Fprop plc

First Property Group plc

Annual Report &
Financial Statements
For the year ended
31 March

2013

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

"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 (CEE) universe, now for the seven year period to 31 December 2012."

Ben Habib, Group Chief Executive

Chief Executive's Review – p06

For more information visit:
www.fprop.com

Highlights 2013

Financial highlights

£3.54m
Profit before tax

£18.54m
Net assets

2.18p
Diluted earnings per share

1.08p
Total dividend

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 (CEE) once again rated by Investment Property Databank (IPD) as the best performing versus the IPD CEE universe, now for the seven years to 31 December 2012.

Business Review

Governance

Financial Statements

First Property Group at a Glance

Funds under management in Central and Eastern Europe (CEE) once again ranked by Investment Property Databank (IPD) as the best performing versus the IPD CEE universe, now for the seven years to 31 December 2012.

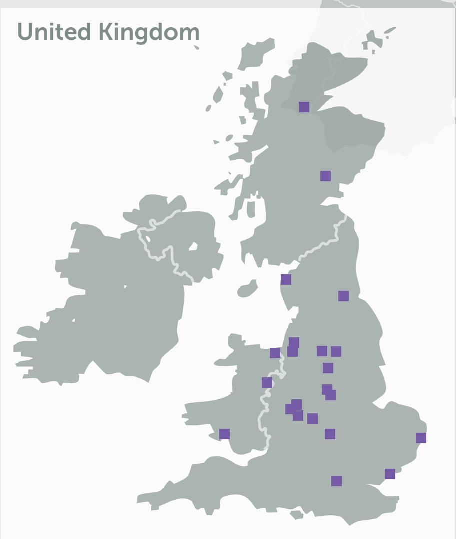
"The investment landscape has improved considerably since last year and we are actively targeting new investment purchases both in the UK and Poland."

£353m
Total assets under management

13 OFFICES

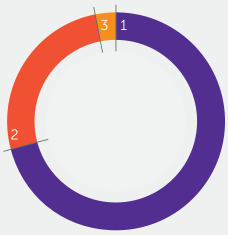
32 RETAIL & LEISURE

7 INDUSTRIAL & LOGISTICS



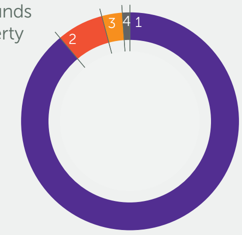
Value of assets under management
by Geography

- 71% Poland
- 26% UK
- 3% Romania



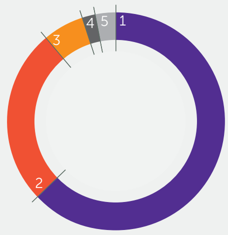
Value of assets under management
by Investor Category

- 89% Pension Funds
- 7% First Property
- 3% High Net Worths
- 1% Family Offices



Value of assets under management
by Fund Breakdown

- 63% USS Fprop
- 26% UK PPP
- 6% FOP
- 2% RPT
- 3% 5PT



Business Model

01
Raise third party funds to invest in income producing commercial property
58%

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

02
Co-invest in these funds and on occasion directly
42%

Earn a return on its own capital invested

Our Investment Philosophy is predicated on:

- The pursuit of sustainable rental income as a priority
- Property investment is comparatively illiquid. Illiquidity can be compensated by high sustainable rental income – achieving liquidity through income
- Over the long term it is income and not capital value movements which largely determine total returns (source = IPD)
- 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)
- An active approach to asset management, in order to drive income and in turn boost capital values
- Remaining flexible and thinking from first principles

Markets

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 Fprop Opportunities plc (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 on page 6 and which is delivering a return on equity to investors of 6.45% per annum based on funds invested.

"Turnover in the UK commercial property investment market in 2012 was £40.8 billion versus £37.8 billion in 2011."

Commercial property markets outlook
The Eurozone 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 pick up in values of regional property later this year.

Chief Executive's Review
Ben Habib

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

Financial results

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.

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 ungeared 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.

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 overleaf). 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 investment in Blue Tower has proven to be an excellent one and it is our intention to acquire a greater interest in the building."

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.

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.

Chief Executive's Review continued

First Property Timeline

September 2012:
Sale of one of the Group's two directly owned properties, an office building in Mokotow, Warsaw, for £2.30m.

April 2012:
Performance data for 2011 released by IPD. FPAM retained its No.1 ranking vs IPD CEE universe, now over the six years to 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 December 2010.

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

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

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	–[1]	–[1]
Regional Property Trading Ltd (RPT)	August 2004	5 years to August 2009, extended to August 2012 then August 2015	£7.3m	2.1%
5th Property Trading Ltd (5PT)	December 2004	7 years to December 2011, extended to December 2014	£9.1m	2.6%
USS Fprop Managed Property Portfolio LP	August 2005	10 years to August 2015	£224.3m	63.5%
UK Pension Property Portfolio LP (UK PPP)	February 2010	7 years to February 2017	£90.3m	25.6%
Fprop Opportunities plc (FOP)	October 2010	10 years to October 2020	£22.0m	6.2%
Total			**£353.0m**	**100%**

1 Not subject to recent revaluation.

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.

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.

April 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.

April 2010:
Disposal of Commercial Property Database for a nominal consideration.

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

April 2009:
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.

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.

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					
5th 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%	£6.27m	£8.69m	£840,000[3]	12.1%
Total		**£8.09m**	**£11.06m**	**£1.04m**	**n/a**

1 Pre-tax income return divided by the amount of equity invested.
2 Represents dividend received.
3 After non-controlling interest.

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

Board of Directors

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.

Ben Habib MA (Cantab)
Group Chief Executive Officer
Ben founded First Property Group plc in 2000. He is responsible for all aspects of the operations of Fprop and its fund management business.

Before setting up Fprop, Ben was Managing Director of a private property development company, JKL Property Ltd, from 1994–2000, in which he held a 30% interest, prior to which he was Finance Director of PWS Holdings plc, a FTSE 350 Lloyd's reinsurance broker.

He started his career in corporate finance in 1987 at Shearson Lehman Brothers. He was educated at Rugby School and Cambridge University.

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 (Chairman).

George Digby ACA BA (Hons)
Chief Financial Officer and Company Secretary

George joined Fprop in 2003 and has overseen the rapid expansion of the fund management division during this period, including the development of operations in Poland.

Prior to Fprop, George spent 10 years as FD 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.

George brings broad financial experience to the Group. He is a member of the Institute of Chartered Accountants in England and Wales.

Directors' Report
for the year ended 31 March 2013

The Directors present their report and the audited financial statements for the year ended 31 March 2013.

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 16.

Review of the business
This business review is contained in both the Chief Executive's Review on pages 6 to 9 and the Directors' Report, including comments on the position of the Group at the end of the financial period. The Principal Risks and Uncertainties laid out in note 25 also form part of this review.

Results and dividends
The Group made a total profit before taxation of £3.54 million (2012: £3.97 million). The retained profit was £1.38 million (2012: £2.02 million) after dividend, non-controlling interest and sale of treasury shares, but before decrease in fair value of available-for-sale financial assets. The Directors recommend the payment of a dividend of 0.75 pence per share (2012: 0.75 pence) payable on 27 September 2013 to shareholders on the register at 30 August 2013, making a total for the year of 1.08 pence (2012: 1.08 pence).

Diluted earnings per share decreased from 2.73 pence to 2.18 pence on the same basis.

The Group held cash of £12.98 million at 31 March 2013 (2012: £9.98 million) and borrowings of £24.88 million (2012: £24.92 million). Net assets increased to £18.54 million (2012: £17.36 million).

Employees
First Property Group employed 40 staff in total at 31 March 2013 (2012: 39); of these 30 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' interest.

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.
- Earnings per share.

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

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.
- 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 Review.

Financial risk management
The Group's operations expose it to a variety of financial risks including interest rate, liquidity, debt market 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 Group and these are outlined in note 25 to the financial statements.

Share capital
On 29 September 2012, the Company sold 29,367 of its own Ordinary Shares held in treasury at a price of 17.03 pence per Ordinary Share, thereby reducing the number of shares held in treasury to 3,723,168. On 9 January 2013, the Company sold 25,808 of its own Ordinary Shares held in treasury at a price of 19.37 pence per Ordinary Share, thereby reducing the number of shares held in treasury to 3,697,360. 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 2013, following the treasury transaction, is 111,153,755 Ordinary Shares. No share options were issued or exercised during the year and none lapsed. Details of share options outstanding are set out in note 22 on page 36.

Directors and their interests
The Directors are listed opposite.

The beneficial interests of the Directors in the share capital of the Company at 1 April 2012, 31 March 2013 and 9 July 2013, 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 July 2013	31 March 2013	1 April 2012	9 July 2013	31 March 2013	1 April 2012
A J D Locke	8,571,990	8,571,990	8,571,990	–	–	–
P Moon	283,228	283,228	228,053	–	–	–
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 may be exercised as to one third on or after 15 June 2007, 15 June 2008 and 15 June 2009 respectively with an expiry date of 15 June 2016.

The market price of the Company's Ordinary Shares at the end of the financial year was 19.88 pence and the range of market prices during the year was between 16.25 pence and 23.00 pence.

Non-current assets

Details of intangible and tangible non-current assets and capital expenditure are shown in notes 13 and 14 of the financial statements on page 31.

Differences between the market and book value of interests in land held as non-current assets is contained in the Chief Executive's Review on page 9.

Substantial shareholdings

At 9 July 2013 the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules Sourcebook published by the Financial Conduct Authority that the following persons had substantial interests in the voting rights of the Company.

	Number of ordinary 1 pence shares[1]	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%
Whitehall Associated S.A.	8,010,000	6.97%

1 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 2013 was 34 days (2012: 35 days).

Health and safety at work

The wellbeing 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 Thursday 26 September 2013, which can be found on pages 42 to 43, contains details of special resolutions empowering the Directors to:

1. Allot relevant securities for cash up to a maximum nominal amount of £370,475, 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.

Directors' Report continued

The Directors now propose that the Company be authorised to purchase a maximum of 11,115,375 Ordinary Shares of 1 pence each (representing just under 10% of the Company's issued Ordinary Share capital as at 9 July 2013) within the limits described in Resolution 9 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 purchase 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.

Directors' Responsibilities Statement

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 in note 1 on page 22 in order to adopt new accounting standards, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2013. 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

15 August 2013

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 2013 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 14, 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. In addition, we read all the financial and non-financial information in the Chief Executive's Report and the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

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 2013 and of the Group's profit for the year then ended;
- the Group's 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.

Rodney Style ACA (Senior Statutory Auditor)
For and on behalf of HW Chartered Accountants and Statutory Auditors
Oxford

15 August 2013

Consolidated Income Statement
for the year ended 31 March 2013

	Notes	Year ended 31 March 2013 Total results £'000	Year ended 31 March 2012 Total results £'000
Revenue	3	**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	4	**182**	131
Interest expenses	4	**(819)**	(837)
Profit on ordinary activities before taxation	7	**3,543**	3,969
Tax expense	8	**(762)**	(527)
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	11	**2.31p**	2.88p
Diluted	11	**2.18p**	2.73p

Consolidated Separate Statement of Other Comprehensive Income for the year ended 31 March 2013

	Year ended 31 March 2013 Total results £'000	Year ended 31 March 2012 Total results £'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

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 2013

	Notes	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Non-current assets					
Goodwill	13	**114**	**–**	114	–
Investment properties	12	**20,349**	**–**	20,161	–
Property, plant and equipment	14	**36**	**–**	67	–
Investments in Group undertakings	15	**–**	**2,600**	–	2,597
Interest in associates	16(a)	**615**	**106**	499	106
Other financial assets	16(b)	**892**	**892**	903	903
Other receivables	18	**436**	**7,219**	432	9,877
Deferred tax assets	21	**173**	**–**	259	–
Total non-current assets		**22,615**	**10,817**	22,435	13,483
Current assets					
Inventories – land and buildings	17	**8,591**	**–**	10,714	–
Current tax assets		**38**	**–**	53	–
Trade and other receivables	18	**1,212**	**25**	1,256	119
Cash and cash equivalents		**12,979**	**5,477**	9,975	2,109
Total current assets		**22,820**	**5,502**	21,998	2,228
Current liabilities					
Trade and other payables	19	**(2,011)**	**(3,859)**	(2,160)	(3,826)
Financial liabilities	20	**(637)**	**–**	(608)	–
Total current liabilities		**(2,648)**	**(3,859)**	(2,768)	(3,826)
Net current assets		**20,172**	**1,643**	19,230	(1,598)
Total assets less current liabilities		**42,787**	**12,460**	41,665	11,885
Non-current liabilities					
Financial liabilities	20	**(24,244)**	**–**	(24,310)	–
Net assets		**18,543**	**12,460**	17,355	11,885
Equity					
Called up share capital	22	**1,149**	**1,149**	1,149	1,149
Share premium		**5,492**	**5,492**	5,491	5,491
Foreign exchange translation reserve		**(995)**	**–**	(715)	–
Investment revaluation reserve		**(51)**	**(51)**	–	–
Share-based payment reserve		**203**	**203**	195	195
Retained earnings		**12,344**	**5,667**	10,967	5,050
Equity attributable to the owners of the parent		**18,142**	**12,460**	17,087	11,885
Non-controlling interest		**401**	**–**	268	–
Total equity		**18,543**	**12,460**	17,355	11,885

The financial statements were approved and authorised for issue by the Board of Directors on 15 August 2013 and were signed on its behalf by:

George Digby
Chief Financial Officer

Consolidated Statement of Changes in Equity
for the year ended 31 March 2013

Group	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Foreign exchange translation reserve £'000	Purchase of own shares £'000	Investment revaluation reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'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
Net 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**

Company Statement of Changes in Equity
for the year ended 31 March 2013

Company	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Investment revaluation reserve £'000	Purchase of own shares £'000	Retained earnings £'000	Total £'000
At 1 April 2012	1,149	5,491	195	–	(612)	5,662	11,885
Profit for the period	–	–	–	–	–	1,808	1,808
Decrease in fair value of available for sale financial assets	–	–	–	(51)	–	–	(51)
Issue of new shares	–	–	–	–	–	–	–
Sale of treasury shares	–	1	–	–	9	–	10
Share options issued	–	–	8	–	–	–	8
Dividend paid	–	–	–	–	–	(1,200)	(1,200)
At 31 March 2013	**1,149**	**5,492**	**203**	**(51)**	**(603)**	**6,270**	**12,460**
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**

Foreign exchange translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign Group companies. This reserve is non-distributable.

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 charged 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.

Investment revaluation reserve
The change in fair value of the Group's financial assets is held in this reserve, and is non-distributable.

Consolidated Cash Flow Statements
for the year ended 31 March 2013

	Notes	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Cash flows from operating activities					
Operating profit		**3,971**	**(1,529)**	4,430	(1,516)
Adjustments for:					
Depreciation of property, plant and equipment		**41**	**–**	41	–
(Profit)/loss on sale of associates and subsidiaries		**–**	**–**	(3)	–
Share-based payments		**8**	**8**	55	55
Decrease/(increase) in inventories		**2,152**	**–**	(113)	–
Decrease in trade and other receivables		**47**	**2,752**	256	1,393
(Decrease)/increase in trade and other payables		**(160)**	**(16)**	291	469
Other non-cash adjustments		**–**	**212**	–	(281)
Cash generated from operations		**6,059**	**1,427**	4,957	120
Taxes paid		**(619)**	**–**	(791)	–
Net cash flow from/(used in) operating activities		**5,440**	**1,427**	4,166	120
Cash flow from/(used in) investing activities					
Purchase of investments	16(b)	**(40)**	**(40)**	(192)	(192)
Proceeds from sale of property, plant and equipment		**1**	**–**	3	–
Purchase of investment properties		**6**	**–**	–	–
Purchase of property, plant and equipment		**(10)**	**–**	(33)	–
Interest received		**182**	**89**	131	138
Dividends from associates	16(a)	**29**	**29**	60	60
Dividends received		**64**	**3,097**	63	2,488
Net cash flow from/(used in) investing activities		**232**	**3,175**	32	2,494
Cash flow from/(used in) financing activities					
Proceeds from issue of shares		**1**	**1**	31	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**	9	9
Interest paid		**(819)**	**(44)**	(837)	(38)
Dividends paid		**(1,200)**	**(1,200)**	(1,188)	(1,188)
Dividends paid to non-controlling interest		**(69)**	**–**	(34)	–
Net cash flow from/(used in) financing activities		**(2,693)**	**(1,234)**	596	(1,186)
Net increase/(decrease) in cash and cash equivalents		**2,979**	**3,368**	4,794	1,428
Cash and cash equivalents at the beginning of the period		**9,975**	**2,109**	5,441	681
Currency translation gains/(losses) on cash and cash equivalents		**25**	**–**	(260)	–
Cash and cash equivalents at the end of the period		**12,979**	**5,477**	9,975	2,109

Business Review
Governance
Financial Statements

Notes to the Financial Statements
for the year ended 31 March 2013

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 25 on pages 37 to 40.

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 a material impact on these financial statements.
- Amendments to IFRS 7 Financial instruments: Disclosures: Transfers of financial assets;
- Amendments to IAS 12: Deferred tax: Recovery of underlying assets;

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:
- 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 IAS 1 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 (Issued May 2012) (effective for p/c on or after 1 January 2013);
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities (effective for p/c on or after 1 January 2014);
- IFRIC Interpretation 21: Levies (effective for p/c on or after 1 January 2014);
- Amendments to IAS 36: Recoverable amount disclosures for non-financial assets (effective for p/c on or after 1 January 2014).

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 2013. Intra-Group balances, sales and profits are eliminated 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 2012 and the management accounts for the three month period to 31 March 2013.

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 judgements and key sources of estimation uncertainty
The preparation of financial statements in conformity with adopted IFRS's requires management to make judgements, 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.

2. Significant accounting policies continued

Key judgements 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.
- Estimation of accrued income and costs.

The Group has evaluated these estimates and judgements 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 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.

Notes to the Financial Statements continued
for the year ended 31 March 2013

2. Significant accounting policies continued

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 retranslated at the exchange rate ruling at the reporting date and the resultant exchange differences are recognised in the income statement unless they form part of the net investment in which case they 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.

2. Significant accounting policies continued

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

On consolidation exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated in a separate reserve in equity. On disposal of a foreign operation these accumulated gains or losses are reclassified to 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 the 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. All equity investments are designated on initial recognition as available-for-sale. Listed investments are stated at market value at the balance sheet date.

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 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 basis for subsequent measurement in accordance with the Group's accounting policies.

3. Segmental reporting

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 Review.

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 one property, held at cost in inventories under current assets.

Notes to the Financial Statements continued
for the year ended 31 March 2013

3. Segmental reporting continued
A new segment arose in 2010/11, 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 (FOP).

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

Interest income is allocated to a separate segment where there is a non-controlling interest. All other 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 2013

	Property fund management £'000	Group properties £'000	Group fund properties (FOP) £'000	Unallocated central overheads £'000	Total £'000
Revenue					
– Existing operations	4,022	2,167	2,138	–	8,327
– Sale of inventory	–	2,309	–	–	2,309
Total	4,022	4,476	2,138	–	10,636
Depreciation and amortisation	(29)	(12)	–	–	(41)
Operating profit	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
Share of net assets of 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

3. Segmental reporting continued

Segment Reporting 2012

	Property fund management £'000	Group properties £'000	Group fund properties (FOP) £'000	Unallocated central overheads £'000	Total £'000
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
Share of net assets of 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

Geographic analysis	Revenue 2013 £'000	Revenue 2012 £'000	Non-current assets 2013 £'000	Non-current assets 2012 £'000
UK	**1,066**	914	**1,526**	1,442
Poland	**9,570**	8,428	**20,480**	20,302
	10,636	9,342	**22,006**	21,744

4. Interest income/expense

	2013 £'000	2012 £'000
Interest income – bank deposits	**182**	131
Total interest income	**182**	131
Interest expense – property loans	**(271)**	(264)
Interest expense – bank and other	**(16)**	(40)
Finance charges on finance lease	**(532)**	(533)
Total interest expense	**(819)**	(837)

5. Employee information

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

	2013 Number	2012 Number
Management	**8**	9
Property operations	**14**	13
Technical operations	**18**	17
	40	39

Notes to the Financial Statements continued
for the year ended 31 March 2013

5. Employee information continued
An analysis of staff costs is set out below:

	2013 £'000	2012 £'000
Wages and salaries	**2,351**	2,453
Social security costs	**198**	196
Share-based payments	**8**	55
	2,557	2,704

6. Directors' remuneration and emoluments

	2013 £'000	2012 £'000
Basic pay	**455**	442
Pension	**13**	13
Fees	**50**	50
Benefits	**16**	14
Annual incentive arrangements	**478**	702
	1,012	1,221

Annual incentive arrangements
For 2012 and 2013 the Company operated an incentive plan (the Growth Securities Ownership Plan (GSOP)) for the Executive Directors related to growth in profit before tax. No payments are due to be made under the GSOP for 2013 as the profits hurdle was not met. As a result of the growth achieved in 2012, payments have been made to the Executive Directors and other participants under the GSOP.

The remuneration of the Directors was as follows:

	Salary and benefits £'000	Annual incentives £'000	Fees £'000	2013 £'000	2012 £'000
A J D Locke	–	–	25	**25**	25
P Moon	–	–	25	**25**	25
B N Habib	329	407	–	**736**	933
G R W Digby	155	71	–	**226**	238
	484	478	50	**1,012**	1,221

There are no retirement benefits accruing to Directors (2012: none) under money purchase pension schemes.

7. Profit on ordinary activities before taxation

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment	**41**	43
– Cost of share-based payments (IFRS 2)	**8**	55
– (Profit)/loss on disposal of property, plant and equipment	**–**	(3)
– Differences on foreign exchange	**(18)**	(282)
– Staff costs (see note 5)	**2,557**	2,704
Auditors' remuneration		
– Group audit, Company £32,000 (2012: £25,000)	**96**	86
– Non-audit fees (bureau services – Romania)	**18**	8
– Operating lease rentals	**49**	57
– Rental income from investment properties	**2,002**	2,175
– Direct operating expenses arising from investment property that generated rental income during the period	**197**	239
– Direct operating expenses arising from investment property that did not generate rental income	**377**	262
– Cost of inventories	**2,152**	–

8. Tax expense

Analysis of charge in the period	2013 £'000	2012 £'000
Current tax	**636**	812
Deferred tax	**128**	(259)
Adjustment for prior year	**(2)**	(26)
Total tax charge for period	**762**	527

The tax charge includes actual current and deferred tax.

The deferred tax charge has arisen partly as a result of the accelerated tax depreciation on 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%).

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:

	2013 £'000	2012 £'000
Profit/(loss) on ordinary activities before tax	**3,543**	3,969
Profit/(loss) on ordinary activities multiplied by the standard rate of 24% (2012: 26%)	**850**	1,032
Effects of:		
– Expenses not deductible for tax purposes	**3**	16
– Depreciation in excess of capital allowances	**4**	2
– Movement on deferred tax unprovided	**137**	84
– Effect of overseas mainstream tax rates	**(42)**	(323)
– Other adjustments	**(316)**	1
Total tax charge for the period	**636**	812

Provision for deferred tax

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	**–**	**–**	(4)	–
Tax losses carried forward	**1,010**	**999**	902	830
Other differences	**–**	**–**	(25)	(25)
Unprovided deferred tax asset	**1,010**	**999**	873	805

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 23% versus 25% for 2012.

9. 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 profit for the year after sale of treasury shares was £566,000 (2012 loss: £129,000).

Notes to the Financial Statements continued
for the year ended 31 March 2013

10. Dividend on Ordinary Shares

	2013 £'000	2012 £'000
Interim dividends paid during the year 2013: 0.33 pence (2012: 0.33 pence)	**367**	367
Final dividend paid for the year ended 31 March 2012: 0.75 pence per share (2011: 0.75 pence per share)	**833**	821
	1,200	1,188

The total dividend for the current year ended 31 March 2013 of 1.08p (2012: 1.08p) will be subject to shareholder approval at the Annual General Meeting to be held on 26 September 2013.

11. Earnings per share

	2013	2012
Basic earnings per share	**2.31p**	2.88p
Diluted earnings per share	**2.18p**	2.73p

	2013 £'000	2012 £'000
Basic earnings	**2,568**	3,196
Diluted earnings assuming full dilution	**2,592**	3,212

The following number of Ordinary 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

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

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

12. Investment properties

	2013 Group £'000	2012 Group £'000
Investment properties		
1 April	**20,161**	22,061
Additions	**7**	–
Foreign exchange translation	**181**	(1,900)
31 March	**20,349**	20,161

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 €26.10 million (2012: €26.60 million), the Sterling equivalent at closing foreign exchange rates being £22.07 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 will be higher than their carrying value. One of the two investment properties held by the Group is held under a finance lease with a carrying value of £16.04 million.

13. Goodwill

	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
At 1 April	**114**	**–**	114	–
Business disposals	**–**	**–**	–	–
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 the estimated recoverable amount no impairment write-down is necessary. The estimated recoverable amount has been determined, using the "value in use" basis. The "value in use" basis was calculated by applying a price earnings multiple of four to the average of the past three years earnings and next year's forecast earnings, which is based on information consistent with external sources.

14. Property, plant and equipment

Group 2013	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 March 2012	132	41	26	37	236
Foreign currency translation	1	–	–	–	1
Additions	9	1	–	–	10
Disposals	(8)	(4)	–	–	(12)
At 31 March 2013	**134**	**38**	**26**	**37**	**235**
Depreciation					
At 1 April 2012	108	25	21	15	169
Foreign currency translation	1	–	–	–	1
Charge for year	18	8	3	12	41
Disposals	(8)	(4)	–	–	(12)
At 31 March 2013	**119**	**29**	**24**	**27**	**199**
Net book value					
At 31 March 2013	**15**	**9**	**2**	**10**	**36**

Group 2012	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 March 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

The Company had no property, plant or equipment (2012: nil). The Group holds no property plant and equipment under a finance lease.

Notes to the Financial Statements continued
for the year ended 31 March 2013

15. Investments in Group undertakings
The Company has the following investments in consolidated subsidiaries:

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in Group undertakings:				
– shares at cost	–	2,600	–	2,597
	–	2,600	–	2,597

16. Investments in associates and other financial assets
The Group and the Company have the following investments:

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Associates				
At 1 April	499	106	377	106
Release of profit withheld in sale to associate in 2007	–	–	–	–
Disposals	–	–	–	–
Share of associates profit after tax	145	–	182	–
Dividends received	(29)	–	(60)	–
At 31 March	615	106	499	106

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:

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in associates				
5th Property Trading Ltd	686	53	594	53
Regional Property Trading Ltd	237	53	213	53
	923	106	807	106
Less: Group share of profit after tax withheld on sale of property to an associate in 2007	(308)	–	(308)	–
	615	106	499	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 £861,000 (2012: £905,000) to £1,476,000 (2012: £1,404,000).

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Other financial assets and investments				
At 1 April	903	903	711	711
Additions	40	40	192	192
Impairment charge	(51)	(51)	–	–
At 31 March	892	892	903	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 LP.

16. Investments in associates and other financial assets continued

The principal investments of the Group at 31 March 2013 are as follows:

		Principal activities	% of Ordinary Shares held by Company	Subsidiary
Group undertakings				
UK				
First Property Asset Management Limited	–	Property asset management	100	–
IP Finance 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	–
First Property Retail Centres Limited	–	Property services	76	–
Old Westminster Limited	–	Property holding company	100	–
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 Opportunity Krasnystaw Limited	–	Property holding company		100
Fprop Opportunities Lodz II 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
Fprop Lodz 2 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 2013

16. Investments in associates and other financial assets continued

	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 (Nominee 1) 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, First Property General Partner Limited, Old Westminster Limited, Fprop Opportunities Lodz II Limited and Fprop Lodz 2 Sp. z o.o. have not been consolidated for the reason that they are not material to the Group.

17. Inventories – land and buildings

	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Directly held Group properties for resale at cost				
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).

18. Trade and other receivables

	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Current assets				
Trade receivables	1,312	–	1,115	–
Less provision for impairment of receivables	(395)	–	(263)	–
Trade receivables net	917	–	852	–
Other receivables	66	–	57	–
Pre-payments and accrued income	229	25	347	119
	1,212	25	1,256	119
Non-current assets				
Other receivables	436	–	432	–
Amounts owed by subsidiary undertakings	–	7,219	–	9,877

The Directors consider that the carrying amount of net trade receivables approximates to their fair value.

In the opinion of the Directors the Group is not exposed to any one material credit risk, as the Group has many tenants spread across a number of industry sectors.

Amounts owed by subsidiary undertakings to the Company include non-current assets amounting to £7,219,000 falling due in more than one year (2012: £9,877,000). For further information see note 26.

19. Trade and other payables

	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Current liabilities				
Trade payables	568	6	734	–
Amounts due to subsidiary undertaking and associates	–	3,200	–	3,017
Other taxation and social security	271	15	288	–
Other payables and accruals	1,155	638	1,121	809
Deferred income	17	–	17	–
	2,011	3,859	2,160	3,826

20. Financial liabilities

	2013 £'000	2012 £'000
Current liabilities		
Bank loan	151	123
Finance leases	486	485
	637	608
Non-current liabilities		
Loan repayable by subsidiary (FOP) to third party shareholders	1,130	1,196
Bank loans	9,659	9,395
Finance leases	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

Notes to the Financial Statements continued
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20. Financial liabilities continued
Loans repayable by FOP to third party shareholders are repayable in December 2020.

Bank loans and finance leases totalling £23,751,000 (2012: £23,722,000) included within financial liabilities are secured against investment properties owned by FOP and properties owned by the Group shown under inventories.

Minimum finance lease payments in respect of finance leases are as follows:

Finance lease liabilities

	2013		2012	
	Group	Parent	Group	Parent
Less than one year	**960**	**–**	985	–
Between two and five years	**14,914**	**–**	3,873	–
Later than five years	**–**	**–**	11,751	–
Future finance changes on future finance lease payments	**(1,933)**	**–**	(2,405)	–
	13,941	**–**	14,204	–

The analysed present value of finance lease liabilities is as follows:

	2013		2012	
	Group	Parent	Group	Parent
Less than one year	**486**	**–**	485	–
Between two and five years	**13,455**	**–**	2,181	–
Later than five years	**–**	**–**	11,538	–
	13,941	**–**	14,204	–

21. Deferred tax

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

	2013			2012		
	Group assets £'000	Group liabilities £'000	Group net asset £'000	Group assets £'000	Group liabilities £'000	Group net asset £'000
Accrued interest payable	**178**	**–**	**178**	246	–	246
Accrued income	**–**	**(82)**	**(82)**	–	(76)	(76)
Foreign bank loan	**316**	**–**	**316**	251	–	251
Investment properties and inventories	**–**	**(274)**	**(274)**	–	(194)	(194)
Other temporary differences	**68**	**(33)**	**35**	57	(25)	32
	562	**(389)**	**173**	554	(295)	259

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

22. Called-up share capital

	2013 £'000	2012 £'000
Authorised		
240,000,000 (2012: 240,000,000) Ordinary Shares of 1 pence each	**2,400**	2,400
Issued and fully paid		
114,851,115 (2012: 114,851,115) Ordinary Shares of 1 pence each of issued share capital, of which 3,697,360 Ordinary Shares (2012: 3,752,535) are held in treasury	**1,149**	1,149

	2013 Ordinary shares number	2013 Treasury shares number	2013 Share options number
1 April 2012	111,098,580	3,752,535	7,500,000
Exercise of share options	–	–	–
Issue of shares to non-executive	55,175	(55,175)	–
Lapse of share options	–	–	–
31 March 2013	111,153,755	3,697,360	7,500,000

22. Called-up share capital continued

The Company had 7,500,000 options over Ordinary Shares outstanding at 31 March 2013 (2012: 7,500,000), 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	2013 Numbers	2012 Numbers
2004/05	16.50	July 2005 to July 2014	616,666	616,666
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	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	566,666
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, none were exercised and none 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.

23. Contractual commitments

The Group has contractual commitments at 31 March 2013 amounting to £59,000 (2012: £97,000) which are expected to be expended over the next 12 months. This is in respect of the Group's investment in the UK Pension Property Portfolio LP.

24. Financial commitments

At 31 March 2013 the Group had total commitments under non-cancellable operating leases payable as follows:

	Land and buildings 2013 £'000	Land and buildings 2012 £'000
Total amounts due		
– within a year	**49**	49
– between one and five years inclusive	**73**	122
	122	171

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 2013 (2012: nil).

25. 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.

Notes to the Financial Statements continued
for the year ended 31 March 2013

25. Financial instruments and risk management continued

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's 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
2013				
Sterling Equivalent	**4,167**	**1,593**	**75**	**5,835**
2012				
Sterling Equivalent	3,352	1,548	246	5,146

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.

	2013 Income statement £'000	2012 Income statement £'000	2013 Equity £'000	2012 Equity £'000
Interest rate sensitivity analysis				
UK interest rate + 1%	**107**	71	**107**	71
EURO interest rate + 1%	**(94)**	(25)	**(94)**	(25)
US Dollar interest rate + 1%	**(67)**	(66)	**(67)**	(66)
RON interest rate + 1%	**1**	2	**1**	2
PLN interest rate + 1%	**15**	22	**15**	22
	(38)	4	**(38)**	4
Foreign currency sensitivity analysis				
EURO exchange rate + 5%	**44**	50	**47**	93
US Dollar exchange rate + 5%	**27**	40	**101**	77
RON exchange rate + 5%	**(2)**	11	**4**	12
PLN exchange rate + 5%	**102**	140	**102**	167
	171	241	**254**	349

25. Financial instruments and risk management continued

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.

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2013 and 31 March 2012 was as follows:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Non-interest bearing £'000	Total £'000
Other receivables due after one year	–	–	–	–
Cash	4,508	–	–	4,508
Short-term deposits	–	8,471	–	8,471
At 31 March 2013	**4,508**	**8,471**	**–**	**12,979**
Other receivables due after one year	–	–	–	–
Cash	3,782	–	–	3,782
Short-term deposits	–	6,193	–	6,193
At 31 March 2012	3,782	6,193	–	9,975

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 2013 were £8,471,000 (31 March 2012: £6,193,000).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2013 and 31 March 2012 was as follows:

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Non-interest bearing £'000	Total £'000
Bank loans	9,810	–	–	9,810
Finance lease obligations	10,770	3,171	–	13,941
Other financial liabilities	–	–	1,130	1,130
At 31 March 2013	**20,580**	**3,171**	**1,130**	**24,881**
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

Notes to the Financial Statements continued
for the year ended 31 March 2013

25. Financial instruments and risk management continued
The Group's debt maturity other than short-term trade creditors and accruals at 31 March 2013 and 31 March 2012 was as follows:

	Bank loans £'000	Finance lease £'000	Other financial liabilities £'000	Total £'000
In one year or less	151	486	–	637
Between one and five years	9,659	13,455	–	23,114
Over five years	–	–	1,130	1,130
Total at 31 March 2013	**9,810**	**13,941**	**1,130**	**24,881**
In one year or less	123	495	–	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

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

Bank loans and finance leases 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.

There are two foreign currency bank loans. The first of these two is for a sum of £6,986,000 (2012: £6,639,000), which 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 USD17,675 per month until its maturity in November 2015. Interest payments are charged at an annualised rate of one month USD LIBOR plus a margin of 2.15%.

The second bank loan is for a sum of £2,824,000 (2012: 2,879,000). It 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 £13,941,000 (2012: £14,204,000). It 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 2013 the Group had £nil committed borrowing facilities available (31 March 2012: nil undrawn).

26. 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.

26. Related party transactions continued

Related party transactions for the Group	2013 £'000	2012 £'000
Property management fees to associates	**170**	180
Amounts owed by associates at year-end	**19**	19

Related party transactions for the Company	£'000	£'000
Management charge to subsidiaries	**100**	200
Dividends received from subsidiaries during the year	**3,010**	2,346
Net funding transactions with subsidiaries	**2,728**	(637)
Shareholder loan interest from subsidiaries receivable during the year	**40**	135
Shareholder loan interest payable to subsidiaries during the year	**44**	46
Amounts owed by subsidiaries at year-end	**7,219**	9,877
Amounts owed to subsidiaries and associates at year-end	**3,200**	3,017

Key management compensation	£'000	£'000
Short-term employee benefits (see note 6)	**1,012**	1,221

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 £6,960,000 (2012: £9,521,000) are unsecured and interest free. All loans made by the Company to non-UK subsidiaries totalling £259,000 (2012: £356,000) are unsecured but interest bearing at commercial rates of interest.

Five year financial summary

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Continuing operations					
Profit before tax	**3,543**	3,969	2,950	2,610	3,862
Performance fees		–	–	–	589
Basic earnings per share	**2.31p**	2.88p	2.02p	2.00p	2.81p
Dividend per share	**1.08p**	1.08p	1.06p	1.03p	1.00p
Dividend cover	**2.1**	2.7	1.9	1.9	2.8
Net (borrowings)/cash	**(10,772)**	(13,747)	(16,738)	3,133	2,696
Net cash flow from operating activities	**5,440**	4,166	3,154	816	(2,274)
Net assets (excluding non-controlling interest)	**18,142**	17,087	16,377	15,403	13,478

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 26 September 2013 at 14.00 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 2013.

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 for the year.

3. To re-appoint Peter Moon 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 Ben Habib as a Director who retires in accordance with Article 97 of the Articles and is entitled to be re-appointed in accordance with Article 97 of the Articles.

5. 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.

6. 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.

7. 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 £370,475 being 33.33% of the issued share capital of the Company as at 9 July 2013, 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 15 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:

8. That the Directors be and are hereby generally authorised in accordance with Sections 570 and 573 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 7 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 8 (a)) up to a maximum aggregate nominal amount of £55,576,

   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 15 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.

9. 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 11,115,375 (representing just under 10% of the Company's issued Ordinary Share capital as at 9 July 2013);

   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% 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 12 months from the date of passing this resolution.

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

   a. the sale of 29,367 Ordinary Shares to Peter Moon on 29 September 2012;

   b. the sale of 25,808 Ordinary Shares to Peter Moon on 9 January 2013.

Date 15 August 2013

By Order of the Board	Registered Office: 35 Old Queen Street
George R W Digby **Company Secretary**	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:
   - 18.00 on 24 September 2013 or,
   - if this is adjourned, at 18.00 on the day two business 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.

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 2013, the Company's issued share capital comprised 111,153,755 Ordinary Shares of 1 pence each and 3,697,360 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 at midday on 9 July 2013 is 111,153,755.

Notes to the Notice of Annual General Meeting continued

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 20 8639 3399 (calls cost 10 pence per minute plus network extras). The helpline is available between the hours of 09.00 and 17.30 Monday to Friday excluding public holidays; or
- First Property Group plc on 020 7340 0270 available 09.00 to 18.00 Monday to Friday excluding public holidays.

You may not use any electronic address provided either:

- in this notice of Annual General 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 10 – 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 55,175 treasury shares during the financial year ended 31 March 2013 ("Relevant Year") as set out in Resolution 10.

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 10 ("Treasury Share Sales").

Peter Moon and any member connected with him will not be entitled to vote on Resolution 10 and the Company shall disregard any vote cast in respect of Resolution 10 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 Year did not exceed 5% of the Company's issued share capital in the Relevant Year.

Directors and Advisers

Directors
Alasdair J D Locke
(Non-Executive Chairman)

Benyamin N Habib
(Group Chief Executive Officer)

George R W Digby
(Chief Financial Officer)

Peter G Moon
(Independent Non-Executive Director)

Company Secretary
George R W Digby

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Capita Registrars
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Notes

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