CHIEF EXECUTIVE'S STATEMENT

BEN HABIB, Chief Executive

"The year has seen a sharp turnaround in our fortunes, principally due to the restructuring of a finance lease secured against a property owned by the Group in Gdynia, Poland, which resulted in our debt liability being reduced by some £7.8 million."

Financial performance

I am pleased to report the Company's results for the year ended 31 March 2022.

Revenue earned during the year by the Group was £8.65 million (31 March 2021: £12.12 million) yielding a profit before tax of £7.08 million (31 March 2021: loss before tax of £5.09 million).

The reduction in revenue was mainly due to the expiry, in February 2021, of the lease at our office block in Gdynia, Poland, which resulted in a £3.20 million reduction in rental income from this property in the year.

Paradoxically, the increase in profit before tax largely came from the same property, where a restructuring of the finance lease resulted in a reduction of €9.0 million (£7.81 million) in the amount owed to the lending bank (from €25.0 million to €16.0 million). As part of the transaction €4.0 million of this debt was settled by the Group, leaving a residual liability of €12.0 million to be paid by June 2024 on which no interest is payable.

The Group ended the year with net assets, excluding non-controlling interests, of £44.14 million (2021: £36.79 million), equating to 40.00 pence per share (2021: 33.33 pence per share). It is the accounting policy of the Group to carry its properties and interests in associates at the lower of cost or market value.

The net assets of the Group, when adjusted to their market value less any deferred tax liabilities (EPRA basis), were £53.43 million or 47.28 pence per share (31 March 2021: £48.36 million or 42.80 pence per share).

Gross debt at the year end reduced by 32.6% to £23.66 million (31 March 2021: £35.09 million). Net debt reduced to £17.24 million (31 March 2021: £18.85 million). This in turn reduced the Group's gearing ratio to 34.90% with properties at their book value (31 March 2021: 48.82%) and to 30.69% with properties at their market value (31 March 2021: 42.05%).

Group cash balances at the year-end stood at £6.42 million (31 March 2021: £16.24 million, 31 March 2020: £7.34 million), equivalent to 5.81 pence per share (31 March 2021: 14.71 pence per share, 31 March 2020: 6.65 pence per share). The reduction was mainly attributable to the payment of £3.43 million (€4 million) in part settlement of the debt secured on Gdynia and new investments of £3.63 million in two UK funds, Fprop UK Special Opportunities LP and Fprop Fulcrum Property LP. Other exceptional uses of cash included £1.93 million in respect of a rent guarantee granted over CH8, an office building in Warsaw, as a condition of its sale, and £1.76 million in capital expenditure, mainly to develop a mini supermarket in Wawer, a suburb of Warsaw.

Diluted net profit per share was 6.01 pence (2021: a diluted net loss of 6.59 pence).

Dividend

In view of the marked improvement in the Group's position since the COVID lockdown induced set-back, the Directors have resolved to pay a final dividend of 0.25 pence per share (2021: nil), which together with the interim dividend of 0.25 pence per share (2021: 0.45 pence per share), equates to a dividend for the year of 0.50 pence per share.

The proposed final dividend will be paid on 29 September 2022 to shareholders on the register at 26 August 2022 and is subject to shareholder approval at the forthcoming Annual General Meeting on 27 September 2022.

The full year's dividend is covered 12 times.

Current trading and prospects

The year has seen a sharp turnaround in our fortunes, principally due to the restructuring of a finance lease secured against a property owned by the Group in Gdynia, Poland, which resulted in our debt liability being reduced by some £7.8 million.

Our balance sheet remains strong with some £44 million of net assets. Of this some £6 million is in cash.

The investment environment is volatile at present but with adversity comes opportunity and we are seeing some interesting market movements. Occupational demand is picking up from the lockdown induced lows which should result in a commensurate increase in the value of our properties.

BEN HABIB
CHIEF EXECUTIVE

23 June 2022

Why invest?

1 Expertise

- ✓ Experienced, nimble management team;
- ✓ Excellent track record.

2 Diversified earnings

- ✓ From properties and from fees;
- ✓ From mix of jurisdictions: UK, Poland and Romania.

3 Earnings growth

- ✓ Letting vacant space;
- ✓ Investing Group cash;
- ✓ New fund management mandates;
- ✓ Operationally geared – can take on new business without material increases in overheads.

4 Strength

- ✓ Strong balance sheet;
- ✓ Progressive dividend policy, based on it being covered by earnings, targeting a ratio in excess of 2.5x.