

	Year ended 31 March 2013 (unaudited)	Year ended 31 March 2012 (audited)
	Total results	Total results
	£'000	£'000
Profit for the year	2,781	3,442
Other comprehensive income		
Exchange differences on retranslation of foreign subsidiaries	(291)	(1,531)
Revaluation of available-for-sale financial assets	(51)	-
Taxation	-	-
Total comprehensive income for the year	2,439	1,911
Total comprehensive income for the year attributable to:		
Owners of the parent	2,237	1,803
Non-controlling interests	202	108
	2,439	1,911

CONSOLIDATED BALANCE SHEETS
As at 31 March 2013

	Notes	As at 31 March 2013 (unaudited) £'000	As at 31 March 2012 (audited) £'000
Non-current assets			
Goodwill		114	114
Investment properties	6	20,349	20,161
Property, plant and equipment		36	67
Interest in associates	7(a)	615	499
Other financial assets	7(b)	892	903
Other receivables	9	436	432
Deferred tax assets		173	259
Total non-current assets		22,615	22,435
Current assets			
Inventories – land and buildings	8	8,591	10,714
Current tax assets		38	53
Trade and other receivables	9	1,212	1,256
Cash and cash equivalents		12,979	9,975
Total current assets		22,820	21,998
Current liabilities			
Trade and other payables	10	(2,011)	(2,160)
Financial liabilities	11	(637)	(608)
Current tax liabilities		-	-
Total current liabilities		(2,648)	(2,768)
Net current assets		20,172	19,230
Total assets less current liabilities		42,787	41,665
Non-current liabilities:			
Financial liabilities	11	(24,244)	(24,310)
Net assets		18,543	17,355
Equity			
Called up share capital		1,149	1,149
Share premium		5,492	5,491
Foreign exchange translation reserve		(995)	(715)
Revaluation reserve		(51)	-
Share-based payment reserve		203	195
Retained earnings		12,344	10,967
Equity attributable to the owners of the parent		18,142	17,087
Non-controlling interest		401	268
Total equity		18,543	17,355

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2013

Group	Share capital	Share premium	Share-based payment reserve	Foreign exchange translation reserve	Purchase of own shares	Investment revaluation reserve	Retained earnings	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	1,149	5,491	195	(715)	(612)	-	11,579	268	17,355
Profit for the period	-	-	-	-	-	-	2,781	-	2,781
Decrease in fair value of available for sale financial assets	-	-	-	-	-	(51)	-	-	(51)
Issue of new shares	-	-	-	-	-	-	-	-	-
Movement on foreign exchange	-	-	-	(280)	-	-	-	(11)	(291)
Sale of treasury shares	-	1	-	-	9	-	-	-	10
Issue of share options	-	-	8	-	-	-	-	-	8
Non-controlling interest	-	-	-	-	-	-	(213)	213	-
Dividends paid	-	-	-	-	-	-	(1,200)	(69)	(1,269)
At 31 March 2013	1,149	5,492	203	(995)	(603)	(51)	12,947	401	18,543
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

CONSOLIDATED CASH FLOW STATEMENTS
for the year ended 31 March 2013

	Notes	2013 Group £'000	2012 Group £'000
Cash flows from operating activities			
Operating profit		3,971	4,430
Adjustments for:			
Depreciation of property, plant & equipment		41	41
(Profit)/loss on sale of property, plant & equipment		-	(3)
Share based payments		8	55
Decrease/(increase) in inventories		2,152	(113)
Decrease in trade and other receivables		47	256
(Decrease)/increase in trade and other payables		(160)	291
Other non-cash adjustments		-	-
Cash generated from operations		6,059	4,957
Taxes paid		(619)	(791)
Net cash flow from operating activities		5,440	4,166
Cash flow from/(used in) investing activities			
Purchase of investments	7	(40)	(192)
Proceeds from sale of property, plant & equipment		1	3
Purchase of investment properties		6	-
Purchase of property, plant & equipment		(10)	(33)
Interest received		182	131
Dividends from associates	7	29	60
Dividends received		64	63
Net cash flow from investing activities		232	32
Cash flow (used in)/from financing activities			
Proceeds from issue of shares		1	31
Repayment of shareholder loan in subsidiary		(66)	(71)
Proceeds from bank loan		-	3,197
Repayment of bank loan		(95)	(64)
Repayment of finance lease		(454)	(447)
Sale of shares held in Treasury		9	9
Interest paid		(819)	(837)
Dividends paid		(1,200)	(1,188)
Dividends paid to non-controlling interest		(69)	(34)
Net cash flow (used in)/from financing activities		(2,693)	596
Net increase in cash and cash equivalents		2,979	4,794
Cash and cash equivalents at the beginning of the year		9,975	5,441
Currency translation gains/(losses) on cash and cash equivalents		25	(260)
Cash and cash equivalents at the year-end		12,979	9,975

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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 2013. These are consistent with the policies applied for the year ended 31 March 2012. 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 2012 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 498 (2) or (3) of the Companies Act 2006.
- These preliminary financial statements were approved by the Board of Directors on 3 June 2013.

2. Revenue

Revenue from continuing operations consist of revenue arising in the United Kingdom 10% (2012: 10%) and Poland 90% (2012: 90%), and all relates solely to the Group's principal activities.

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3. Segment reporting 2013

	Property fund management	Group properties and other co-investments	Group fund properties "FOP"	Unallocated central overheads	Total
	£'000	£'000	£'000	£'000	£'000
External revenue					
– Sale of inventory	-	2,309	-	-	2,309
– Existing operations	4,022	2,167	2,138	-	8,327
Total	4,022	4,476	2,138	-	10,636
Depreciation and amortisation	(29)	(12)	-	-	(41)
Operating Profit – existing operations	2,841	1,024	1,564	(1,458)	3,971
Share of results in associates	-	145	-	-	145
Dividend income	-	64	-	-	64
Interest income	-	27	60	95	182
Interest payable	-	(198)	(621)	-	(819)
Profit/(loss) before tax	2,841	1,062	1,003	(1,363)	3,543
Analysed as:					
Before performance fees and related items	2,987	1,104	1,022	(795)	4,318
Performance fees	-	-	-	-	-
Staff incentives	(146)	(42)	(19)	(568)	(775)
Realised foreign currency gain	-	-	-	-	-
Total	2,841	1,062	1,003	(1,363)	3,543
Assets - Group	576	10,634	25,969	7,641	44,820
Assets-associates	-	923	-	(308)	615
Liabilities	(387)	(7,669)	(18,177)	(659)	(26,892)
Net assets	189	3,888	7,792	6,674	18,543
Additions to non-current assets					
Property, plant and equipment	7	3	-	-	10
Investment properties	-	-	6	-	6
Investments	-	40	-	-	40
Interest in associates	-	145	-	-	145

Segment reporting 2012

	Property fund management	Group properties and other co-investments	Group fund properties "FOP"	Unallocated central overheads	Total
	£'000	£'000	£'000	£'000	£'000
External revenue – Existing 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

Fprop Opportunities plc (FOP) a pan European fund was launched in October 2010. The Group owned 84.1% of this fund (as at 31 March 2013) through seed capital with the intention of raising further third party investment from co-investees, thereby diluting its stake to associate status. Management has 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 from the cash that is 100% controlled, 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 £1,526,000 (2012: £1,442,000) and Poland £20,480,000 (2012: £20,302,000).

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4. Tax expense

Analysis of tax charge for the year	2013 £'000	2012 £'000
Current tax	634	786
Deferred tax	128	(259)
Total tax charge for the year	762	527

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

The deferred tax charge has arisen partly as a result of the accelerated tax depreciation on the Blue Tower and the other properties, and partly due to the reversal of the deferred tax asset following the sale of the Bacha property. The deferred tax asset on the Bacha property has been created in respect of accrued interest on shareholder loans which was expected to be relieved against tax when they were repaid. However, there remain unused tax losses in relation to this property which are now unlikely to be utilised in the near future and therefore the directors have formed the view that the tax asset should be reversed.

There was insufficient taxable income earned in the UK with which to relieve operating costs incurred in the UK. This should have given rise to a deferred tax asset. However, the Group is not able to recognise this deferred tax asset in these accounts because the directors have formed the view that such a tax asset would be unlikely to be utilised in the near future.

As a result of the above the effective tax rate payable by the Group increased to 21% (2012: 13%).

5. Earnings per share

	2013	2012
Basic earnings per share	2.31p	2.88p
Diluted earnings per share	2.18p	2.73p
	£'000	£'000
Basic earnings	2,568	3,196
Diluted earnings assuming full dilution	2,592	3,212

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

	2013 Number	2012 Number
Weighted average number of ordinary shares in issue (used for basic earnings per share calculation)	111,119,031	111,056,118
Number of share options assumed to be exercised	7,500,000	6,500,000
Total number of ordinary shares used in the diluted earnings per share calculation	118,619,031	117,556,118

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

Basic earnings per share	2013 £'000	2012 £'000
Basic earnings	2,568	3,196
<hr/>		
Diluted earnings per share	2013 £'000	2012 £'000
Basic earnings	2,568	3,196
Notional interest on share options assumed to be exercised	24	16
Diluted earnings	2,592	3,212

6. Investment properties

Investment properties indirectly owned by the Group, via FOP are stated at cost. The properties were valued by CBRE at the Group's financial year-end at €26.10 million (2012: €26.60 million), the Sterling equivalent at closing foreign exchange rates being £22.10 million (2012: £22.20 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 should be higher than the carrying value.

	2013 Group £'000	2012 Group £'000
Investment properties		
At 1 April	20,161	22,061
<hr/>		
Additions	7	-
Foreign exchange translation	181	(1,900)
At 31 March	20,349	20,161

7. Investment in associates and other financial assets

The Group has the following investments:

	2013 Group £'000	2012 Group £'000
a) Associates		
At 1 April	499	377
Share of associates profit after tax	145	182
Dividends received	(29)	(60)
At 31 March	615	499

The Group's investments in associated companies 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:

2013	2012
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	Group £'000	Group £'000
Investments in associates		
5 th Property Trading Ltd	686	594
Regional Property Trading Ltd	237	213
	923	807
Less: Share of profit after tax withheld on sale of property to associate in 2007	(308)	(308)
	615	499

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 £861,000 (2012: £905,000) to £1,476,000 (2012: £1,404,000).

	2013 Group £'000	2012 Group £'000
b) Other financial assets and investments		
At 1 April	903	711
Additions	40	192
Decrease in fair value during the year	(51)	-
At 31 March	892	903

The Group holds two investments, one unlisted, the other listed. 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 the carrying value. 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 fund. Fair value for the listed investment has been derived from the quoted share price at the year-end.

The addition in investments is in respect of the Group's 0.9% interest in the UK Pension Property Portfolio L.P.

8. Inventories – land and buildings

	2013 Group £'000	2012 Group £'000
Directly held Group properties for resale at cost		
At 1 April	10,714	10,896
Additions	44	113
Disposals	(2,426)	-
Foreign exchange translation	259	(295)
At 31 March	8,591	10,714

The disposal refers to the sale of Bacha, a property located in Warsaw, Poland in September 2012. The remaining property, Blue Tower, also located in Warsaw, Poland has a fair value of £12.85 million at 31 March 2013 (2012: £12.30 million).

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9. Trade and other receivables

	2013	2012
	Group	Group
	£'000	£'000
Current assets		
Trade receivables	917	852
Other receivables	66	57
Prepayments and accrued income	229	347
	1,212	1,256
Non-current assets		
Other receivables	436	432

10. Trade and other payables

	2013	2012
	Group	Group
	£'000	£'000
Current liabilities		
Trade payables	568	734
Other taxation and social security	271	288
Other payables and accruals	1,155	1,121
Deferred income	17	17
	2,011	2,160

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11. Financial liabilities

	2013 £'000	2012 £'000
Current liabilities		
Bank loan	151	123
Finance lease	486	485
	637	608
Non-current liabilities		
Loans repayable by subsidiary (FOP) to third party shareholders	1,130	1,196
Bank loans	9,659	9,395
Finance lease	13,455	13,719
	24,244	24,310
	2013 £'000	2012 £'000
Total obligations under bank loans and finance leases		
Repayable within one year	637	608
Repayable within one and five years	23,114	11,576
Repayable after five years	1,130	12,734
	24,881	24,918

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

Two bank loans and one finance lease (all denominated in foreign currencies) totalling £23,751,000 (2012: £23,722,000) included within financial liabilities are secured against investment properties owned by Fprop Opportunities plc (FOP) and the property owned by the Group shown under inventories.

The preliminary 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, SW1H 9JA.