

Fletcher King Plc

Annual Report and Accounts 2008

DIRECTORS AND ADVISERS

Directors

DJR Fletcher FRICS *Chairman*
REG Goode FRICS *Managing Director*
RA Dickman FRICS *Executive Director (appointed 1 February 2008)*
HE Richardson *Non Executive **
DH Stewart *Non Executive*

Secretary and Registered Office

JAS Robertson ACIS
61 Conduit Street, London W1S 2GB

Financial Advisers and Stockbrokers

Dowgate Capital Plc
46 Worship Street, London EC2A 2EA

Solicitors

Boodle Hatfield
89 New Bond Street, London W1S 1DA

Auditors

Nexia Smith & Williamson
25 Moorgate, London EC2R 6AY

Tax Advisers

Smith & Williamson
25 Moorgate, London EC2R 6AY

Principal Bankers

NatWest Bank Plc
63 Piccadilly, London W1A 2AG

Registrars and Transfer Office

Computershare Investor Services Plc
Registrar's Department, PO Box No 82
The Pavilions, Bridgwater Road, Bristol BS99 7NH
Dedicated shareholder telephone number: 0870 889 4095

Audit Committee

HE Richardson, *Chairman*
DH Stewart
DJR Fletcher

Remuneration Committee

DH Stewart, *Chairman*
HE Richardson
DJR Fletcher

*Senior Independent Director

Company Number

02014432



Certificate No. FS27825

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FIVE YEAR SUMMARY OF RESULTS

Year ended 30 April	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000
Revenue	5,623	6,093	6,117	7,438	6,410
Operating profit	279	347	265	771	420
Share of associate's results	9	-	-	-	-
Net finance income	44	94	98	256	339
Profit before taxation	332	546	600	1,027	759
Basic earnings per share	2.49p	4.46p	5.09p	7.34p	5.97p

The figures for 2008, 2007, 2006 and 2005 have been prepared under International Financial Reporting Standards as adopted by the European Union and are stated in accordance with the accounting policies set out in note 2. The figures for 2004 were prepared under UK GAAP and have not be restated.

FINANCIAL HIGHLIGHTS

Year ended 30 April	2008 £000	2007 £000
Revenue	6,410	7,438
Operating profit	420	771
Profit before taxation	759	1,027
Taxation	(209)	(351)
Profit after taxation	550	676
Dividends paid	460	322
Basic earnings per share	5.97p	7.34p

FINANCIAL CALENDAR

Half Year Results

Announced in December 2007

Full Year Results

Preliminary announcement 10 July 2008

Annual General Meeting

12 September 2008

Final Dividend

Payable 26 September 2008

Interim Dividend

*To be announced in December 2008
Payable in January 2009*

Results

Turnover for the year was £6.410m (2007: £7.438m) with profit before tax of £759,000 (2007: £1.027m). The board is proposing a final dividend of 1.75p per share (2007: 3.75p). The final dividend is subject to shareholders' approval at the AGM and will be paid on 26 September 2008 to those shareholders on the register at the close of business on 29 August 2008. With an interim dividend of 1.25p per share (2007: 1.00p) already paid, the total ordinary dividend for the year will amount to 3.0p per share (2007: 4.75p). During the year the Group disposed of its shareholding in First Property Group at a significant profit.

The Commercial Property Market

Generally speaking conditions in the UK commercial property market remain very tough. Whilst capital values continue their descent, rents have remained relatively robust but downward pressure is now being felt. The rate at which values have been falling has slowed but there is almost universal belief that we have not yet reached the bottom. We are experiencing the steepest decline in values in forty years and it is likely to continue for much of 2008.

A number of factors differentiate this recession from those of the 1970's and 1990's. Most notably there are now relatively low interest rates and inflation together with low unemployment. There has not been an explosion in speculative development with the resultant oversupply of space. However, we have not previously experienced a situation where banks will not to lend to each other. In previous recessions the time taken for the market to go from top to bottom was roughly the time it took to recover; whether that will be replicated this time will depend, to a large extent, on liquidity in the banking system and an end to the current financial turbulence.

Towards the end of 2008 we estimate that values will have fallen in the range of 20%-30% across the board, by which time property should be fair value. Further significant short term falls should be unlikely but one cannot rule out a double dip. Sometime towards the end of Q4/08, but maybe not until Q1/09, will be, in our current view, the time to buy. However, it will be cash buyers or those who require low levels of debt that will be the ones to take advantage of the opportunities presented and there are significant funds waiting to enter the market when it is at or near the bottom. When they do enter they are likely to provide a floor to falling values. In our view, debt financing is likely to remain difficult for some time to come.

On rentals we expect growth to become subdued and rent falls are already being reported in City offices and retail through the country.

Outlook for 2008/2009

The current year, ending 30 April 2009, is going to be difficult for the company and our turnover and profits will fall significantly, as advised in the Trading Statement announced on 26 June.

As already stated, we do not believe that transaction levels in the investment market will increase before the year end and this lack of activity will, therefore, impact our financial year.

However, there is strength in our diversity and we expect fund management, property management, valuations and rating to continue to perform. We have a strong balance sheet and a positive cash position. Our salary/ bonus remuneration policy allows us flexibility in a market downturn and we have already adjusted our fixed overhead to take account of current market conditions.

DAVID FLETCHER
CHAIRMAN

29 July 2008

FLETCHER KING

Fletcher King Fund Management and Investment

Last year was one of two halves. The first was one of enormous activity and a very buoyant market and the second produced the well publicised dramatic fall in values, referred to earlier, resulting in a significant reduction in transaction volume.

The department had one of its most successful years in terms of sales volumes, having transacted in excess of £100m worth of sales. As in previous years the sales were widely spread geographically including an £8m shop on the Isle of Man and £17m worth of retail warehousing in Darlington and Halifax, together with two large leisure portfolios. The department continues to earn significant fees from its fund management which will hold it in good stead in the declining market.

The transaction business in the coming year is likely to be significantly lower although we are hopeful that activity will pick up towards the end of 2008.

Asset Management

The department met its targets and the operational efficiencies referred to in the Interim Report continue to be implemented.

The team has recently been strengthened by the appointment of Clare James as head of Property Management Accounts.

With declining values and a softening economy great emphasis is being placed upon early receipt of rents and service charges and the letting up of vacant space.

Valuation and Rating

In each reporting period we give news of an appointment to a further valuation panel, and since the Interim Report, Clydesdale Bank has appointed us.

In spite of the credit crunch we have been very busy and it is only in the last few weeks that the volume of valuation instructions has begun to slow. To date the majority of our valuations in the year have been on new lending but we are increasingly seeing requests for revaluations.

Each year we are asked to value properties outside the general "run-of-the-mill". This year has been no exception and we have valued a portfolio of garden centres, a portfolio of car showrooms and a number of private schools.

The resolution of the 2005 Rating List appeals has continued apace. Although a large number have been settled we still have significant unresolved cases to deal with in the coming year.

We achieved a number of outstanding savings for clients during the year, most notably a 40% reduction in assessment for WSP in Bristol resulting in a saving of £320,000, £1.3m saving for Standard Bank in the City, £275,000 saving for Travelex at Heathrow and a 50% reduction in rate liability on the Dreamland Leisure Park in Margate.

The Valuation Office has announced the Antecedent Date of Valuation (AVD) as 1 April 2008 for the 2010 list. As it diverts resources to the revaluation, the settlement rate of outstanding 2005 appeals will slow and have some impact on the department in the coming year.

Landlord and Tenant

The department had a reasonably successful year but it has struggled for some time to make an appropriate contribution to profit and a decision was taken by the Board to close it down.

Some of the department's work has been transferred to the Asset Managers, and other rent reviews will be dealt with by those external valuers that we consider to be best for the particular job in hand.

We believe that our new way of working will deliver an equal or better service to our clients and enhance the net profit of the company.

FLETCHER KING HOWARD

The new management team, to which we referred last year, has continued to take the company forward.

The company's hotel work included the completion of further property for Travelodge in Blackpool and their new hotel in Uxbridge is scheduled for completion in August. This year will see work start on a new 160 bed hotel in Glasgow.

The company completed its second full year's involvement with VOSA (Vehicle Testing Station refurbishment programme) and there will be at least a further year's work for this client.

Fletcher King Howard have a tradition of building sports stadiums and in the current financial year the Llanelli Scarlets' new £20m rugby stadium is programmed for completion. The company is also acting for Milton Keynes Council on the £20m Bletchley Leisure Centre.

Headquarters office projects are currently under construction in Maidenhead for Sanofi-Pasteur and in Burton on Trent for Punch Taverns.

Work continues on Berkhamstead Collegiate School, and the construction of a new sports hall and swimming complex for St Albans School is well advanced.

Fletcher King Howard's order book for the coming financial year is relatively healthy despite clients delaying capital expenditure as a result of the credit crunch.

Group activities and financial highlights for the year

Fletcher King Plc ('the Company') and its subsidiaries (together 'the Group') carry on the business of commercial estate agency, property fund management, surveying and project management throughout the United Kingdom.

A review of the Group's business activities and the financial highlights for the year ended 30 April 2008 are set out in the Chairman's Statement and Divisional Review on pages 4 to 7.

The decrease in operating profit reflects the weakening of the property market and the resulting fall in volumes of investment transactions in the second half of the year.

Treasury policies and risk management

The Group manages its treasury operations in accordance with policies and procedures approved by the Board. Information about the Group's financial instruments and cashflow forecasting is set out in note 2 of the accounts. The Group has no borrowings. As the Group operates almost exclusively in the United Kingdom, there are no significant direct foreign exchange risks.

Finance income and taxation

During the year, the Group disposed of its investment in First Property Group Plc; this realised a profit of £236,000. However, due to the weakening of commercial property prices, there was a diminution in the value of the Group's investment in the Stratton House Investment Property Syndicate 04 to £178,000 (2007: £301,000). Income from the Group's available-for-sale investments and net bank interest amounted to £174,000 (2007: £124,000) reflecting higher average cash balances and deposit rates.

The effective taxation charge decreased from 34.1% to 30.0%.

Capital and equity interests

Basic earnings per share amounted to 5.97p (2007: 7.34p), a decrease of 19%. Fully diluted earnings per share amounted to 5.96p (2007: 7.33p).

The Board is recommending a final dividend of 1.75p per share, making a total of 3.0p for the full year, a decrease of 37% over 2007.

During the year no shares were issued to directors or employees pursuant to the exercise of share options. The total number of ordinary shares in issue at 30 April 2008 was 9.2 million (2007: 9.2 million).

Cash flow and liquidity

Net cash inflow from operating activities amounted to £242,000 (2007: £1,007,000) which, after allowing for cash flows including dividends and capital expenditure, as well as the sale of the investment in First Property Group Plc, resulted in a net decrease in cash balances of £217,000 (2007: £847,000 increase).

At 30 April 2008, the Group's cash at bank and on short term deposit amounted to £2.8 million (2007: £3.0 million). This was deposited with banks with top credit ratings.

International Financial Reporting Standards

The adoption of IFRS 7 "Financial instruments: Disclosures" introduces new disclosures relating to financial instruments. These are detailed in the notes to the accounts.

Corporate social responsibility

The Board recognises the importance of social and environmental matters in the conduct of the Group's business and remains committed to social and environmental awareness throughout its operations, notwithstanding the relatively low environmental impact of the Group's activities.

Energy efficiency, recycling and the use of "fair trade" products are encouraged.

The Board recognises that enthusiastic, well-trained and high-quality staff are essential to the achievement of the Group's commercial objectives. Participation in the success of the Group is encouraged via comprehensive incentive schemes.

The Group provides employment on an equal basis irrespective of race, sex, disability, sexual orientation and religious beliefs. Employee communication and feedback is encouraged across the Group.

The Directors present their report and accounts for the year ended 30 April 2008.

Principal Activities and Business Review

The Group carries on the business of property fund management, property asset management, rating, valuations and construction services, providing a comprehensive range of services and expert advice throughout the United Kingdom.

A review of the Group's business and activities during the year and its future prospects is contained in the Chairman's Statement, the Divisional Review, and the Operating and Financial Review.

Results and Dividend

The consolidated income statement is set out on page 23. The profit for the year after taxation is £550,000 (2007: £676,000). The Directors recommend the payment of an ordinary final dividend of 1.75p (2007: 3.75p) per share. An interim dividend of 1.25p (2007: 1.00p) per share has already been paid to shareholders.

Political and Charitable Donations

During the year the Group made no charitable donations or political contributions (2007: £ nil).

Directors

The current Directors of the Company are set out in the Remuneration Report on pages 16 to 18. All served throughout the year except for RA Dickman, who was appointed as Director on 1 February 2008.

DH Stewart retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

HE Richardson retires in accordance with the provisions of The Combined Code on Corporate Governance (the "Combined Code") and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

RA Dickman, having been appointed since the last Annual General Meeting, will retire at this year's Annual General Meeting, and, being eligible, offers himself for re-election.

DH Stewart, aged 62, has had a long career in banking. At Abbey National he led the Business Finance Division and was responsible for all business banking and asset finance activities of First National Bank and Abbey National. Prior to that he held senior appointments with TSB Group, Hill Samuel Bank, Creditanstalt and County NatWest Limited. He is currently a director of IDDAS Limited and of Savile Holdings Plc and a non-executive director of Davenham Group plc and Laird Capital Limited.

HE Richardson, aged 62, is a past IT Services Chairman/CEO who played a leading role in the international growth of Electronic Data Systems. He has extensive experience of acquisition integration, complex outsourcing transactions, turnaround management and new geographical start-ups. He is a non-executive director of Hazell Carr Plc, a leading outsourcing specialist to life assurance companies.

RA Dickman, aged 50, is a Chartered Surveyor, and has been a director of Fletcher King Services Limited since May 1992. He has been in charge of the Valuation and Rating Department since that date.

Details of Directors' interests in the shares of the Company are set out in the Remuneration Report on pages 16 to 18.

No Director had any material interest in contracts during the year with the Company, apart from service contracts.

Supplier Payment Policy

The Company's policy, which is also applied by the Group, is to settle the terms of payment with suppliers when agreeing the terms of each transaction. This ensures that suppliers are made aware of the terms of payment. Trade creditors of the Group at 30 April 2008 were equivalent to 24 days (2007: 14 days) purchases, based on the amount invoiced by suppliers during the year.

Share Capital and Substantial Shareholdings

The Company's share capital is detailed in Note 19 on page 41.

The provisions contained in the Companies Act 2006 and the Disclosure and Transparency Rules issued by the Financial Services Authority extend disclosure obligations to indirect shareholders who are entitled to acquire, dispose of or exercise voting rights.

Up to 29 July 2008, other than the interests of the Chairman as set out in the Remuneration Report, and the persons noted below, the Directors are aware of no direct or indirect interest of 3% or more in the issued share capital of the Company.

	<i>Number of Ordinary Shares</i>	<i>%</i>
District & Urban Group	1,642,562	17.83
Barclayshare Nominees Limited	492,729	5.35
BNY GIL Client Account (Nominees) Ltd	400,000	4.34
Productive Nominees Limited	400,000	4.34
TD Waterhouse Nominees (Europe) Limited	355,650	3.86

Authority to Allot Unissued Shares

In accordance with normal practice the Directors propose to take the usual authorities under Sections 80 and 95 of the Companies Act 1985. Therefore it is proposed to extend the Section 80 authority given at the last Annual General Meeting on 21 September 2007 for a further year in respect of ordinary 10p shares up to a maximum of 1,790,221 shares (£179,022). Apart from possible issues under the Employee Share Option Scheme there is at present no intention of issuing any further ordinary shares. In any event, no issue will be made which would effectively alter the control of the Company without the prior approval of the Company in general meeting.

Purchase of Shares

The Directors, in line with boards of directors of other listed companies, consider that it would be appropriate for the Company to have the authority to purchase its own shares as one of a range of investment options available to them, more especially if the purchase of its own shares produced an improvement in earnings per share. Shareholders should be assured that the Board will commence share purchases only after careful consideration and after taking account of the overall financial position of the Group. An ordinary resolution will be proposed to authorise the Company to make market purchases of up to a maximum of 460,000 of its own shares, representing less than 5% of the existing issued ordinary shares. The maximum price to be paid on any exercise of the authority will be restricted to 5% above the average of the middle market quotation as derived from The London Stock Exchange Daily Official List for the ordinary shares for the ten dealing days immediately prior to purchase. The minimum price that may be paid for the ordinary shares is the

nominal value of 10p per share. The authority for the purchase sought at the Annual General Meeting will expire at the conclusion of the following Annual General Meeting which is expected to take place in September 2009. The intention of the Board is to seek to renew the authority at future Annual General Meetings.

Corporate Governance

Statement of compliance

The Combined Code seeks to promote the principles of openness, integrity and accountability. These are principles that the Board fully supports and seeks to apply. Save for the exceptions outlined below, the Company has complied throughout the year ended 30 April 2008 with the provisions of the Combined Code:

- The Audit Committee and the Remuneration Committee do not comprise solely non-executive directors as the Chairman is also a member, given the small size of the Board.
- The Audit Committee does not comprise three non-executive directors. In common with many public companies of similar size, the Directors consider that for the smaller public company two non-executive directors are sufficient to give the appropriate degree of independence to the Board.
- The appointment of all directors is a formal process involving all members of the Board and therefore a Nomination Committee has not been established. The Code exempts 'small' boards from such a requirement.
- The Group does not have an internal audit function. In view of the size of the Group the Directors consider that such a function is not necessary. Internal systems and controls are monitored by senior management.

Internal Control

In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets, the Directors recognise that they have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance.

The key features of the internal control system that operated throughout the period of the accounts and up to 29 July 2008, and which followed the Turnbull guidance 2005, were as follows:

- *Control Environment.* The Board has put in place an organisational structure with clearly defined and understood lines of responsibility and delegation of authority from the Board.
- *Identification and Evaluation of Business Risks and Control Objectives.* The Board identifies the major business risks facing the Group and develops appropriate policies to manage those risks.
- *Information System.* The Group operates a comprehensive annual planning and budgeting system with an annual budget approved by the Board. There is a financial reporting system which compares results of each area of the business with budgets and which updates forecasts on a monthly basis. These reports are reviewed with the full Board on a quarterly basis.
- *Main control procedures.* The Board has adopted a schedule of matters which are required to be brought to it for decision thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. Financial controls and procedures are communicated to employees and include procedures for undertaking major transactions and organisational changes and relating to the security of assets.
- *Monitoring.* The Board has delegated to executive management implementation of the system of internal financial control procedures. The operation of the system is monitored by senior financial staff who report to the Audit Committee. A formal review of the effectiveness of the group's system of internal controls and a formal risk review have been carried out by the Board and have identified those controls that mitigate the risks. The Board carries out periodic reviews to identify new risks and changes to existing risks. Where additional controls and procedures are required, suitable action plans are put in place and progress against these is monitored by the Board.
- *Remedial actions.* Necessary actions have been, or are being taken, to remedy any significant failings or weaknesses identified by the Board's review of the effectiveness of the system of internal control.

Going Concern

In accordance with the guidance for directors of listed companies 'Going Concern and Financial Reporting' and after making appropriate enquiries, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these accounts. This is based on the Directors' opinion that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

Directors

The Company is controlled by a Board of Directors comprising an Executive Chairman, a Managing Director, an executive Director and two non-executive Directors. All Directors may take independent professional advice in furtherance of their duties at the Group's expense and appropriate insurance cover in respect of legal action against Directors is maintained.

The Board meets regularly during the year. It is responsible for the overall strategy and direction of the Group and for monitoring management performance, major capital and development expenditure and significant financing matters. The Board met on four occasions during the year under review, with full attendance save that Mr Richard Goode was absent on one occasion.

The Board monitors exposure to key business risks and reviews the strategic direction of the Group's trading subsidiaries, their annual budgets, and their progress against those budgets and their development programmes. The Board also considers employee issues and key appointments.

All Directors submit themselves for re-election at least once every three years.

HE Richardson and DH Stewart served as non-executive Directors throughout the year. The non-executive Directors retire by rotation in the same manner as the executive Directors, in accordance with the Company's Articles of Association. HE Richardson has served on the Board for more than nine years. However, given his experience and integrity, the Board does not consider his independence to be affected, and believes that his re-election will permit him to continue to make a valuable and effective contribution to its deliberations.

The non-executive Directors are independent of management and monitor its actions and the Group's performance. They are kept fully informed of major operational and strategic issues which may arise between Board meetings. Individually, they bring a complementary, but diverse, set of skills and experience to the Board.

On an annual basis the Chairman appraises the performance of each of the executive Directors and the non-executive Directors. The Chairman is appraised by the senior non-executive Director, who also reviews the performance and effectiveness of the Board Committees.

The Board has an Audit Committee and a Remuneration Committee. Each committee met on two occasions during the year under review, with full attendance. Each committee operates within defined terms of reference, and comprises the non-executive Directors and the Chairman.

Relations with Shareholders

The Group encourages two-way communication with both institutional and private investors and responds promptly to queries received. All shareholders have at least twenty working days' notice of the Annual General Meeting. The Directors and Committee chairmen are introduced and are available for questions at the Annual General Meeting.

Remuneration Committee

The composition of the Committee is set out on page 1. The Committee meets as and when appropriate and, with the help of periodic reports from independent remuneration consultants, is responsible for recommending Directors' remuneration, the terms and conditions of their service contracts, and the allocation of options to Directors. Except for the fact that the Remuneration Committee did not exclusively contain non-executive Directors, the Remuneration Committee complied with Section A of the best practice provisions of the Listing Rules.

The Committee has complied with the best practice provisions set out in Section B annexed to the Listing Rules, both in making this statement and in determining its proposals for the year commencing 1 May 2008. The Committee's objective is to provide executive Directors with packages which attract, retain and motivate directors of the quality required. Full details of the Directors' remuneration and share options are given in the Remuneration Report.

Audit Committee

The composition of the Committee is set out on page 1. The Committee meets at least twice each year to consider the Company's public reports and to review the work of the external auditors. The Committee satisfies itself that the auditors remain independent and monitors the level of non-audit services supplied to the Group. The auditors confirm their independence in writing to the Committee on an annual basis.

Directors' Responsibilities

UK company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. In preparing the accounts, the Directors are required to select suitable accounting policies and then to apply them consistently; to make judgements and estimates that are reasonable and prudent; to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and to prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Other Matters

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible 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. The directors are responsible for ensuring that the Directors' Report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Disclosure of information to the auditors

In the case of each person who was a Director at the time this report was approved, so far as that Director was aware there was no relevant available information of which the Company's auditors were unaware; and that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

Auditors

A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board on 29 July 2008.

J A S Robertson

Remuneration Committee

The Remuneration Committee, which consists of the Chairman and the non-executive Directors, makes recommendations to the Board on the framework of executive remuneration and determines specific remuneration packages on their behalf. The Chairman attends the Remuneration Committee meetings but is not present when his own remuneration is being considered.

Remuneration Policy

Remuneration policy is directed towards linking executive remuneration with the performance of the Group, consistent with normal practice in the industry. Annual bonuses are calculated on a formula basis by reference to pre-tax profits, which, in relation to DJR Fletcher and REG Goode, relate to the performance of Fletcher King Services Limited, and in relation to RA Dickman, relate to the performance of the Valuation and Rating Department at Fletcher King Services Limited. Share options are granted having regard to an individual's seniority within the business and together with the Group's employee share ownership plan, are designed to give executive Directors an interest in the increase in the value of the Group.

Service Contracts

It is the policy of the Company that all Executive Directors should have service contracts that are terminable on no more than six months' notice and that contracts should not have a fixed term. Any contractual payments on early termination by the Company would be by reference to the contractual notice period only, subject to the general duty to mitigate.

Executive Directors	Date of service contract	Date of appointment	Maximum notice period
DJR Fletcher	17.11.86	01.11.86	6 months
REG Goode	05.05.92	05.05.92	6 months
RA Dickman	01.02.08	01.02.08	6 months
<hr/>			
Non-executive Directors	Date of letter of appointment	Date of appointment	Expiry of current term of office
HE Richardson	27.10.93	01.11.93	Annually
DH Stewart	19.06.02	01.07.02	Annually
<hr/>			

Outside Directorships

None of the executive Directors has external non-executive Directorship positions.

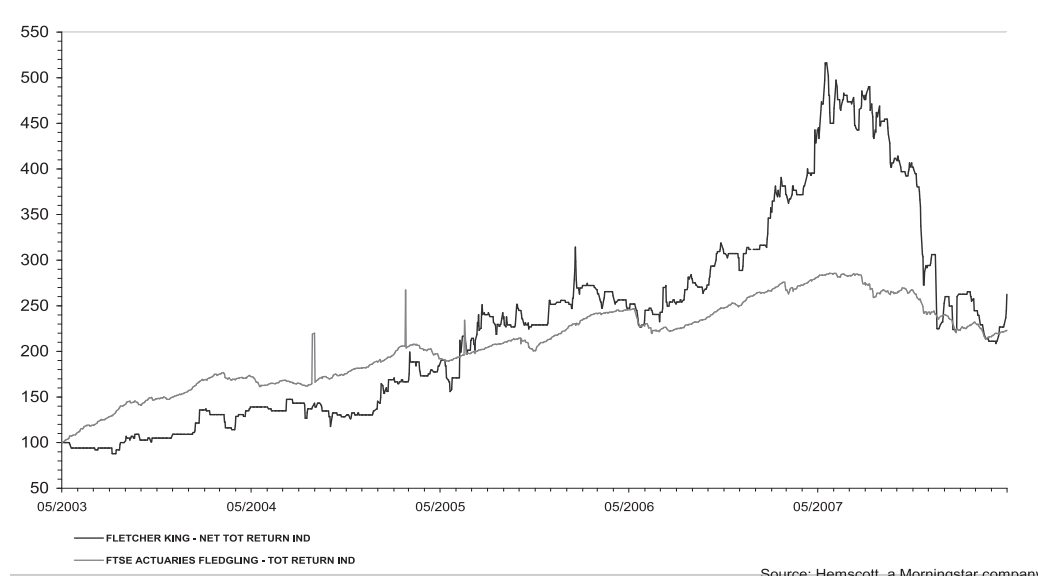
Non-executive Directors

The fees of the non-executive Directors are determined by the executive Directors and are designed to reflect the time and experience which these Directors bring to the Company and to the Group.

Performance Graphs

The Remuneration Report Regulations provide that the Company must provide a graph comparing the Total Shareholder Return (TSR) performance of the hypothetical holding of shares in the Company with a broad equity market index over a five year period (the ‘Compliance Graph’). In this context, the Directors have chosen to illustrate the performance of TSR against the FTSE Fledgling Index. In the opinion of the Directors, the FTSE Fledgling Index is the most appropriate index against which TSR should be measured because it is a widely used and understood index of UK companies of a broadly similar size to the Company. The Compliance Graph is shown below.

Compliance Graph – Historical TSR Performance



Directors' Emoluments (audited)	2008	2007
	£000	£000
Fees	88	88
Salaries and benefits	329	334
Post-employment benefits	—	104
Performance-related bonuses	723	914
	<u>1,140</u>	<u>1,440</u>

No executive Directors at 30 April 2008 received any pension entitlements.

	Salary	Benefits	Bonus	Fees	2008	2007
	£000	£000	£000	£000	£000	£000
DJR Fletcher	100	23	315	—	438	583
REG Goode	100	17	315	—	432	572
G Howard	—	—	—	—	—	197
HE Richardson	—	—	—	55	55	55
DH Stewart	—	—	—	33	33	33
RA Dickman	80	9	93	—	182	—
	<u>280</u>	<u>49</u>	<u>723</u>	<u>88</u>	<u>1,140</u>	<u>1,440</u>

REMUNERATION REPORT

The non-executive Directors received basic fees of £15,000 each in both the year ended 30 April 2008 and the year ended 30 April 2007. Additional fees were paid in both years in respect of specific additional work performed.

No new share options were granted in the current or previous year.

Directors' Interests (audited)

At 30 April 2008, the interests of the Directors in the Company's ordinary shares, all of which were beneficial, were as follows:

	Number of ordinary shares	
	30 April 2008	1 May 2007
DJR Fletcher	1,344,360	1,344,360
REG Goode	100,000	100,000
HE Richardson	—	—
DH Stewart	20,000	20,000
RA Dickman	20,000	20,000

At 30 April 2008 and 30 April 2007 no director held any options to acquire ordinary shares.

There were no changes in the shareholdings of any of the Directors between 1 May 2008 and 29 July 2008.

The share price during the year was within the range 40.4p – 114.7p and at the year end was 51.0p.

This report was approved by the Board on 29 July 2008.

J A S ROBERTSON

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and have also elected to prepare financial statements for the company in accordance with the IFRSs. Company law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- Properly select and apply accounting policies:
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

1. The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. The Directors' Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Signature

David Fletcher
Chairman

29 July 2008

Signature

Richard Goode
Managing Director

29 July 2008

Independent auditors' report to the shareholders of Fletcher King plc

We have audited the group and parent company accounts (the 'accounts') of Fletcher King plc for the year ended 30 April 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, Consolidated and Company Cash Flow Statements, the Consolidated and Company Statement of Change in Shareholders' Equity and the related notes 1 to 24. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Remuneration Report and the accounts in accordance with applicable law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities within the Directors' Report.

Our responsibility is to audit the accounts and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group accounts, Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Divisional Review and the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement within the Directors' Report reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Five Year Summary of Results, the Financial Highlights, the Chairman's Statement, the Divisional Review, the Operating and Financial Review the Directors' Report and the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the group accounts give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 April 2008 and of its profit for the year then ended;
- the parent company accounts give a true and fair view, in accordance with those IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 April 2008;
- the accounts and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson

Chartered Accountants and Registered Auditors
25 Moorgate, London EC2R 6AY
29 July 2008

CONSOLIDATED INCOME STATEMENT

for the year ended 30 April 2008

Notes	2008 £000	2007 £000
	6,410	7,438
6 Revenue		
6 Employee benefits expense	(3,796)	(4,602)
11 Depreciation expense	(79)	(114)
Other operating expenses	(2,115)	(1,951)
	420	771
Operating profit		
Profit on disposal of available-for-sale investments	236	132
Impairment of available-for-sale investments	(71)	—
Income from investments	37	18
7 Finance income	137	106
	759	1,027
8 Profit before taxation		
8 Taxation	(209)	(351)
	550	676
Profit for the year after taxation attributable to equity shareholders		
	5.97p	7.34p
10 Basic earnings per share		
10 Diluted earnings per share	5.96p	7.33p

All the Group's activities are considered continuing.

Gains and/or losses in either year which are not reflected in the Income Statement are included in the Consolidated Statement of Changes in Equity on page 28.

CONSOLIDATED BALANCE SHEET

as at 30 April 2008

Notes	2008 £000	2007 £000	
Assets			
Non-current assets			
11	Property, plant and equipment	457	125
13	Available-for-sale investments	428	897
18	Deferred tax assets	58	24
		943	1,046
Current assets			
14	Trade and other receivables	1,462	1,600
	Amounts recoverable on contracts	154	222
15	Cash and cash equivalents	2,773	2,990
		4,389	4,812
		5,332	5,858
Total assets			
Liabilities			
Current liabilities			
16	Trade and other payables	508	395
	Current taxation liabilities	132	187
17	Other creditors and provisions	1,325	1,605
		1,965	2,187
18	Non-current liabilities		
	Deferred taxation liabilities	–	118
		1,965	2,305
Total liabilities			
Shareholders' equity			
19	Share capital	921	921
	Share premium	140	140
	Profit and Loss Reserve	2,306	2,492
		3,367	3,553
Total shareholders' equity			
Total equity and liabilities			
		5,332	5,858

Approved by the Board on 29 July 2008 and signed on its behalf by

David Fletcher
Chairman

COMPANY BALANCE SHEET

as at 30 April 2008

Notes	2008 £000	2007 £000
<hr/>		
Assets		
Non-current assets		
12	Investments in group undertakings	633
<hr/>		
Current assets		
14	Trade and other receivables	223
15	Cash and cash equivalents	1,006
<hr/>		
		1,229
<hr/>		
Total assets		1,862
<hr/>		
Liabilities		
Current liabilities		
16	Trade and other payables	15
17	Other creditors and provisions	16
<hr/>		
		31
<hr/>		
Total liabilities		31
<hr/>		
Shareholders' equity		
19	Share capital	921
	Share premium	140
	Profit and Loss reserve	770
<hr/>		
Total shareholders' equity		1,831
<hr/>		
Total equity and liabilities		1,862
<hr/>		

Approved by the Board on 29 July 2008 and signed on its behalf by

David Fletcher
Chairman

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 April 2008

	2008 £000	2007 £000
Cash flows from operating activities		
Profit before taxation	759	1,027
Adjustments for:		
Depreciation expense	79	114
Profit on disposal of non-current assets held for sale	(236)	(132)
Impairment of available-for-sale investments	71	—
Income from investments	(37)	(18)
Finance income	(137)	(106)
Cash flows from operating activities before movement in working capital	499	885
Decrease / (increase) in trade and other receivables	138	(115)
(Decrease) / increase in trade and other payables	(167)	556
Decrease / (increase) in work in progress	68	(20)
Cash generated from operations	538	1,306
Taxation paid	(296)	(299)
Net cash flows from operating activities	242	1,007
Cash flows from investing activities		
Purchases of equipment	(427)	(95)
Sale of equipment	16	—
Purchase of investments	—	(250)
Sale of investments	238	383
Finance income	137	106
Income from investments	37	18
Net cash flows from investing activities	1	162
Cash flows from financing activities		
Dividends paid to shareholders	(460)	(322)
Net cash flows from financing activities	(460)	(322)
Net (decrease) / increase in cash and cash equivalents	(217)	847
Cash and cash equivalents at start of year	2,990	2,143
Cash and cash equivalents at end of year (note 15)	2,773	2,990

COMPANY CASH FLOW STATEMENT*for the year ended 30 April 2008*

	2008 £000	2007 £000
Cash flows from operating activities		
Profit before taxation	377	186
Adjustments for:		
Finance income	(53)	(59)
Dividends received from subsidiary undertakings	(460)	(322)
Cash flows from operating activities before movement in working capital	(136)	(195)
Increase in trade and other receivables	(173)	(48)
(Decrease) / increase in trade and other payables	(1)	13
Cash absorbed by operations	(310)	(230)
Cash flows from investing activities		
Dividends received from subsidiary undertakings	460	322
Finance income	53	59
Net cash flows from investing activities	513	381
Cash flows from financing activities		
Dividends paid to shareholders	(460)	(322)
Net cash flows from financing activities	(460)	(322)
Net decrease in cash and cash equivalents	(257)	(171)
Cash and cash equivalents at start of year	1,263	1,434
Cash and cash equivalents at end of year (note 15)	1,006	1,263

STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED

	Share capital £0000	Share premium £000	Profit and Loss Reserve £000	Fair value reserve £000	Total reserves £000	TOTAL EQUITY £000
Balance at 1 May 2006	921	140	1,862	340	2,202	3,263
Net profit for the year	—	—	676	—	676	676
Transfer of realised gains on disposal	—	—	—	(142)	(142)	(142)
Deferred taxation adjustment	—	—	—	43	43	43
Fair value gain on investments	—	—	—	50	50	50
Deferred taxation adjustment	—	—	—	(15)	(15)	(15)
Total income and expense for the year	—	—	676	(64)	612	612
Equity dividends paid	—	—	(322)	—	(322)	(322)
Balance at 1 May 2007	921	140	2,216	276	2,492	3,553
Net profit for the year	—	—	550	—	550	550
Transfer of realised gains on disposal	—	—	—	(342)	(342)	(342)
Deferred taxation adjustment	—	—	—	102	102	102
Fair value loss on investments	—	—	—	(52)	(52)	(52)
Deferred taxation adjustment	—	—	—	16	16	16
Total income and expense for the year	—	—	550	(276)	274	274
Equity dividends paid	—	—	(460)	—	(460)	(460)
Balance at 30 April 2008	921	140	2,306	—	2,306	3,367

The profit and loss reserve comprises the undistributed profits of the Group. The fair value reserve comprises the cumulative unrealised change in the fair value of available-for-sale investments, including those reclassified as non-current assets held for sale, as well as the deferred tax movements associated therewith.

COMPANY

	Share capital £000	Share premium £000	Profit and loss reserve £000	TOTAL EQUITY £000
Balance at 1 May 2006	921	140	989	2,050
Net profit for the year	—	—	186	186
Equity dividends paid	—	—	(322)	(322)
Balance at 1 May 2007	921	140	853	1,914
Net profit for the year	—	—	377	377
Equity dividends paid	—	—	(460)	(460)
Balance at 30 April 2008	921	140	770	1,831

The profit and loss reserve comprises the undistributed profits of the Company.

1. General information

Fletcher King Plc ('the Company') and its subsidiaries (together 'the Group') carry on the business of property fund management, property asset management, rating, valuations and construction services throughout the United Kingdom. The Company is a public limited company incorporated and domiciled in England and Wales and listed on The London Stock Exchange. The registered office address is 61 Conduit Street, London W1S 2GB. These consolidated financial statements were approved for issue by the Board of Directors on 29 July 2008. They are presented in sterling which is the Group's functional currency. The Group has no overseas operations.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies, which are also applicable to the financial statements of the Company, have been consistently applied to all the years presented.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

New standards and interpretations

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue and relevant to the group, but not yet mandatorily effective:

IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14 Segment Reporting, and requires an entity to adopt a "management approach" to reporting on the financial performance of its operating segments. The Group will apply IFRS 8 from 1 May 2009.

IAS 1 (revised version – effective 1 January 2009). The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a company's equity resulting from transactions with owners separately from non-owner changes. The revised standard provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements.

The Directors anticipate that the adoption of these standards will only impact disclosure and presentation in the Group's financial statements in the period of initial application.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are highly significant to the financial statements, are set out in note 3 below.

Basis of consolidation

The financial statements consolidate the accounts of the Company and all subsidiary undertakings drawn up to the same year end.

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary entities are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

In respect of subsidiaries, inter-company transactions, balances and unrealised gains on intra-group transactions are eliminated on consolidation.

The accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Acquisitions and Goodwill

The purchase method of accounting is used to account for the acquisition of subsidiary entities by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill arising on acquisitions in periods prior to the application of IFRS was written off directly to profit and loss reserves. In accordance with IFRS, this goodwill remains written off and is not recognised in the Group's consolidated balance sheet. This goodwill will not be transferred to the income statement on any subsequent impairment in value or disposal of the business to which it relates.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The Directors have identified the activities of Fletcher King Howard as forming a separate business segment to the activities of the rest of the Group. As substantially all of the Group's activities take place in the United Kingdom, no geographical segmentation is presented in these financial statements.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at historical cost, net of depreciation, at rates calculated to write off the cost, less residual value, of each asset over its expected useful life. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Motor vehicles, office furniture and fittings, computer equipment and acquired software licences, are depreciated at rates between 25% and 33% per annum on a straight line basis in order to allocate the cost of each asset to its residual value over its estimated useful life. Short leasehold premia and improvements are depreciated over the lease life. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement.

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Measurement depends on their classification and is discussed below:

(i) Investments

Investments held by the Company in subsidiary entities, not held for sale, are shown at cost less any provision for impairment.

The Directors determine the classification of investments held by the Group at initial recognition and re-evaluate this designation at each reporting date. At the balance sheet date all these investments were classified as available-for-sale. Available-for-sale investments are initially recognised at cost, being the fair value of the consideration given and including associated acquisition costs. On subsequent measurement, available-for-sale investments are measured at either fair value, or at cost where fair value is not readily ascertainable. Changes in fair value are recognised in equity, together with the related deferred tax asset or liability. When such investments are disposed of, the accumulated gains or losses, previously recognised in equity, are transferred to the income statement.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

(ii) Trade and other receivables

Trade and other receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

All financial assets are reviewed annually for impairment, and permanent impairment losses are reflected in the income statement. Investment income is recognised in the income statement.

(iii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(iv) Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(a) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

(b) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

(v) Amounts recoverable on contracts

Amounts recoverable on contracts represent costs incurred on specific project management contracts, net of amounts transferred to cost of sales, in respect of work recorded in revenue, less foreseeable losses and payments on account not matched with revenue. No profit is recognised until the contract has advanced to a stage where the total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses. Amounts recoverable on contracts are valued at cost plus attributable profits less any foreseeable losses.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Taxation

Current income tax is provided on taxable profits at the current rate. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates applicable at the balance sheet date which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax and deferred tax are reflected in the income statement, unless they relate to items recognised in equity, in which case they are recognised in equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Revenue recognition

Revenue comprises commissions and fees receivable excluding value added tax. Fees on property transactions for clients are recognised as earned on completion of the transaction, except in the case of long-term developments where non-returnable fees are recognised when they become payable during the course of the development. Fees for other professional services are recognised when they become due, except that fees for quantity surveying, construction management and project management are included in turnover in proportion to the value of work completed.

Interest and investment income is recognised on a time-proportion basis using the effective interest method.

Operating profit

Operating profit is stated before income from investments, finance income and costs, profit on disposals, loss on impairment of available-for-sale investments and taxation.

Employee benefits

No pension schemes are operated by the Group. Contributions to employees' money-purchase pension schemes are made on an arising basis where these form part of contractual remuneration obligations. The Group recognises a liability and an expense for cash-settled bonuses when contractually obliged or when there is a past practice creating a constructive obligation.

The Executive Share Option Scheme and the 1996 Employee Share Option Scheme were accounted for at intrinsic value.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases and hire purchase agreements are capitalised and included in non-current assets and are amortised in accordance with the depreciation policies detailed above. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. Finance charges are debited to the income statement so that the annual rate of charge on the outstanding obligation is approximately constant.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distributions

Dividends distributed to the Company's shareholders are recognised in the Group's financial statements in the period in which the dividends are paid or approved by the Company's shareholders.

3. Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions concerning the future. While the resulting accounting estimates will, by definition, seldom equal the related actual results, in the opinion of the Directors the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

(a) Impairment of available-for-sale investments

The fair value of available-for-sale investments is determined by reference to the underlying value of the assets of those investments, as detailed in note 13 on page 38. The Directors consider that the charge for impairment recognised in equity and in profit and loss fully reflects the diminution of value of these assets.

(b) Provisions for impairment of trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. The Directors have made provisions for impairment where there is objective evidence that the Group will not be able to collect all amounts due.

(c) Recognition of deferred tax assets

Deferred income tax is provided in full using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for the tax base. A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets and liabilities are not discounted. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

(d) Revenue recognition

The Directors regularly review the basis for recognition of revenue, which comprises commissions and fees receivable excluding value added tax. The directors consider that the basis for recognition of revenue will only materially affect the carrying amounts of assets and liabilities where quantity surveying, construction management and project management are concerned, due to the estimates and assumptions which underlie the value of work yet to be completed.

4. Segmental analysis

Year ended 30 April 2008	General services £000	Construction services £000	Unallocated £000	Total £000
Revenue:				
Sales to external customers	4,578	1,832	—	6,410
Revenue from inter-segmental transactions	—	49	(49)	—
Total revenue	4,578	1,881	(49)	6,410
Operating profit/(loss)	579	(22)	(137)	420
Profit on sale of available-for-sale investments	236	—	—	236
Impairment of available-for-sale investments	(71)	—	—	(71)
Income from investments	37	—	—	37
Finance income	91	4	42	137
Profit/(loss) before taxation	872	(18)	(95)	759
Taxation	(206)	(3)	—	(209)
Profit/(loss) for the year after taxation	666	(21)	(95)	550

Construction Services comprises the business carried out by Fletcher King Howard Limited. All other types of services as set out in the Chairman's Statement and the Divisional Review are General Services. The unallocated segment comprises the elimination of inter-segmental transactions, holding company costs and other expenses and income and assets and liabilities not directly attributable to the operating activities of the Group's business segments.

Inter-segmental revenues are priced as for sales to external customers.

Segmental assets and liabilities as at 30 April 2008, and capital expenditure and depreciation for the year then ended, are as follows:

	General services £000	Construction services £000	Unallocated £000	Total £000
Segmental assets	3,405	918	—	4,301
Unallocated assets	—	—	1,009	1,009
Total assets	3,405	918	1,009	5,301
Segmental liabilities	1,710	240	—	1,956
Unallocated liabilities	—	—	15	15
Total liabilities	1,710	240	15	1,971
Net segmental equity	1,769	475	1,123	3,367
Capital expenditure	422	5	—	427
Depreciation	55	24	—	79

NOTES TO THE FINANCIAL STATEMENTS

5. Segmental analysis (continued)

Year ended 30 April 2007	General services £000	Construction services £000	Unallocated £000	Total £000
Revenue:				
Sales to external customers	5,435	2,003	—	7,438
Revenue from inter-segmental transactions	—	42	(42)	—
Total revenue	5,435	2,045	(42)	7,438
Operating profit/(loss)	1,115	(150)	(194)	771
Profit on sale of available-for-sale investments	132	—	—	132
Income from investments	18	—	—	18
Finance income	47	1	58	106
Profit/(loss) before taxation	1,312	(149)	(136)	1,027
Taxation	(359)	8	—	(351)
Profit/(loss) for the year after taxation	953	(141)	(136)	676

Segmental assets and liabilities as at 30 April 2007, and capital expenditure and depreciation for the year then ended, were as follows:

	General services £000	Construction services £000	Unallocated £000	Total £000
Segmental assets	3,530	1,036	—	4,566
Unallocated assets	—	—	1,268	1,268
Total assets	3,530	1,036	1,268	5,834
Segmental liabilities	1,851	412	—	2,263
Unallocated liabilities	—	—	18	18
Total liabilities	1,851	412	18	2,281
Net segmental equity	1,679	624	1,250	3,553
Capital expenditure	77	18	—	95
Depreciation	84	30	—	114

5. Operating profit

Operating profit is stated after charging/(crediting):

Year ended 30 April	2008 £000	2007 £000
Operating lease rentals relating to property	422	215
Other operating lease rentals	37	117
Rental income	(23)	(29)
Fees payable to the Company's auditor for the audit of the Company's consolidated annual financial statements	5	5
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the accounts of associates of the Company pursuant to legislation	24	25
- other services supplied pursuant to such legislation	8	12
- tax services	18	12
- other services	4	4

As permitted by section 230 of the Companies Act 1985, the Company has taken advantage of the legal dispensation not to present its own income statement. The profit after taxation of the Company for the year was £377,000 (2007: £186,000).

6. Employee benefits expense

Year ended 30 April	2008 £000	2007 £000
Basic wages and salaries	2,402	2,379
Performance-based payments	907	1,495
	3,309	3,874
Social security costs	394	525
Post-employment benefits	—	109
Other costs	93	94
	3,796	4,602

The average number of persons (including directors) employed by the Group was as follows:

Year ended 30 April	2008 No.	2007 No.
Management	8	12
Professional	26	27
Administration	15	17
	49	56

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. In the opinion of the Board, the Group's key management comprises the Executive and Non-executive Directors of Fletcher King Plc. Information regarding their compensation, all of which are short-term benefits, is set out in the Remuneration Report on pages 16 to 18.

The Group does not operate any pension schemes.

NOTES TO THE FINANCIAL STATEMENTS

7. Finance income and expense

Year ended 30 April	2008 £000	2007 £000
Finance income		
Bank interest receivable	118	106
Other interest	19	—
	137	106

8. Income tax

Year ended 30 April	2008 £000	2007 £000
Current tax		
UK corporation tax – current year	258	382
UK corporation tax – prior years	(15)	(31)
	243	351
Deferred tax		
UK deferred tax – current year	(34)	—
UK deferred tax – prior years	—	—
	(34)	—
Total tax charged in the income statement	209	351

Deferred tax arising on the revaluation of available-for-sale investments of £15,000 (2007: £15,000 charge) has been credited to the fair value reserve within equity – see note 18. Deferred tax released on the realisation of available-for-sale investments of £103,000 (2007: £43,000) has been credited to the fair value reserve within equity – see note 18.

The effective rate of UK corporation tax is calculated as the standard rate of UK corporation tax of 30% less any effective marginal relief. The difference between the total current tax shown above and the amount calculated applying the effective rate of UK corporation tax, to the profit before taxation is as follows:

Year ended 30 April	2008 £000	2007 £000
Profit before taxation	759	1027
Tax on Group profit at UK corporation tax rate of 30% (2007: 30%)	227	308
Capital gains tax adjustment on disposal	—	(22)
Difference between capital allowances and depreciation	(18)	16
Expenses not deductible for tax purposes	32	80
Provision for pension contribution	(17)	—
Prior year adjustment	(15)	(31)
Group current year tax charge for the year	209	351

9. Dividends

Year ended 30 April	2008 £000	2007 £000
Equity dividends on ordinary shares:		
Declared and paid during year		
Ordinary final dividend for the year ended 30 April 2007: 3.75p per share (2006: 2.5p)	345	230
Interim dividend for the six months ended 31 October 2007: 1.25p per share (2006: 1.0p)	115	92
	460	322
Proposed ordinary final dividend for the year ended 30 April 2008: 1.75p per share	161	

The ordinary final dividend for the year ended 30 April 2008 will be proposed at the forthcoming Annual General Meeting and is not reflected in these financial statements.

10. Earnings per share

Basic earnings per share is calculated by reference to the result attributable to equity shareholders of £550,000 (2007: £676,000) and the number of 9,209,779 shares (2007: 9,209,779) in issue throughout the year.

Diluted earnings per share is calculated by reference to the result attributable to equity shareholders of £550,000 (2007: £676,000) and the number of 9,221,475 shares (2007: 9,221,475) in issue throughout the year, being the number of shares adjusted for the number of share options outstanding at the end of each year.

11. Property, plant and equipment - Group

	Furniture, fittings and computers £000	Motor vehicles £000	Short leasehold premium and improvements £000	Total £000
Cost				
At 1 May 2007	1,001	126	131	1,258
Additions	151	—	276	427
Disposals	(687)	(46)	(131)	(864)
At 30 April 2008	465	80	276	821
Depreciation				
At 1 May 2007	957	45	131	1,133
Charge for the year	42	19	18	79
Disposals	(686)	(31)	(131)	(848)
At 30 April 2008	313	33	18	364
Net book value at 30 April 2008	152	47	258	457
Cost				
At 1 May 2006	960	72	131	1,163
Additions	41	54	—	95
At 30 April 2007	1,001	126	131	1,258
Depreciation				
At 1 May 2006	861	27	131	1,019
Charge for the year	96	18	—	114
At 30 April 2007	957	45	131	1,133
Net book value at 30 April 2007	44	81	—	125

12. Investments in Group undertakings - Company

Year ended 30 April	2008 £000	2007 £000
Shares in Group undertakings at cost: At 1 May 2007 and 30 April 2008	633	633

The Company owns 100% of the ordinary share capital of the following companies registered in England and Wales, the accounts of which are consolidated into the Group accounts: Fletcher King Services Limited, which is the trading subsidiary through which the Fletcher King business is carried on; Fletcher King Investment Management Plc, the group's FSA-regulated investment services company; Fletcher King Howard Limited, which acts as project managers and quantity surveyors; and FK Management Services Limited, which provides personnel to the property management business.

13. Available-for-sale investments – Group

Year ended 30 April	2008 £000	2007 £000
At 1 May	897	990
Additions	—	250
Disposals	(346)	(393)
Impairment loss reflected in profit and loss	(71)	—
Revaluation (loss) / gain reflected in equity	(52)	50
At 30 April	428	897
Classified as:		
Available-for-sale investments	428	897
UK listed equity securities	—	346
UK unlisted investments classified as available-for-sale	428	551
	428	897

The listed investments were disposed of during the year. As at 30 April 2007 they were carried at fair value which was based on their market value at the balance sheet date.

Of the unlisted investments of £428,000, £178,000 relates to a 2.5% holding in Stratton House Investment Property Syndicate '04 (2007: £301,000). This represents the fair value of the investment and is based on the underlying value of the Syndicate's assets as stated in the most recent set of audited accounts for the Syndicate. The revaluation loss reflected in equity of £52,000 (2007: £50,000 gain) has the effect of reducing the value of the investment to its original cost; the impairment loss reflected in profit and loss of £71,000 (2007: £nil) represents the fall in value below original cost.

The balance of £250,000 represents a partnership interest in the Stratton House Investment Properties Limited Partnership which was acquired during the year ended 30 April 2007. This investment is stated at cost as the Partnership is not yet fully invested.

14. Trade and other receivables

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Trade receivables	1,194	1,303	—	—
Less provision for impairment	(29)	(6)	—	—
	1,165	1,297	—	—
Amounts owed by group undertakings	—	—	219	45
Other receivables	102	163	—	—
Prepayments and accrued income	195	140	4	5
	1,462	1,600	223	50

Trade receivables constitute the only financial assets within the category “Loans and receivables” as defined by IAS 39.

Trade receivables are non-interest bearing and generally have a 30-90 day term. Due to their short maturities, the fair value of trade receivables approximates their book value.

A provision for impairment of trade receivables is established when there is no objective evidence that the Group will be able to collect all amounts due according to the original terms. The group considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired.

Provisions for impairment of trade receivables	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
At 1 May	6	12	—	—
Charge for the year	23	—	—	—
Uncollected amounts written off, net of recoveries	—	(6)	—	—
As at 30 April	29	6	—	—

As at 30 April 2008, trade receivables of £29,000 were impaired (2007: £6,000).

As at 30 April 2008, trade receivables of £1,165,000 (2007: £1,297,000) were past due, but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Up to 3 months past due	985	1,145	—	—
3 to 6 months past due	110	140	—	—
Over six months past due	70	12	—	—
	1,165	1,297	—	—

NOTES TO THE FINANCIAL STATEMENTS

15. Cash and cash equivalents

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Cash at bank and in hand	463	690	146	63
Short-term bank deposits	2,310	2,300	860	1,200
	2,773	2,990	1,006	1,263

Cash and cash equivalents are all denominated in sterling. The effective interest rate on Group cash balances was 5.1% (2007: 4.5%). There is no material difference between the fair value and book value of cash and cash equivalents.

16. Trade and other payables

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Trade payables	164	91	—	—
Amounts owed to group undertakings	—	—	15	10
Other taxation and social security	287	249	—	3
Other payables	57	55	—	—
	508	395	15	13

The carrying amounts of trade and other payables approximate their fair value.

17. Other creditors and provisions

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Payments on account received	37	96	—	—
Bonus accruals	991	1,203	—	—
Other accruals and deferred income	297	306	16	19
	1,325	1,605	16	19

18. Deferred taxation (non-current) - Group

Year ended 30 April	2008 £000	2007 £000
Deferred taxation asset:		
Timing differences on provisions		
At 1 May 2007	24	24
Movement during year	34	—
At 30 April 2008	58	24
Deferred taxation liabilities:		
Tax charged to equity on fair value adjustments:		
Balance as at 1 May	118	146
Charged to/(released from) equity in the year:		
On revaluation of available-for-sale investments	(15)	15
On realisation of available-for-sale investments	(103)	(43)
Balance as at 1 May	—	118

19. Share capital

	30 April 2008 Number	30 April 2007 Number	30 April 2008 £000	30 April 2007 £000
Ordinary shares of 10p each: Authorised	11,000,000	11,000,000	1,100	1,100
Issued and fully paid	9,209,779	9,209,779	921	921

The Company has one class of ordinary shares which carry no rights to fixed income. No shares were issued during the year.

20. Share based payments

Executive Share Option Scheme:

As at 1 May 2007, no options were outstanding under this scheme. No new options were issued during the year.

1996 Employee Share Option Scheme:

As at 1 May 2007 25,000 options were outstanding under this scheme. These options were granted on 19 February 1999 and are exercisable for cash between February 2002 and February 2009 at an exercise price of 35p per share. No new options were issued during the year. No options lapsed during the year. At 30 April 2008 25,000 options are extant.

On transition to IFRS, the Group elected not to apply IFRS 2 to the granting of share options prior to 7 November 2002.

21. Capital and operating lease commitments and contingent liabilities

As at 30 April 2008 and 30 April 2007, neither the Group nor the Company had any capital commitments or contingent liabilities.

As at 30 April 2008 and at 30 April 2007, the Group had outstanding commitments under non-cancellable leases which fall due as follows:

	Property leases		Other leases		Total	Total
	2008	2007	2008	2007	2008	2007
	£000	£000	£000	£000	£000	£000
Within one year	347	297	51	41	398	338
In one to five years	1,387	1,447	237	161	1,624	1,608
After five years	979	1,900	—	—	979	1,900
	2,713	3,644	288	202	3,001	3,846

Property leases relate to office premises occupied by the Group. Other leases relate to motor vehicles and office equipment. Leases are negotiated for periods averaging approximately five years, usually with fixed rentals.

22. Related party transactions

Transactions between the Company and its subsidiaries are in the normal course of business and are priced using arm's length prices. Such transactions are eliminated on consolidation and are disclosed in note 4.

Total inter-company balances between the Company and its subsidiaries, which are unsecured and which relate to the provision of working capital, are disclosed in the accounts.

Remuneration information regarding key management personnel is disclosed in the Remuneration Report.

23. Financial instruments

The Group's and the Company's financial instruments comprise listed equity securities, UK unlisted investments, cash and cash equivalents, and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's and the Company's operations.

The Group's and the Company's operations expose them to a variety of financial risks including credit risk, interest rate risk, liquidity risk and equity price risk. Commensurate with the size of the Group, the directors set the policies regarding financial risk management, and these are implemented accordingly by Group companies.

Loans and receivables

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Trade receivables	1,165	1,297	—	—
Amounts recoverable on contracts	154	222	—	—
Amounts owed by group undertakings	—	—	219	45
Other debtors	74	140	—	—
	1,393	1,659	219	45

Financial liabilities at amortised cost

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Trade creditors	164	91	—	—
Other payables	57	55	—	—
Amounts owed to group undertakings	—	—	16	10
Payments on account received	37	96	—	—
Bonus accruals	991	1,203	—	—
Other accruals and deferred income	297	306	15	19
	1,546	1,751	31	29

Credit risk

The Group's credit risk is attributable both to trade receivables and to cash balances held. The Company's credit risk is attributable primarily to cash balances held. The Group has implemented policies to ensure that credit checks are made on potential clients before work is carried out on their behalf. The amount of exposure to any individual counterparty is subject to limits set by the directors. Cash balances held are deposited with banks with AA rating.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Trade receivables	1,165	1,297	—	—
Cash and cash equivalents	2,773	2,990	1,006	1,263
Other receivables	80	163	—	—
Amounts recoverable on contracts	154	222	—	—
	4,172	4,672	1,006	1,263

Interest rate risk

The Group and the Company have interest bearing assets, but no interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The interest earned on the Group's and the Company's cash and cash equivalents, denominated in sterling, derived principally from Money Market deposits of differing fixed time periods, and from call deposits held with banks which provide short-term liquidity to meet liabilities when they fall due.

The Group and the Company are exposed to interest rate risk as a result of these positive cash balances. As at 30 April 2008, if LIBOR had increased by 0.5% with all other variables held constant, post tax profit and equity for the Group would have been £9,400 (2007: £9,800) higher, and for the Company £3,500 (2007: £4,200) higher. Conversely, if LIBOR had decreased by 0.5% with all other variables held constant, post tax profit and equity for the Group would have been £9,400 (2007: £9,800) lower, and for the Company £3,500 (2007: £4,200) lower.

The Group's cash and cash equivalents earned interest during the year at an average of 5.1% (2007: 4.5%), and the Company's cash and cash equivalents earned interest during the year at an average of 5.2% (2007: 4.4%).

Liquidity risk

The Group and the Company actively maintain cash and cash equivalents to ensure that there are sufficient funds available for a period of at least six months to meet liabilities when they fall due.

The following table shows the contractual maturities of the Group's and the Company's financial liabilities, all of which are measured at amortised cost:

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Financial liabilities falling due:				
Within 1 month	376	146	15	19
From 2 to 3 months	1,042	1,299	16	10
From 4 to 6 months	128	306	—	—
	1,546	1,751	31	29

Market risk and sensitivity analysis

Equity price risk

The Group is exposed to equity price risk because of investments held by the Group and classified as available for sale.

As at 30 April 2008, the Group did not hold a material holding in an equity investment listed on the London Stock Exchange, as this was sold during the year. At 30 April 2007, the holding was valued at £346,000.

The Group's continuing investments are sensitive to movements in property prices; a 15% increase in the commercial property index would have increased equity by £18,000 (2007: an increase of £36,000); an equal change in the opposite direction would have decreased equity by £16,000 (2007: a decrease of £27,500).

24. Capital risk management

The Group and the Company seek, when managing capital, to safeguard the Group's and the Company's ability to continue as going concerns, in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and the Company define capital as being share capital plus reserves. The Board of Directors monitors the level of capital employed in order to achieve these objectives.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Fletcher King Plc will be held at 61 Conduit Street, London W1S 2GB on 12 September 2008 at 9.00am for the following purposes:

- 1 To receive and adopt the Company's annual accounts for the financial year ended 30 April 2008 together with the last Directors' Report, the last Directors' Remuneration Report and the Auditors' Report on those accounts and the auditable part of the Remuneration Report.
- 2 To declare a final dividend for the financial year ended 30 April 2008.
- 3 To re-elect DH Stewart as a Director, who retires by rotation in accordance with the Company's Articles of Association and who offers himself for re-election.
- 4 To re-elect HE Richardson as a Director, who offers himself for re-election in accordance with the provisions of The Combined Code on Corporate Governance.
- 5 To re-elect RA Dickman as a Director, who retires in accordance with the Company's Articles of Association, and who offers himself for re-election.

Biographical details regarding these Directors and details of their service contracts are included in the accompanying Report and Accounts.

- 6 To re-appoint Nexia Smith & Williamson as auditors to hold office from the completion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company, at a remuneration to be determined by the Directors.
- 7 To approve the Directors' Remuneration Report for the financial year ended 30 April 2008.

To consider and, if thought fit, to pass the following resolutions of which resolution number 8 will be proposed as an ordinary resolution and resolutions number 9 and number 10 will be proposed as special resolutions.

8 ORDINARY RESOLUTION

That the Directors of the Company be and are hereby authorised generally and unconditionally for the purpose of Section 80 of the Companies Act 1985 (such authority to be in substitution for all previous authorities granted to the Directors for the purpose of the said Section 80) to allot relevant securities (as defined in that Act) up to a maximum number of 1,790,221 of the unissued ordinary shares of 10p each of the Company with a nominal value of £179,022.10, such authority to expire at the conclusion of the next Annual General Meeting of the Company and at any time thereafter pursuant to any offer or agreement made by the Company before the expiry of this authority.

9 SPECIAL RESOLUTION

That, subject to the passing of resolution 8, the Directors of the Company be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of that Act) pursuant to the authority conferred by the immediately preceding resolution as if subsection (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited:

- (a) To the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such other exclusions or arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements for legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any country; and
- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £46,049 (being 5% of the said issued capital of the Company), and shall expire at the conclusion of the next Annual General Meeting of the Company unless it is renewed by special resolution of the Company in general meeting, provided that if the Company before such expiry shall make an offer or agreement which would or might require securities to be allotted after such expiry, the Directors of the Company may allot equity securities in pursuance of such offer or agreements as if the power conferred hereby had not expired.

10 SPECIAL RESOLUTION

That the Company is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company ('ordinary shares') provided that:

- (a) The maximum number of ordinary shares hereby authorised to be purchased is 460,000;
- (b) the maximum price which may be paid for an ordinary share is 5% above the average of the middle market quotations for shares of the same class as derived from The London Stock Exchange Daily Official List for the ten dealing days immediately prior to the date of the purchase of such shares and the minimum price that may be paid for an ordinary share is the nominal value of 10p per share;
- (c) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 or eighteen months from the passing of this resolution, if earlier, unless such authority is renewed prior to such time; and
- (d) the Company may enter into a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make such purchases of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

J A S Robertson

Secretary
4 August 2008

Registered Office:
61 Conduit Street
London W1S 2GB

Notes

- (a) A member of the Company entitled to attend and vote at the meeting covered by this notice is entitled to appoint a proxy or proxies to exercise all or any of his or her rights to attend, speak and on a poll to vote at the meeting instead of him or her. A proxy need not be a member of the Company. To be valid the form of proxy must be completed, signed and deposited at the office of the Company's registrars not less than 48 hours before the time appointed for the meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes. If a proxy has been appointed and the member subsequently attends the meeting in person, the proxy appointment will automatically be terminated.
- (b) To change your proxy instructions simply submit a new proxy appointment using the method set out above. Note that the cut-off time for receipt of proxy appointments (as above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you require another hard-copy proxy form in order to change the instructions, please contact the Company Secretary at 61 Conduit Street, London, W1S 2GB. 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.
- (c) In order to revoke a proxy instruction, you will need to inform the Company by sending a hard copy notice clearly stating your intention to revoke your proxy appointment to the office of the Company's registrars, Computershare Investor Services Plc, at PO Box No 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA. 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.
- (d) The following information, which is available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting, will also be available at the place of the Annual General Meeting from 8.30 am on the date of the meeting until the conclusion of the meeting.

NOTICE OF ANNUAL GENERAL MEETING

- (i) Register of interests of directors and their families in the share capital of the Company; and
- (ii) Copies of contracts of service under which Directors of the Company are employed by the Company or any of its subsidiary undertakings.
- (iii) Copies of letters of appointment for non executive directors acting on behalf of the Company or any of its subsidiary undertakings.
- (e) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at 6.00pm on 10 September 2008 or, if the meeting is adjourned, shareholders entered on the Company's register of members at 6.00pm on the day which is two days before the day of the adjourned meeting, shall be entitled to attend and vote at the meeting.
- (f) As at 30 April 2008, the Company's issued share capital comprised 9,209,779 ordinary shares of 10p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 30 April 2008 is 9,209,779.
- (g) 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 these notes. Please read note (h) below.
- (h) If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("Nominated Person"):
 - (i) 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.
 - (ii) 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 as to the exercise of voting rights.
 - (iii) 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.
- (i) In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:
 - (i) if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icas.org – for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (i) above.

For use at the Annual General Meeting of the Company to be held at 9.00 am on 12 September 2008.

I/We (*Block capitals please*) _____
of _____

being (a) member(s) of the Company, hereby appoint the Chairman of the Meeting or (see Note 5)

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 12 September 2008.

I/We direct my/our proxy to vote on the Resolutions set out in the notice convening the Annual General Meeting as follows:

	For	Vote Withheld	Against
To Adopt Ordinary Resolution 1	_____	_____	_____
To Adopt Ordinary Resolution 2	_____	_____	_____
To Adopt Ordinary Resolution 3	_____	_____	_____
To Adopt Ordinary Resolution 4	_____	_____	_____
To Adopt Ordinary Resolution 5	_____	_____	_____
To Adopt Ordinary Resolution 6	_____	_____	_____
To Adopt Ordinary Resolution 7	_____	_____	_____
To Adopt Ordinary Resolution 8	_____	_____	_____
To Adopt Special Resolution 9	_____	_____	_____
To Adopt Special Resolution 10	_____	_____	_____

Signature _____ Date _____

Notes

- 1 Please indicate with an 'X' in the spaces provided how you wish your votes to be cast. If you do not indicate how your votes are to be cast the proxy will vote as he thinks fit or abstain. The "Vote Withheld" option is provided to enable you to instruct your proxy not to vote on any particular resolution. Please note that a "Vote Withheld" has no legal effect and will not be counted in the calculation of the votes "For" or "Against" a resolution.
- 2 In the case of a corporation, this form of proxy must be under the common seal or under the hand of an officer or duly authorised attorney. In the case of the joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other registered holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
- 3 To be effective this form of proxy, and the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, must be deposited at the office of the Company's registrars, Computershare Investor Services Plc, at PO Box No. 1075, The Pavilions, Bridgewater Road, Bristol BS99 3FA, not less than 48 hours before the time of the meeting.
- 4 Any alterations made to this form of proxy should be initialled.
- 5 If you wish to appoint a proxy other than as above please delete the reference to the Chairman and insert the name of your proxy or proxies, who need not be members of the Company, in the space provided. A proxy must attend the meeting in person to represent you. Your appointment of a proxy will not preclude you from attending and voting at the meeting. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the chairman and give them the relevant instructions directly.
- 6 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, please contact the Company registrars for more information at the address provided in note 3 sufficiently in advance of the meeting so that the requirements of note 3 may be complied with.

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First fold

Computershare Investor Services Plc
Registrar's Department
Registrars of Fletcher King Plc
PO Box No 1075
The Pavilions
Bridgwater Road
Bristol
BS99 3FA

Second fold