



FIRST PROPERTY GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2019

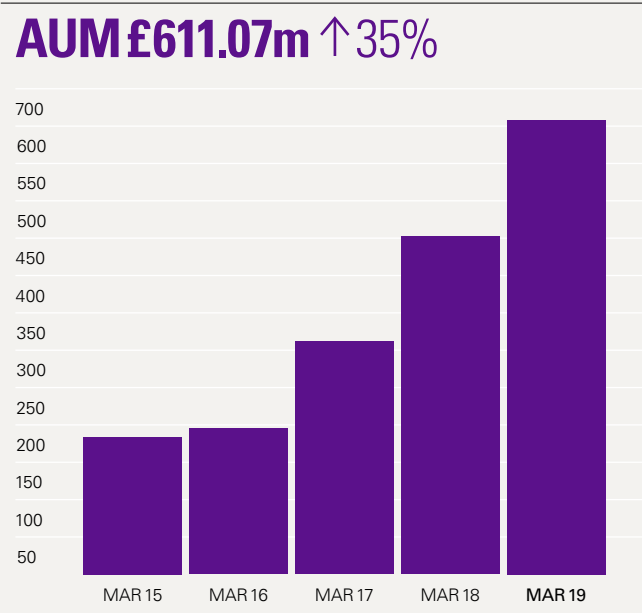
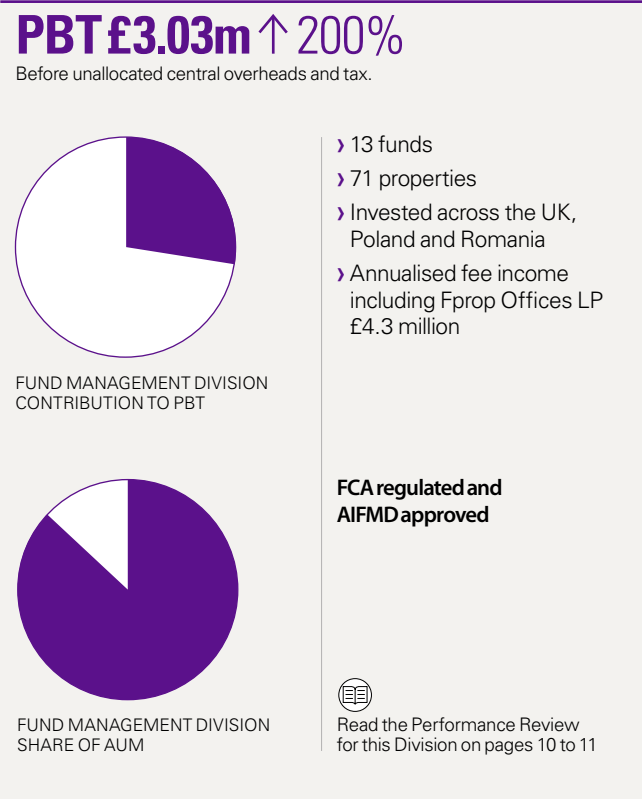
- 
- › Fprop is a property fund manager and investor with operations in the United Kingdom, Poland and Romania
 - › It benefits from a high degree of earnings visibility, underpinned by a strong Balance Sheet

BOTH A PROPERTY FUND MANAGER AND PROPERTY INVESTOR

The Group operates via two divisions with shared overheads from offices in London, Warsaw and Bucharest.

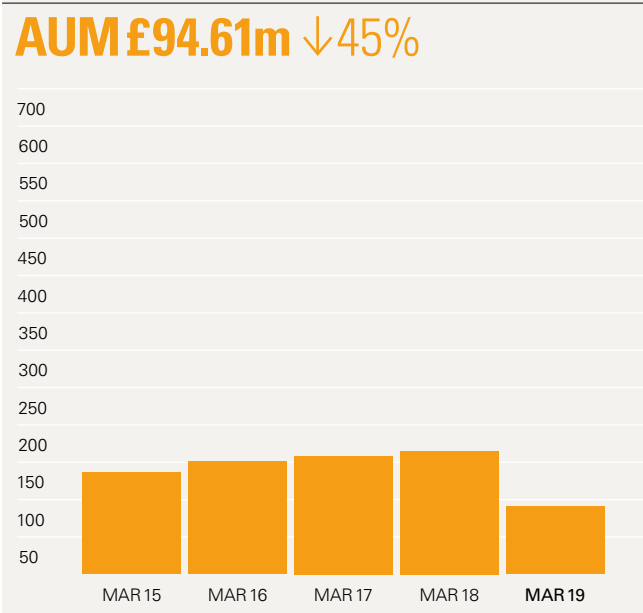
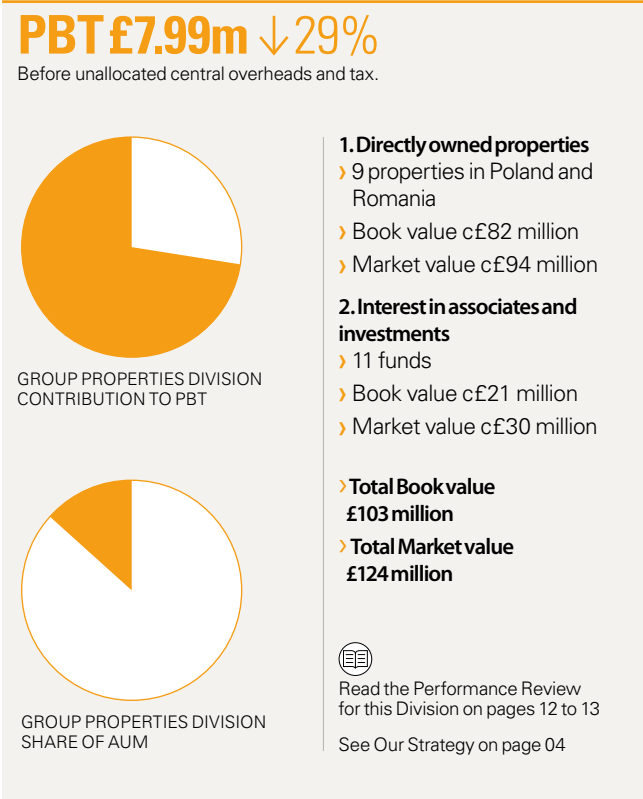
1. FUND MANAGEMENT DIVISION (FPAM)

Earns fees from investing for third parties in property via its FCA regulated and AIFMD approved subsidiary, First Property Asset Management Ltd (FPAM).



2. GROUP PROPERTIES DIVISION

Principal investments by the Group to earn a return on its own capital.



CONTINUED GROWTH IN AUM

The Group operates in three markets,
utilising our in-house local teams.

UK

£415.95m ↑ 7%

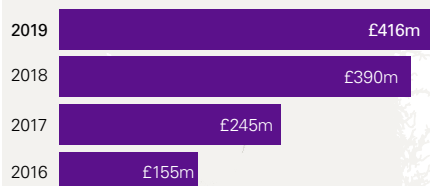
Third Party AUM

£0m 0%

Group Properties AUM

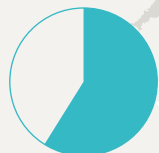
£415.95m ↑ 7%

Total AUM



UK: 55

Properties Managed



59%

% of total AUM by geographical analysis
(2018: 62%)



Read more about our UK market
page 09

POLAND

£186.44m ↑ 221%

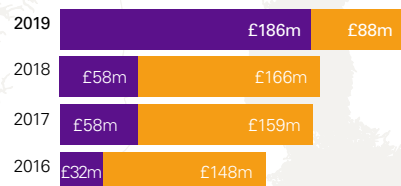
Third Party AUM

£87.86m ↓ 47%

Group Properties AUM

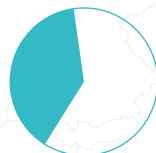
£274.30m ↑ 22%

Total AUM



POLAND: 21

Properties Managed



39%

% of total AUM by geographical analysis
(2018: 36%)



Read more about our Poland market
page 08

ROMANIA

£8.68m ↑ 24%

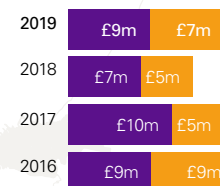
Third Party AUM

£6.75m ↑ 31%

Group Properties AUM

£15.43m ↑ 29%

Total AUM



ROMANIA: 4

Properties Managed



2%

% of total AUM by geographical analysis
(2018: 2%)



Read more about our Romania market
page 09

Both our divisions are trading well. The markets in which we operate are generally buoyant and offering interesting investment opportunities on which we expect to continue to capitalise.

Ben N Habib, Group Chief Executive Officer

2019 HIGHLIGHTS

Profit Before Tax

£8.31m
↓9.97%

2018: £9.23m

Total Assets Under Management

£706m
↑12.78%

2018: £626m

Diluted Earnings per Share

4.85p
↓14.91%

2018: £5.70p

Adjusted Net Assets per Share*

57.48p
↑8.31%

2018: £53.07p

*Calculated according to EPRA triple net valuation methodology, which includes adjustments for fair values of i) financial instruments, ii) debt, and iii) deferred taxes

Total Dividend per Share

1.66p
↑3.75%

2018: £1.60p

Ranked No.1

The income return of FPAM funds invested in Poland and Romania ranks No.1 versus MSCI's Central & Eastern European (CEE) Benchmark over the 3 and 5 years to 31 December 2018.

IPD® Measured Fund

MSCI



See our investment philosophy on page 05

Selection of Clients

**Willis
Towers
Watson**

**HYMANS
ROBERTSON**

 **seekventures**



Christ Church,
Oxford



St. Catherine's College,
Oxford



Christ's College Cambridge

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The year just ended was another one of substantial operational and financial progress.

Ben N Habib, Group Chief Executive Officer



Financial Performance

I am pleased to report final results for the twelve months ended 31 March 2019. The complexion of these results is different to those of prior years due to a change in the accounting treatment of Fprop Opportunities plc (FOP), resulting from sales of shares in it by the Group. With effect from 12 October 2018, the date when the Group's shareholding reduced from majority to associate status, the results of FOP were deconsolidated from that of the Group. The main effects of this are summarised below and explained in detail in the Finance Director's report.

Profit before tax decreased by 10.0% to £8.31 million (2018: £9.23 million) mainly due to the reduction in income resulting from the vacancy created by Citi leaving Chałubińskiego 8 (CH8) immediately prior to the start of the financial year.

Diluted earnings per share decreased by 14.9% to 4.85 pence (2018: 5.70 pence), a greater decrease than profit before tax due to a higher tax charge.

The main effects of deconsolidation of FOP were:

- ▶ Revenue of the Group post 12 October 2018 reduced by £4.12 million;
- ▶ Group profit before tax post 12 October 2018 reduced by £1.17 million;
- ▶ Book cost of Group Properties reduced by £63.91 million;
- ▶ Borrowings reduced by £49.12 million; and
- ▶ Group cash balances reduced by £2.03 million.

The profit before tax was largely unaffected by foreign exchange rate movements.

The net contribution to profit before tax from non-recurring items was £2.78 million (2018: £1.32 million). A breakdown of these is provided in the Finance Director's Review.

The Group ended the year with reduced net assets excluding the Non-controlling interests of £46.17 million (2018: £46.74 million). The net assets of the Group when adjusted to their market value less any deferred tax liabilities increased by 4.0% to £65.51 million (2018: £63.00 million).

Group cash at the year end amounted to £9.74 million (2018: £15.32 million). The reduction in cash was mainly due to the deconsolidation of FOP (2018: £2.17 million) and the purchase by the Group of 4,775,000 of its own Ordinary Shares, which are now held in Treasury, for a total consideration of £2.20 million.

Dividend

The Directors have resolved to increase the final dividend to 1.22 pence per share (2018: 1.18 pence per share), an increase of 3.4%, which together with the interim dividend of 0.44 pence per share (2018: 0.42 pence per share), equates to a dividend for the year of 1.66 pence per share (2018: 1.60 pence per share), an increase of 3.8%.

The proposed final dividend will be paid on 27 September 2019 to shareholders on the register at 23 August 2019, and is subject to shareholder approval at the forthcoming Annual General Meeting on 9 September 2019.

The full year's dividend is covered 2.98 times (2018: 3.64 times).

Outlook

The year just ended was another one of substantial operational and financial progress.

The growth of our fund management division continued apace with third party assets under management increasing by some 35% to £611 million.

Both our divisions are trading well. The markets in which we operate are generally buoyant and offering interesting investment opportunities on which we expect to continue to capitalise.

Ben N Habib

Group Chief Executive Officer

6 June 2019

Profit before tax

£8.31m
↓9.97%
(2018: £9.23m)

Adjusted NAV per share

57.48p
↑8.31%
(2018: 53.07p)

Average unexpired fund life

5yrs, 9mths
(2018: 6yrs, 5mths)



See our KPIs on page 16

GRIFFIN HOUSE, CRAWLEY



A multi-let office property located in Crawley town centre purchased on behalf of Shipbuilding Industries Pension Scheme (SIPS) in October 2016 at a yield of 7.7%. At the time of purchase the property was fully let with a low average passing rent of £16.99 per ft². Following our purchase we refurbished a suite which had become vacant (as expected at purchase) and renewed three further leases, thereby driving headline rents on those units higher by 47% from c.£14.60 per ft² to £21.50 per ft².

The building was brought to market mid-Q1 2019 and sold in July at a price reflecting a 25% capital uplift from purchase. The annual IRR (ungeared) earned by our client net after fees was 10.0%.



See 'UK', our markets on page 09

Purchase price

£6.6 million

(7.7% yield)

Sales price

£8.2 million

(7.2% yield)

Average rent per ft²
at purchase

£16.99

Average rent per ft²
at sale

£19.90 ↑ 17.2%

Hold period

2yrs, 10mths

IRR (ungeared)

10.0% pa

Size

31,693 ft²

Capital gain

25%

OUR STRATEGY

We typically target high yielding commercial investment property with sustainable income streams.

OUR STRATEGY	DESCRIPTION	OUR STRATEGIC RESPONSE
Deliver sustainable revenue 	› Core revenue from both the Group's trading divisions is of a recurring nature.	› New fund mandates will increase the Group's basic fund management fee income. › To continue to invest in the Group's new funds and wholly owned properties.
Achieve overall growth with a more equal balance between the two operating divisions 	› The Group is seeking to achieve a more equal contribution to Group profitability from its Fund Management Division and its Group Properties Division.	› The establishment of new funds.
Active approach to asset management 	› The Group's approach to asset management is to utilise its in-house expertise to be proactive and dynamic in its chosen markets.	› Drive income and in turn capital values by hands-on property management, relying as much as possible on internal capabilities.
Remain flexible 	› Be flexible in the light of market changes.	› Thinking from first principles. › In-house property teams employed in the UK, Poland and Romania.
Capitalise on market opportunities 	› Achieve first mover advantage after identifying new and changing circumstances in its chosen markets.	› Maximise and exploit any new opportunities arising as a result of Brexit.

STRATEGY IN ACTION

1. Deliver sustainable revenue:

- Weighted average unexpired fund management contract term: 5 yrs, 9 mths (as at 31 March 2019);
- Weighted Average Unexpired Lease Term (WAULT) of 9 wholly owned Group Properties = 2yrs 9mths (as at 31 March 2019);
- Re-leased two thirds of the 10,000 m² office space vacated (in February 2018) in Chałubińskiego 8 (CH8, previously known as Oxford Tower); and
- Annual depreciation of holding value of office property in Gdynia to take account of its over rented nature and pending lease expiry in October 2020.

2. Achieve overall growth with a more equal balance between the two operating divisions:

- Established two new funds, Fprop Cluj and Fprop Phoenix;
- Increased third party assets under management by 34.5% to £611.0 million, resulting in threefold increase in contribution to profit before tax from the fund management division of £3.0 million; and

- Sales of shares in FOP reducing the Group's interest in it to 40.0% and enabling its deconsolidation.

3. Active approach to asset management:

- Galeria Ostrowiec – enlarged by nearly a third resulting in a 22.0% increase in net operating income and 11.0% increase in overall capital value;
- Eximius Park, Krakow – half vacant office at purchase, requiring capital investment and active asset management to turn it around. We are now in the process of making it one of the most attractive places to work in Poland – we have upgraded the reception lobbies of the four buildings, upgraded the park's railway station, introduced a supermarket, post office, new café, food trucks, a conference centre, a sports ground, seating areas, daily bus service to and from Krakow city centre and are commencing work to provide more parking; and
- Imperial Place, Borehamwood – upgraded café, implementing strategic asset management initiatives including plans to introduce showers, cycle racks and upgrade the M&E.

4. Remain flexible:

- In 2013, following the introduction of new legislation enabling the automatic conversion of offices to residential use, we switched focus to investing in vacant (non-income producing) office property;
- In 2008 we reversed our asset management policy to wait until lease expiry before renewing leases (because rents were rising) and started renewing leases 2-3 years prior to lease expiry (which protected us in the subsequent downturn); and
- In 2005- 2007 we sold properties in the UK following the disappearance in the UK of the yield gap between commercial property yields and the cost of bank debt and commenced investment in Poland. Commercial property prices in the UK subsequently fell by around 50% in the nadir of the credit crunch.

5. Capitalise on market opportunities:

- Acquisition of Krakow Business Park (since re-named Eximius Park) at short notice in 2017 for a cash consideration of £1.0 million; and
- Aided by Group cash (£9.7 million as at 31 March 2019).

WHY INVEST IN FPROP?

OUR INVESTMENT PHILOSOPHY

We invest in high yielding commercial investment property. When property values fall, yields increase and we consider buying. When property values rise, yields reduce and we consider selling.

1. EXPERTISE

- › Experienced, nimble management team
- › Excellent investment track record: 25% annualised growth in net assets (adjusted for dividends paid out) since April 2008
- › Ranked No. 1 vs MSCI's Central & Eastern European (CEE) Benchmark for income return

2. RELIABLE EARNINGS

- › Diversified and recurring income streams from investment returns and fund management fees
- › Cash generative with a strong balance sheet
- › Progressive dividend policy. Currently circa three times covered by earnings

3. GROWTH

- › In-built growth in net assets from high return on equity invested
- › All fund management clients have had good experiences which should lead to more fund management contracts
- › Operationally geared – can take on new business without material increases in overheads

4. GEOGRAPHICALLY DIVERSIFIED

- › Operations in UK, Poland and Romania
- › All three countries are performing well economically and have shown steady to robust growth
- › Mix of jurisdictions provides a natural hedge

NAV PER SHARE

Adjusted to the market value of the various Group Properties less any taxes due in the event of their sale

Adjusted NAV =

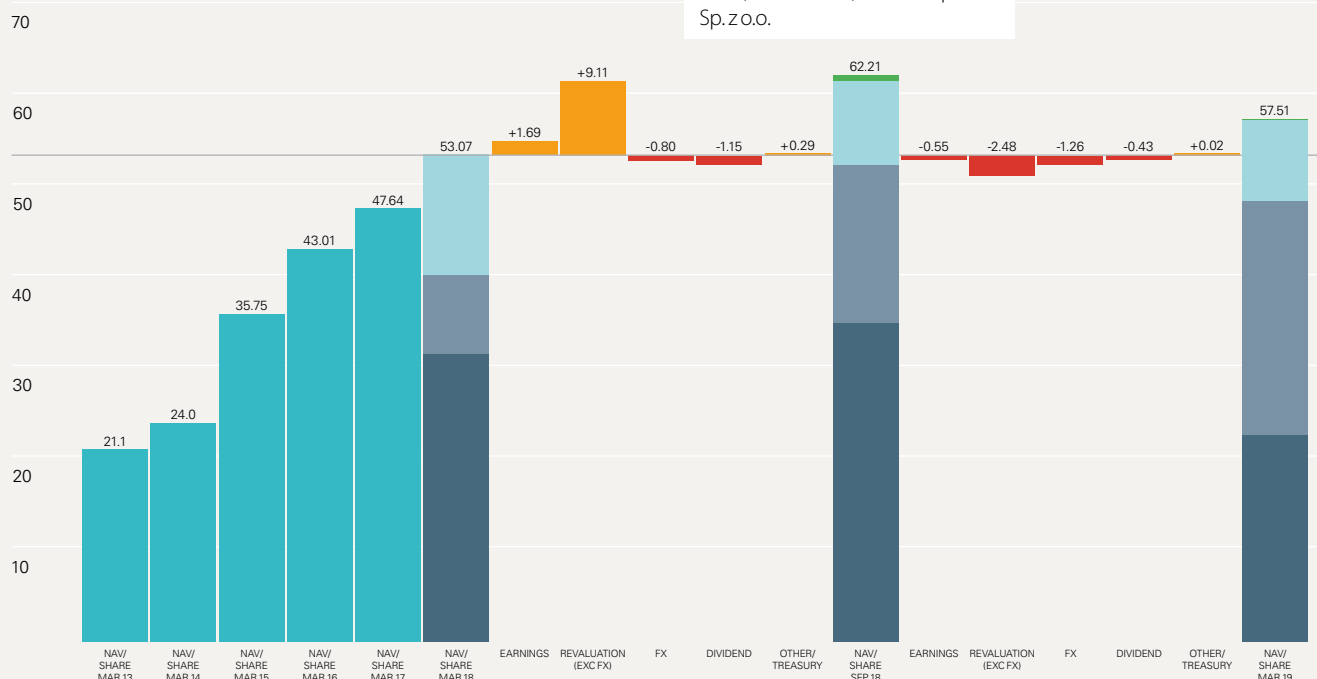
Calculated according to European Public Real Estate Association (EPRA) methodology, which includes fair values of financial instruments, debt and deferred taxes.

External valuers

CBRE, BNP Paribas, Polish Properties Sp. z o.o.

- Nav per share
- Group Properties less loans
- Associates and other investments
- Cash
- Other working capital

Pence per share



EXIMIUS PARK, KRAKOW

Held by Fprop Phoenix Ltd, a new fund established in June 2018 in which the Group has a 23.4% shareholding.

01. Buildings 800 and 1000
02. Buildings 200 and 400
03. Lobby at Building 800

04. Entrance to Building 200
05. Eximius Sports Ground

Third party investors include:

- › Willis Towers Watson Partners Fund
- › Christ Church, Oxford
- › St Catherine's College, Oxford
- › Christ's College, Cambridge

Business plan:

- › Lease up the vacant space – work in progress
- › Resolve the outstanding legal disputes – work in progress
- › Boost returns through additional purchases and developments in and around and related to the business park



Read more about our Poland market on page 08





Highlights

- › Four class A office buildings totalling 50,000 m²
- › Room for additional development
- › Located in Krakow, Poland's second largest city (population in its metropolitan area: 1.5 million)
- › Benefits from its own railway station and is close to Krakow International Airport

Property valuation at purchase

€50m

Property valuation at 31 Dec 2018

€72m

Value of bank loans following their restructuring

€47m

Capital commitments from new investors
(resulting in the Group's shareholding reducing to 23.4%)

€33m

The Group's annual management fee (excluding its share of profits)

€360,000



Sep 2017

Acquired by First Property Group plc for circa €1 million out of administration. At the time of purchase:

- › The buildings were half vacant;
- › The value of the properties was compromised by the debt secured on them, which was in default;
- › There were numerous outstanding legal cases; and
- › The park had been in administration since 2013 during which time there had been no capital expenditure, resulting in tenants leaving. It required capital expenditure in order to retain existing tenants and relet the vacant space.

May 2018

The Group refinanced the loan secured against the properties for €47 million.

June 2018

The Group obtained new equity commitments totalling some €33 million resulting in its share of the Company which owns the park reducing to 23.4%.

July 2018

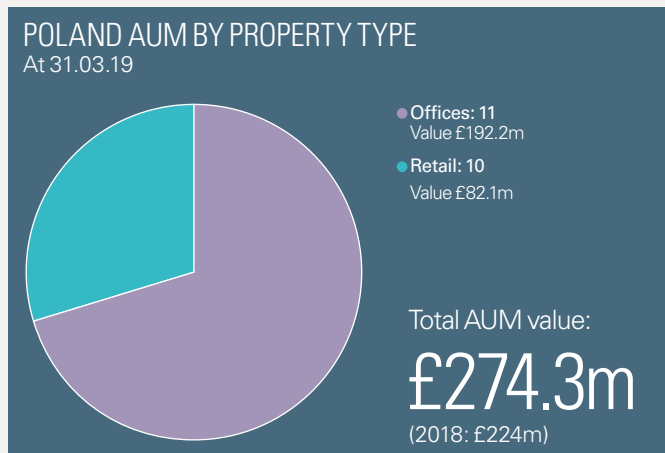
Renamed Eximius Park.

2019

- › Acquired a 2.9 hectare site contiguous with the park for €1.65 million, which also included 800m² of warehouse space and 300m² of office space;
- › Completion of sports ground facility for tenants of the park;
- › Renewed leases amounting to 20% of net internal area and signed new leases amounting to 5% of net internal area;
- › Introduced amenities such as a sports ground, café, supermarket, food trucks, post office, free wifi;
- › Introduced a conference centre;
- › Introduced free bus service to and from Krakow city centre, negotiated with national rail to increase the frequency of trains;
- › Upgraded the entrance lobbies and lifts and the park's railway station; and
- › Work in progress to improve the parking.

POLAND MARKET OVERVIEW

Poland's economy continues to expand at a faster rate than its western European neighbours, as it has done since its entry into the EU in 2004. It recorded GDP growth of 5.1% in 2018 and is forecast to grow by 4.2% in 2019.



2019 HIGHLIGHTS:

- › New fund, Fprop Phoenix Ltd, established June 2018, to turnaround Eximius Park, Krakow;
- › Sales of shares in FOP reducing the Group's interest in it to 40% and thereby allowing its deconsolidation; and
- › Re-leasing of two thirds of the 10,000m² office space vacated (in February 2018) in Chalubińskiego 8 (CH8, previously known as Oxford Tower).

PRIORITIES FOR 2019/2020:

- › Identify attractive new investments; and
- › Let up remaining vacant space at Eximius Park and CH8;
- › As far as possible maintain full occupancy of existing portfolio.

BENEFITS OF INVESTING IN POLAND VS UK:

- › Generally higher yields available for better covenant strengths;
- › Generally lower rents and capital values per sqm;
- › Lower transaction costs (standard purchase costs of 2% vs 6.8%);
- › Faster growing economy and set to continue to grow at a faster rate as it continues to converge with the rest of western Europe; and
- › Well-functioning banking market insulated to a great extent from potential foreign contagion.



Entrance Lobby, Blue Tower, Warsaw (Group Property)

FOCUSING ON POLAND THE OPPORTUNITY

Transaction volumes for commercial property reached €7.2 billion in 2018, an all-time high.

The banking market remains healthy. Yields for good secondary property, of the sort we favour, remain attractive at around 7.5% per annum or more.

Rents have remained broadly stable for several years.

Total office stock in Poland

>10 million m²

Vacancy rate in Warsaw 9.1%

Total office stock held by
Fprop and clients in Poland

146,000 m²

Total retail stock in Poland

c15 million m²

Total retail stock held by
Fprop and clients in Poland

c50,000 m²

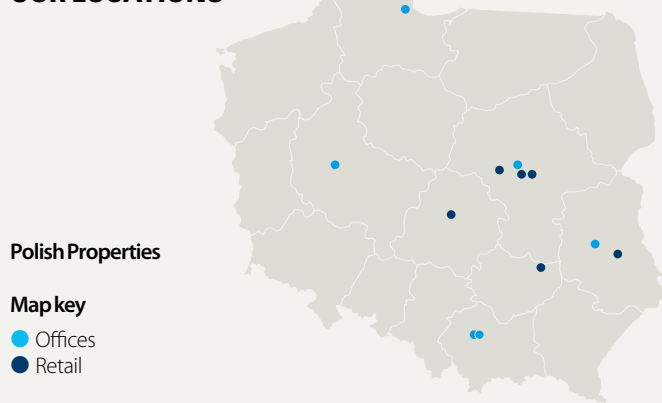
Total rent roll of Fprop
properties in Poland

€33 million
per annum

Yield at value of Fprop
Group Properties in Poland

10.2%

OUR LOCATIONS



UNITED KINGDOM MARKET OVERVIEW

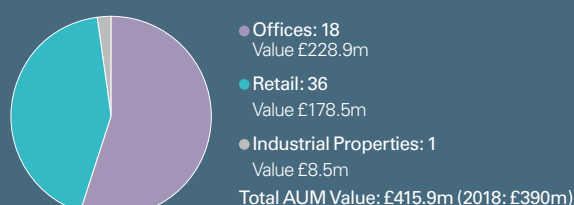
GDP in the UK is growing at around 1.8% on an annualised basis.

The total return from all commercial property in 2018 was 6.3%. The total return from offices was 7.9%, whilst the retail sector posted its first negative total return since 2012 of -1.8%.

Occupier and investor demand is generally strong for office property but has generally softened for retail property, as evidenced by the valuation movements referenced above. Yields are generally reasonable for investment property.



UNITED KINGDOM AUM BY PROPERTY TYPE At 31.03.19

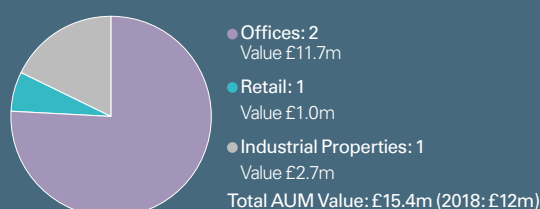


ROMANIA MARKET OVERVIEW

GDP growth moderated in 2018 to 4.1% (from 7% in 2017). It is forecast to grow by 3.3% in 2019 and 3.1% in 2020. Wage-led private consumption growth continues to be the key driver.

International investment in commercial property remains steady with transaction volumes in 2018 broadly unchanged from 2017 at around 900 million.

ROMANIA AUM BY PROPERTY TYPE At 31.03.19



ANOTHER YEAR OF SIGNIFICANT AUM GROWTH

Two new funds, a first time contribution from Fprop Offices LP and recognition of FOP's fund management fee income all contributed to a trebling of PBT to £3.0 million.

FUND MANAGEMENT DIVISION FIRST PROPERTY ASSET MANAGEMENT LTD (FPAM)

Earns fees from investing for third parties in property via its FCA regulated and AIFMD approved subsidiary, First Property Asset Management Ltd (FPAM).

REVENUE FOR DIVISION **£4.96m ↑ 70%**

From which we earned a profit before unallocated central overheads and tax of £3 million (2018: £1 million).

THIRD PARTY AUM **£611m ↑ 35%**

An increase of 35% from the prior year (2018: £454 million).

As at 31 March 2019 aggregate assets under management amounted to £706 million (2018: £626 million), an increase of 12.8% from the prior year. Of this, £611 million (2018: £454 million) was managed on behalf of third-party clients, an increase of 34.5% from the prior year. A further £85.35 million of equity commitments is still available for investment in funds managed on behalf of third parties.

The reconciliation of movement in funds under management during the year is shown in Table 1 on page 11.

Fund management fees are levied monthly by FPAM by reference to the value of funds under management excluding cash and cash commitments. The effect of any increase (or decrease) in fund management fee income associated with increased (or decreased) funds under management is not realised in full until the financial year following investment (or sale), because of the timing of draw down (or sale) during the year.

In the case of Fprop Offices LP, the Group is entitled to a share of total profits in lieu of fund management fees and to receive annual payments on account equivalent to 10.0% of total cumulative income profits and realised capital gains. Under its accounting policy the Group will not recognise unrealised property revaluations above the properties' original cost. These payments are adjusted annually, if necessary, for any overpayments made in previous years up to a maximum of total past cumulative payments received. In the year just ended the Group recognised £961,000 (2018: £nil), the maximum that could be subject to clawback. Future entitlements

to payment in respect of this fund are being earned at an annualised rate of £950,000 per annum before property revaluations, and thus act as a buffer against possible refund liabilities in the future.

Revenue earned by this division amounted to £4.96 million (2018: £2.92 million), resulting in a profit before unallocated central overheads and tax of £3.03 million (2018: £1.00 million), representing 27.5% of Group profit before unallocated central overheads and tax (2018: 8.2%). The increase in revenue and profit earned by this division included performance related fees of £500,000 in respect of Fprop Romanian Supermarkets Ltd and £79,000 in respect of Fprop Cluj Ltd.

At the year end FPAM's fund management fee revenue, excluding any eligible profit share from Fprop Offices LP, was being earned at an annualised rate of £3.34 million (2018: £2.60 million), an increase of some 28.0% from the prior year.

First Property Asset Management Ltd (FPAM) now manages thirteen property investment funds, having established two new funds during the year. The weighted average unexpired fund management contract term at the year end was 5 yrs, 9 mths (2018: 6 yrs, 5 mths). A brief synopsis of the value of assets and maturity of each of the funds managed by FPAM is set out in Table 2 on page 11.

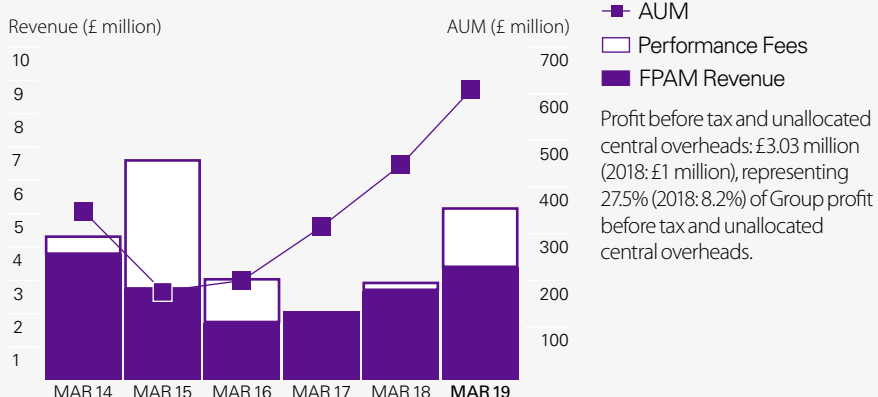
Independent fund performance analysis

The income return of FPAM funds invested in Poland and Romania ranks No.1 versus MSCI's Central & Eastern European (CEE) Benchmark over the three and five years to 31 December 2018.



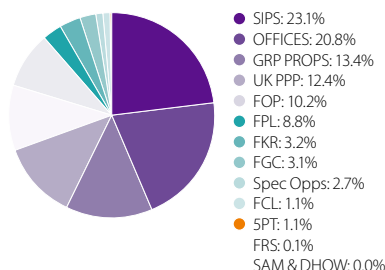
See how Our Performance is in line with Our Strategy on page 04

Segmental Analysis Fund Management (FPAM)

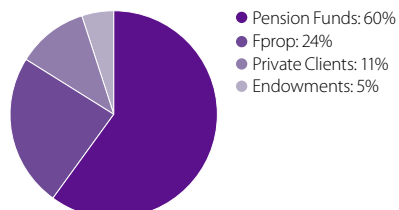


ANALYSIS OF FIRST PROPERTY ASSET MANAGEMENT LTD (FPAM), FUNDS UNDER MANAGEMENT:

Analysis by Fund



Analysis by Investor Category



Analysis by Geography

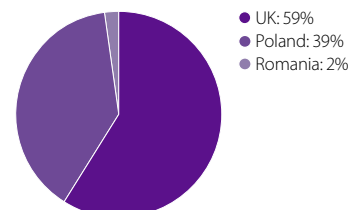


TABLE 1: RECONCILIATION OF MOVEMENT IN FUNDS UNDER MANAGEMENT FY2019

	Funds managed for third parties (including funds in which the Group is a minority shareholder)				Group Properties (including FOP)		Totals	
	UK £m	CEE £m	Total £m	Number of properties	All CEE £m	Number of properties	AUM £m	Number of properties
As at 31 March 2018	389.90	64.46	454.36	68	171.34	10	625.70	78
Purchases:								
Existing funds	32.04	–	32.04	2	–	–	32.04	2
New funds	–	69.78	69.78	5	–	–	69.78	5
Property sales	–	(5.57)	(5.57)	(5)	–	–	(5.57)	(5)
Transfer to Group Properties	–	(5.31)	(5.31)	(4)	5.31	4	–	–
Transfer from Group Properties	–	74.46	74.46	5	(74.46)	(5)	–	–
Capital expenditure	0.87	0.95	1.82	–	1.54	–	3.36	–
Property depreciation and write down	–	(0.38)	(0.38)	–	(5.17)	–	(5.55)	–
Property revaluation	(6.86)	(0.41)	(7.27)	–	(1.12)	–	(8.39)	–
FX revaluation	–	(2.86)	(2.86)	–	(2.83)	–	(5.69)	–
As at 31 March 2019	415.95	195.12	611.07	71	94.61	9	705.68	80

TABLE 2: FUNDS UNDER MANAGEMENT FY2019

Fund	Country of investment	Fund expiry	Assets under management at market value at 31 March 2019 £m	% of total assets under management	Assets under management at market value at 31 March 2018 £m
SAM & DHOW	UK	Rolling	*	*	*
RPT & E and S	Poland	Aug 2020	***	***	5.31
5PT	Poland	Dec 2022	7.90	1.12%	7.63
UK PPP	UK	Feb 2022	87.22	12.36 %	93.53
OFFICES	UK	Jun 2024	146.60	20.77%	114.35
SIPS	UK	Jan 2025	163.13	23.12%	165.74
FOP**	Poland	Oct 2025	71.84	10.18%	–
FRS	Romania	Jan 2026	1.01	0.14%	6.69
FGC	Poland	Mar 2026	21.59	3.06%	21.84
SPEC OPPS	UK	Jan 2027	19.00	2.69%	16.28
FKR	Poland	Mar 2027	23.00	3.26%	22.99
FCL	Romania	Jun 2028	7.67	1.09%	–
FPL	Poland	Jun 2028	62.11	8.80%	–
Sub total			611.07	86.59%	454.36
RPT & E and S	Poland	Aug 2020	5.34	0.76%	***
FOP**	Poland	Oct 2025	**	**	74.46
Wholly owned by the Group	Poland	n/a	82.52	11.69%	91.72
Wholly owned by the Group	Romania	n/a	6.75	0.96%	5.16
Sub total			94.61	13.41%	171.34
Total			705.68	100.0%	625.70

* Not subject to recent revaluation.

** With effect from 12 October 2018 FOP was accounted for as an associate.

*** With effect from 1 August 2018 RPT and E and S were transferred to Group Properties.

COMPRISING SEVEN COMMERCIAL PROPERTIES IN POLAND, TWO IN ROMANIA AND SHARES IN ELEVEN OF THE THIRTEEN FUNDS MANAGED BY FPAM

Good progress on reletting of office space in CH8, Central Warsaw, vacated in February 2018.

GROUP PROPERTIES DIVISION

REVENUE FOR DIVISION

£15.48m ↓31%

From which we earned a profit before unallocated central overheads and tax of £7.99 million (2018: £11.18 million).

At 31 March 2019 Group Properties comprised nine (2018: ten) wholly owned commercial properties in Poland and Romania accounted for under the cost model as shown in Table 1 on page 13.

Non-controlling interests in eleven of the thirteen funds managed by FPAM accounted for under the cost model as set out in Table 2 on page 13.

Group Properties generated a profit before unallocated central overheads and tax of £7.99 million (2018: £11.18 million), representing 72.5% (2018: 91.8%) of Group profit before unallocated central overheads and tax. The reduction in profit was mainly due to a lower contribution from CH8.

The loans secured against our Group Properties are each held in separate non-recourse special purpose vehicles. In order to mitigate potential interest rate rises we have fixed the interest rate on a proportion (47.0%) of these loans. A one percentage point increase in interest rates would increase the annual interest bill by £485,000 per annum (2018: £610,000). The current weighted average borrowing cost is 2.2% (2018: 2.3%).

Chałubińskiego 8 (CH8, previously known as Oxford Tower), Poland

In February 2018, immediately prior to the start of the year under review, Citi vacated some 10,000 m² of office space in CH8, resulting in the net operating income generated by this investment reducing by €2.89 million. We have since re-leased some 7,000 m² of this space, the benefits of which should be experienced by the Group in the current and next year. Negotiations with interested parties are continuing for the remaining vacant space.

Office Building in Gdynia, Poland

The Group has, since its acquisition, been depreciating the holding value of the office block in Gdynia at a rate of £1.74 million (€1.97 million) per annum to take account of its over rented nature. In view of the shortening lease on this property, the Directors resolved to further write down the property during the year by an amount of £3.02 million (€3.50 million). It is anticipated that the original rate of depreciation will not change in future periods.

Associates and Investments

The contribution to Group profit before tax prior to the deduction of unallocated central overheads from our eleven minority shareholdings in funds managed by FPAM increased by 68% to £1.60 million (2018: £0.95 million). This increase was mainly attributable to Fprop Phoenix Ltd which contributed £1.05 million (2018: £nil).

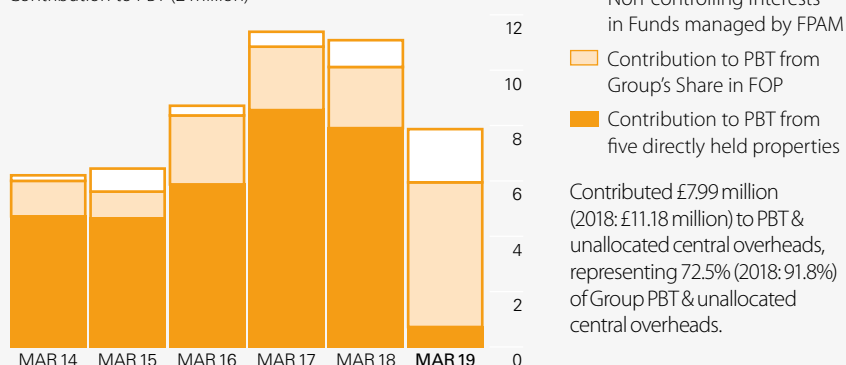
The contribution from associates and investments represented 23.5% of the total contribution by Group Properties (2018: 9.06%).

Regional Property Trading Ltd (RPT) and E and S Estates Ltd (E and S)

On 1 August 2018 the Group acquired full ownership of RPT and 77% of E and S, which jointly own four properties in Poland, at a cost of £527,000. With effect from 1 August 2018 the results of RPT and E and S were consolidated into those of the Group.

Segmental Analysis Group Properties Division

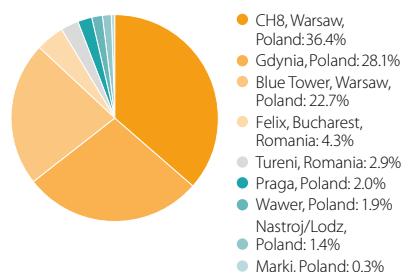
Contribution to PBT (£ million)



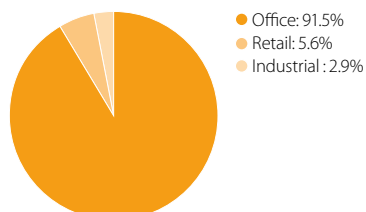
See how Our Performance is in line with Our Strategy on page 04

ANALYSIS OF GROUP PROPERTIES DIVISION

Analysis by Value



Analysis by Asset Type



Analysis by Geography

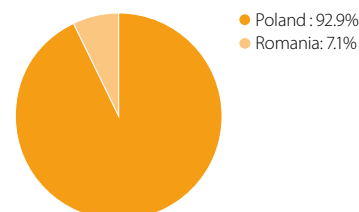


TABLE 1 – DIRECTLY HELD PROPERTIES AT 31 MARCH 2019

Property/Country	No. of properties	Book value £m	Market value £m	Contribution to Group profit before tax - year to 31 March 2019 £m	Contribution to Group profit before tax - year to 31 March 2018 £m
Poland	3	72.85	82.52	2.3	6.9
Romania	2	4.04	6.75	0.2	0.6
RPT/E and S (all in Poland)	4	5.25	5.34	(0.1)	**
FOP (all in Poland)	*	*	*	2.2	3.4
Total	9	82.14	94.61	4.6	10.9

TABLE 2 – NON-CONTROLLING INTERESTS IN FUNDS AND JOINT VENTURES MANAGED BY FPAM AT 31 MARCH 2019

Property/Country	% owned by First Property Group	Book value of First Property's share in fund £'000	Current market value of holdings £'000	Group's share of pre-tax profits earned by fund 31 March 2019 £'000	Group's share of pre-tax profits earned by fund 31 March 2018 £'000
Interest in associates					
SPT	40.6%	980	1,098	54	113
RPT/E and S	***	**	**	*** (9)	(93)
FRS	24.1%	150	247	116	539
FGC	28.2%	2,089	2,350	302	270
FKR	18.1%	1,308	1,791	156	121
FCL	17.4%	458	458	17	–
FPL	23.4%	2,049	10,006	1,051	–
FOP	40.0%	10,020	10,020	(87)	*
Share of results in associates		17,054	25,970	1,600	950

* With effect from 12 October 2018 FOP was accounted for as an associate, following its deconsolidation;

** With effect from 1 August 2018 RPT and E and S were transferred to Group Properties;

*** Representing the Group's 28.6% share of the loss from its associate share in RPT/E and S prior to its consolidation into the accounts of the Group on 1 August 2018.

Investment

UKPPP	0.9%	828	828	59	63
SPEC OPPS	4.0%	777	777	45	–
OFFICES	1.6%	1,934	1,934	169	–
Sub total		3,539	3,539	273	63
Total		20,593	29,509	1,873	1,013

GROWING OUR PORTFOLIO

Our portfolio represents our purchasing philosophy which is generally to acquire prime properties in secondary locations, or secondary properties in prime locations.



“We typically target high yielding commercial investment property, with sustainable income streams. Such properties are usually also suitable for the application of leverage in order to boost returns.”



- 01. Maestro Business Centre, Cluj, Romania
- 02. Eximus Park, Krakow, Poland
- 03. Chałubińskiego 8, Warsaw, Poland
- 04. Centrum Zana, Lublin, Poland
- 05. The Crown, Westerham, Kent, UK
- 06. Galeria Corso, Świnoujście, Poland
- 07. Widewater, Harefield, Uxbridge, UK
- 08. Blue Tower, Warsaw, Poland
- 09. Antelope Park, Southampton, UK
- 10. Wickes, Bury, UK
- 11. Pilot Tower, Krakow, Poland



A PERIOD OF RE-WEIGHTING TOWARDS THE ASSET MANAGEMENT DIVISION IN TERMS OF PROFITABILITY AND AUM

The financial results for the year ending 31 March 2019 were significantly influenced by the deconsolidation of FOP in October 2018, which has subsequently been accounted for as an associate. A summary of the main financial effects of this deconsolidation are set out in the Chief Executive's Statement.

The Group produced a profit before tax of £8.31 million, a reduction of 10.0% compared to last year's record £9.23 million. This reduction was mainly a result of the reduction in income of €2.89 million being earned from the Group's investment in CH8 following the 10,000 m² vacancy created by Citi Group when it left the property in February 2018, immediately prior to the start of the year under review.

Total Group Net Assets (excluding the Non-controlling interest) decreased by 1.2% to £46.17 million (2018: £46.74 million).

The annualised growth in adjusted net assets together with dividends paid to shareholders over the last five years equates to 23.6% (2018: 25.0%) per annum.

Income Statement

Revenue and Gross Profit

A review of the operating and financial performance of the results of the two trading divisions for the year are included in the Chief Executive's Statement.

Operating Expenses

Operating expenses increased by 1.8%, mainly due to an increase in headcount in Poland to 41 at 31 March 2019 (2018: 29).

Investment Property Write Down

The Directors have reviewed the residual value of the Group Property located in Gdynia and in addition to the depreciation charged within operating expenses of £1.74 million (2018: £1.74 million), they have concluded, after due consideration, to apply a further write down of £3.02 million (2018: £nil) to reflect its expected market value when the current lease terminates in 2020, given that the property is substantially over rented.

Share of Results of Associates

The contribution for the year of £1.60 million (2018: £0.95 million) comprises the Group's share of post-tax profits from seven investments including the post deconsolidation share of post-tax profits from FOP. This includes a first contribution of £1.05 million from the Group's investment in Fprop Phoenix Ltd that is the UK holding company to Eximius Business Park in Krakow, Poland (formerly known as Krakow Business Park).

Investment Income (from other financial assets and investments)

The increase from £63,000 to £273,000 represents a full year contribution from the Group's investments in Fprop Offices LP and Fprop UK Special Opportunities LP.

Financing Costs

The Group's finance costs show a reduction on last year from £3.06 million to £2.18 million as a result of the deconsolidation of FOP's borrowings of £49.12 million. All bank loans and finance leases are denominated in Euro and all are used to finance properties valued in Euro.

Net Contribution to Group Profit Before Tax from Non-Recurring Items

These comprised a total £2.78 million

(2018: £1.32 million) of which the main items were:

- › The gain on loss of control of FOP - £4.83 million;
- › The contribution from Fprop Phoenix Ltd of £1.05 million;
- › Less the write down of the property in Gdynia of £3.02 million; and
- › Less the fair value impairment of £0.73 million.

Current Tax

The current tax charge of £1.28 million (2018: £1.38 million) decreased partly as a result of the deconsolidation of FOP but was adversely affected by an under provision in UK corporation tax last year of £0.13 million. The charge includes Polish and Romanian corporation tax where the headline rates remain at 19.0% and 16.0% respectively. Unused trading tax losses in the UK of £6.35 million are available to be carried forward and utilised wherever possible.

Deferred Tax

An increased deferred tax charge of £659,000 (2018: £90,000) has arisen mainly through a reduction in the deferred tax assets recognition in relation to the Euro bank loans, resulting from different respective year end foreign exchange rates.

KEY PERFORMANCE INDICATORS

Assets Under Management **£706m**

2018	£626m
2017	£477m
2016	£353m

Includes Group Properties and those held by third parties. This is a measure of the potential sustainable income.

Comment

Increase attributed to 2 new fund mandates, Fprop Phoenix Ltd (Eximius Park) and Fprop Cluj Ltd and further investment in Fprop Offices LP.

Link to Strategy



Contractual Revenue **92.5%**

2018	99.3%
2017	100%
2016	94.8%

Core revenue from both divisions is of a recurring nature.

Comment

Excludes all performance fee related income of £1,541,000 (2018: £189,000).

Link to Strategy



Cash Levels **£9.74m**

2018	£15.32m
2017	£15.95m
2016	£8.98m

The Group's focus on cash levels is important for its ability to act quickly and flexibly in respect of both new investments and refinancing bank debt.

Comment

Adversely affected by deconsolidation of FOP (£2.0 million) and the purchase of treasury shares (£2.2 million).

Link to Strategy



“Based on the market adjusted NAV, the Group's gearing ratio reduced to 50.6%.”

Earnings per Share

Basic earnings per share decreased 14.9% from 5.82p to 4.95p per share, a larger decrease than the 10.0% decrease in the profit before tax for the year due to a higher total effective tax charge.

Balance sheet

Deconsolidation of FOP

The net assets of FOP at deconsolidation at 12 October 2018 amounted to £13.63 million at cost of which £7.60 million was attributable to the Non-controlling interest. The remaining 40.0% interest in FOP was held in the Balance Sheet at £10.02 million on 31 March 2019, following a mark up to fair value of £4.22 million.

Investment Properties and Property held under inventory (all held at cost)

The book value of the Group's nine owned properties (excluding FOP) is £82.14 million (2018: £84.10 million) compared to fair value of £94.61 million (2018: £96.88 million).

Capital Expenditure (investment and trade properties)

Capital expenditure of £1.54 million (2018: £2.61 million) mostly comprised office fit-outs for new tenants in CH8.

Business Acquisitions

With effect from 1 August 2018, following the Group acquiring full ownership of Regional Property Trading Ltd and 77.0% of E and S Estates Ltd for a combined aggregate cost of £527,000, the combined net assets of £841,000 (including the Non-controlling interest) have been consolidated in the results of the Group.

Borrowings

All bank and finance lease borrowings are denominated in Euro and decreased from €134.16 million (£117.62 million) to €77.37 million (£66.68 million) after the deconsolidation of FOP and scheduled bank loan repayments of €7.25 million. Based on the market adjusted NAV, the Group had a gearing ratio of 50.6%. Bank deposits of £1.39 million have been made in respect of four bank loans to redress Debt Service Cover Ratio (DSCR) covenant shortfalls of which £1.03 million are held in prepayments.

Non-controlling interests

The deconsolidation of FOP resulted in a reduction in Non-controlling interests (NCI) of £6.08 million from £6.19 million at 31 March 2018 to £114,000 at 31 March 2019. The remaining NCI represents the 10.0% interest in Corp Sp. z o. o., (the property management company to Blue Tower, Warsaw), not owned by the Group and the 23.0% of E and S Estates Ltd (acquired during the year), also not owned by the Group.

Foreign Exchange Translation Reserve

Due to both Sterling and Euro closing rate strength against the Polish Zloty there has been a £2.13 million reduction in this reserve during the year to a deficit of £0.73 million. This includes a foreign exchange profit of £721,000 recycled to the income statement on the disposal of FOP which was included in the mark up to fair value of FOP to £4.22 million.

Treasury Shares

First Property Group plc purchased 4,775,000 Ordinary Shares in itself in April 2018, at a price of 46.09 pence per share or £2.20 million. This purchase resulted in a reduction of equal quantum in the Group's net assets.

Cash and cashflow

Cash

Cash levels decreased from £15.32 million to £9.74 million. This reduction arose largely as a result of:

- › The deconsolidation of FOP's cash of some £2.03 million; and
- › The share buy-back, referred to above, at a price of some £2.20 million.



George R W Digby

Group Finance Director

6 June 2019

Adjusted Net Asset Value (NAV) per Share

57.48p

2018	53.07p
2017	47.64p
2016	43.01p

A measure of NAV marked to market according to EPRA guidelines thereby rebasing Group Properties from a cost basis (per the accounts) to their relevant market values less deferred tax.

Comment

Favourable effect from investment in Fprop Phoenix Ltd (Eximius Park), a new Polish fund.

Link to Strategy



Weighted Average Unexpired Lease Term

2yrs 9mths

2018	3yrs 9mths
2017	3yrs 7mths
2016	4yrs 1mth

A measure of the sustainability of the contractual revenue from the Group Properties Division, all located in Poland and Romania.

Comment

Provides good visibility of future revenue streams.

Link to Strategy



Weighted Average Unexpired Fund Life

5yrs 9mths

2018	6yrs 5mths
2017	6yrs 5mths
2016	6yrs 6mths

A measure of the sustainability of the contractual revenue from the Fund Management Division.

Comment

Provides good visibility of future revenue streams.
















Link to Strategy



UNDERSTANDING OUR PRINCIPAL RISKS

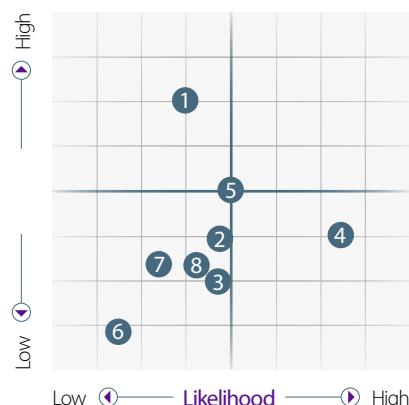
The Board sets out below the principal risks and uncertainties that the Directors consider could impact the business.

ECONOMIC RISK











Risk	Impact	Mitigation	Direction of change for the Group	Link to Strategy
1 Slowdown in the economies of the UK and Poland	<p>A slowdown in overall economic activity could lead to falls in the value of commercial property and a consequent reduction in overall rent levels.</p> <p>A slowdown may also adversely impact existing occupier's ability to pay their existing rental commitments.</p>	<p>The Group closely monitors economic reports of the markets in which it operates and acts pre-emptively in accordance with its pro-active property management policy.</p> <p>The Group ensures it and the funds it manages have a well diversified spread of property interests classified by region, by property type, by lot size and by sector classification (tenant mix).</p>		  
2 Weakening in the Euro and Polish Zloty against Sterling	<p>100% of the Group Properties Division revenue is derived in foreign currencies and overseas profits are converted to sterling (the reporting currency) on remission to the UK. Sterling strength therefore leads to a reduction in reported profits.</p>	<p>The Group closely monitors both movements and forecasts in the pertinent foreign exchange rates against its budgeted rates. Wherever possible, overseas investment is financed and matched in the local currency so that exposure to currency markets is limited.</p> <p>Under the Group's foreign currency risk management policy, hedging instruments can be used to hedge a proportion of specific items, as specified in IFRS 9.</p>		 
3 Extended period of interest rate tightening in the EU	<p>The Group operates a geared (leveraged) strategy for its Group Properties' division which increases returns on equity. Prolonged interest rate tightening will decrease this return disproportionately due to the leveraged effect.</p> <p>Higher interest payments will reduce the Debt Service Cover Ratios (DSCR) and could cause a breach of the covenant as set out in the loan agreements, which could require additional funds to remedy.</p>	<p>The Board regularly reviews property market forecasts and where possible adjusts its geared strategy according to these changing market conditions.</p> <p>The Board also regularly reviews the Groups' cash forecasts and the adequacy of available facilities to meet its cash requirements.</p> <p>The Board regularly monitors and reports on its DSCRs against its relevant Bank covenants so that it can act in a pre-emptive manner.</p> <p>Interest rate fixes and caps are utilised to mitigate this risk on both bank loans and finance leases if they are not a requirement of the borrowing agreement at the outset of the agreement.</p>		  
4 Political risk	<p>Macroeconomic conditions and future political events (whilst uncertain in outcome) bring risks to the property market generally and to our occupiers.</p>	<p>The Board considers economic conditions when setting strategy and making its investment decisions.</p> <p>The group has a natural 'Brexit' hedge whereby AUM is spread between the UK and the rest of the EU.</p>		  

A reminder of our strategy

-  Deliver sustainable revenue
-  Achieve overall growth with a more equal balance between the two operating divisions
-  Active approach to asset management
-  Remain flexible
-  Capitalise on market opportunities



OPERATIONAL RISK MANAGEMENT

Risk	Impact	Mitigation	Direction of change for the Group	Link to Strategy
5 Rent void periods	Poor asset management could lead to long void periods, high vacancy rates, low occupier retention, high occupier arrears and defaults.	Our asset managers are focused on income generation and maintain close contact with tenants to ensure they understand their current business performance and future plans. A proactive approach to asset management is taken to avoid any long void periods. Usually at least one annual visit/inspection is undertaken per property.		 
6 Credit risk	The credit risk is related to the tenant's defaulting on their rental obligations.	Creditworthiness checks of potential occupiers are carried out prior to letting. Payments of rent and service charge are monitored closely which ensures early detection of likely tenant defaults enabling swift remedial action. Our asset managers maintain close contact with tenants.		 
7 Liquidity risk	The liquidity risk is related to the repayment of financial liabilities. Most loans are subject to loan-to-value (LTV) ratio restrictions. If the LTV covenants are breached this could result in financial penalties, additional cash demands to remedy the breach, a forced sale of the property or in some cases foreclosure of the loan.	Long-term loans are incurred in the same currency used to value the property asset, hence ensuring a natural hedge. The Group prepares monthly budgets, cash flow analyses and forecasts, which enable the Directors to assess the levels of borrowings required in future periods. This detail is used to ensure that appropriate facilities are put in place to finance the future planned operations of the Group. The Group is structured whereby each investment property is held in a special purpose vehicle so that the lender has no recourse to the parent entity. The Board regularly monitors and reports LTV ratios against the relevant bank covenant so that it can act in a pre-emptive manner.		 
8 Cyber security risk	A major cyber attack on the Group's computer systems could lead to theft of sensitive data and periods of down time leading to reputational damage and consequent loss of future fund mandates.	The Group employs a full time in-house Chief Technical Officer, part of whose role is to ensure that all possible protections against data theft and corruption are in place and effective, utilising the latest anti viral software and technologies. The Group from time to time commissions an independent IT review to assess the robustness of its security protection and the effectiveness of its Disaster Recovery Plan (DRP). The DRP is tested annually.		

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

The Directors are committed to maintaining high standards of corporate governance and, in so far as is practicable and appropriate given First Property Group's size and nature, seek to comply with the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies.

First Property Group embraces its core, underlying principle being "to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". To see how the Company addresses the ten key governance principles defined in the QCA code please refer to the disclosures made below and the Company's website. No key governance matters have arisen since the publication of the last Annual Report.

PRINCIPLES:

- 1 Establish a strategy and business model which promotes long-term value to shareholders
- 2 Seek to understand and meet shareholder needs and expectations
- 3 Take into account wider stakeholder and social responsibilities and their implications for long-term success
- 4 Embed effective risk management considering both opportunities and threats throughout the organisation
- 5 Maintain the Board as a well-functioning, balanced team led by the Chair
- 6 Ensure that between them the Directors have the necessary experience skills and capabilities
- 7 Evaluate board performance based on clear and relevant objectives seeking continuous improvement
- 8 Promote a Corporate Culture that is based on ethical values and behaviours
- 9 Maintain governance structure and processes that are fit for purpose and support good decision making by the board
- 10 Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

PRINCIPLE 1: Establish a strategy and business model which promotes long-term value to shareholders

Application:

- › Express the board's shared view of the Company's purpose, business model and strategy;
- › Set out how the Company intends to deliver shareholder value in the medium to long-term; and
- › Demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Company from unnecessary risk and securing its long-term future.

First Property Group's business model is explained on the inside front cover of the Group's Report and Accounts for the year ended 31 March 2019.

The strategy is explained fully within our strategic report section on page 4 of the Report and Accounts for the year ended 31 March 2019.

Our strategy is focused around building and growing a more balanced business between fund management and property investing with both divisions delivering resilient, recurring revenue of a contractual nature with high forward visibility. The key risks and challenges to the business and how these are mitigated are set on pages 18 and 19 of the Group's Report and Accounts for the year ended 31 March 2019.

PRINCIPLE 2: Seek to understand and meet shareholder needs and expectations

Refer to the Company's website for further detail: www.fprop.com reference: plc investors/ AIM rule 26.

PRINCIPLE 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Refer to the Company's website for further detail: www.fprop.com reference: plc investors/ AIM rule 26.



"Our strategy is focused around building and growing a more balanced business between fund management and property investing with both divisions delivering resilient, recurring revenue with high forward visibility."

PRINCIPLE 4: Embed effective risk management considering both opportunities and threats throughout the organisation

Application:

- › The board needs to ensure that the Company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy;
- › A company needs to consider its extended business, including its supply chain, from key suppliers to end-customers; and
- › In setting the Company's strategy, the board needs to determine its risk tolerance and risk appetite – that is, the extent of exposure to the identified risks that the Company is able to bear and willing to take.

The principal Risks to First Property Group's business are identified and explained on pages 18 and 19 of our Report and Accounts for the year ended 31 March 2019. We explain how these risks are mitigated and assess the perceived change in the identified risk over the last reporting period.

Strategy is set and developed taking into account the Board's assessment of both the impact and likelihood of the principle risks identified. The results of this assessment can be seen in a table on pages 18 and 19 of the Report and Accounts entitled Principal Risks and Uncertainties.

PRINCIPLE 5: Maintain the Board as a well-functioning, balanced team led by the Chair

Application:

- › ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair;
- › board members have a collective responsibility and legal obligation to promote the interests of the Company and are collectively responsible for defining corporate governance arrangements;
- › the board and its committees should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight;
- › the board should have an appropriate balance between executive and Non-Executive Directors and should have at least two independent Non-Executive Directors – their independence is a judgement for the board;

- › the board should be supported by committees (e.g. audit, remuneration and nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively; and
- › directors must commit the time necessary to fulfil their roles.

The Group is controlled by the Board which comprises two Non-executive Directors, both of whom are considered by the Board to be Independent, and two Executive Directors. The Board meets formally four times a year.

All Directors receive regular and timely information on the Group's financial performance. Relevant papers are circulated in advance of meetings. In addition minutes are circulated after each meeting and approved at the subsequent meeting. All directors have direct access to the advice and services of the Company Secretary and are able to take professional advice in the furtherance of their duties, if necessary, at the Company's expense.

There are separate audit and Remuneration Committees from which the executive directors are excluded and a nomination committee comprising all the directors. There is a separate schedule of matters reserved for the main Board of Directors.

PRINCIPLE 6: Ensure that between them the Directors have the necessary experience skills and capabilities and

PRINCIPLE 7: Evaluate board performance based on clear and relevant objectives seeking continuous improvement.

The Board members' profiles and experience are listed on pages 22 and 23 of this report with further information on the Company's website: www.fprop.com reference: plc investors/AIM rule 26.

PRINCIPLE 8: Promote a Corporate Culture that is based on ethical values and behaviours

Refer to the Company's website for further detail: www.fprop.com reference: plc investors/AIM rule 26.

PRINCIPLE 9: Maintain governance structure and processes that are fit for purpose and support good decision making by the board

Refer to the Company's website for further detail: www.fprop.com reference: plc investors/AIM rule 26

PRINCIPLE 10: Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Refer to the Company's website for further detail: www.fprop.com reference: plc investors/AIM rule 26

The Annual General Meeting of the Group will take place on 9 September 2019. The Notice of this meeting and the proposed ordinary and special resolutions to be put to the meeting are included at the end of this Annual Report.



Alasdair J D Locke

Non-executive Chairman
6 June 2019

OUR LEADERSHIP TEAM



Ben Habib, MA (Cantab)
Group Chief Executive Officer

Year appointed
2000

Education
Cambridge University

Previous experience

- › 1987: Graduate Trainee in Corporate finance at Shearson Lehman Brothers
- › 1989-1994: Finance Director of PWS Holdings Plc, a FTSE 350 Lloyds reinsurance broker
- › 1994-2000: Managing Director of JKL Property Ltd, a private property development company.

External commitments
› MEP for the Brexit Party

Committee key

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Member
- Chairman



George Digby ACA BA (Hons)
Group Finance Director & Company Secretary

Year appointed
2003

Education
Exeter University

Previous experience

- › 1982: Qualified as a Chartered Accountant (ACA) with Price Waterhouse
- › 1982-1989: accounting positions with Collins publishers and Nikon UK Ltd
- › 1989-1998: Finance Director of Fired Earth Plc

External commitments
› None



Alasdair Locke, MA (Oxon)
Non-Executive Chairman

Year appointed
2001

Education
Oxford University

Previous experience

- › 1974: Corporate Finance at Citigroup specialising in shipping and oil
- › 1982: established a Singapore based business providing finance for and investing in shipping and offshore oil service companies, which was subsequently acquired by Henry Ansbacher & Co Ltd
- › 1990: established Abbot Group Plc which he took public in 1995
- › 2008: sold Abbot Group to private equity, at which point the Group was one of the leading oil drilling, engineering and contracting businesses in the world, with approximately 8,000 employees in over 20 countries and an annual turnover of circa US\$1.8 billion

External commitments

- › Chairman of Motor Fuel Group
- › Non- Executive Chairman of Hardy Oil & Gas Plc
- › Non- Executive Chairman of Well-Safe Solutions Ltd

Awards

- › 1990 Scottish Business Achievement Awards Entrepreneur of the year
- › 2000 International Business Achievement Award at Scottish Business Achievement Awards Trust
- › 2001 Grampian Industrialist of the Year

Committee



Peter Moon, BSc (Econ, Hons)
Independent Non-Executive Director

Year appointed
2010

Education
University College, London

Previous experience

Executive:

- › 1972-1985: various Investment Manager positions at Central Board of Finance of the Church of England, Slater Walker and the National Provident Institution
- › 1985-1992: Chief Investment Officer of British Airways Pensions
- › 1992-2009: Chief Investment Officer of Universities Superannuation Scheme (USS),

Non-executive:

- › 1990-1995: Member of the National Association of Pension Funds (NAPF) Investment Committee
- › 1991-1995: Chairman of the NAPF Stock Exchange Sub-Committee
- › 1995-2002: Adviser to Lincolnshire County Council
- › 2004-2007: Non-Executive Director of MBNA Europe
- › 2004-2012: Adviser to London Pension Fund Authority
- › 2010-2016: Non-Executive Director then Chairman of Arden Partners
- › 2014-2017: Non-Executive Director of Gresham House Plc

External commitments

- › Investment Adviser to Middlesbrough Borough council (since 1986)
- › Non-Executive Chairman of Scottish American Investment Company Plc (since 2005)
- › Non-Executive Chairman of Bell Potter (UK) Ltd (since 2010)
- › Non-Executive Director of JPMorgan Asian Investment Trust Plc (since 2016)
- › Adviser to Charities Aid Foundation
- › Adviser to Save the Children

Committee



London



Martin Pryce,
MRICS, IMC, BSc
Director, Fund
Manager



Jeremy Barks,
BA (Hons)
Director, Business
Development



Jill Aubrey
Director, Fund
Operations,
HR, Company
Secretary,
Compliance Officer
and MLRO



Laura James,
BA (Hons), ACA
Group Financial
Controller



Anthony Griffin,
BA (Hons), MSc,
IMC
Senior Fund
Manager



John Dunkley
BSc MBCS MIET
Chief Technical
Officer

Sectors and experience

Martin joined Fprop in 2001, following its acquisition of Propertytrade plc, a commercial property listing website of which he was Managing Director. His career in chartered surveying began in 1983. He was a partner of Donaldson's (now part of Cushman & Wakefield) prior to joining Propertytrade plc in 2000.

Martin has been a Member of the Royal Institution of Chartered Surveyors since 1986. He is responsible for the asset management, sale and purchase of properties held by the funds managed by Fprop.

Sectors and experience

Jeremy joined Fprop in 2009 to raise equity for investment on behalf of FPAM and to coordinate Shareholder communications on behalf of the Group and its managed funds. His background is in equity sales, following ten years with JP Morgan and KBC Peel Hunt, latterly specialising in real estate.

Prior to commencing his commercial career, Jeremy held a commission in the British Army.

Sectors and experience

Jill joined Fprop in 2009 as Deputy Compliance Officer, HR Manager and Company Secretary for the Group's subsidiary and underlying fund companies. In 2016 Jill was promoted to Director of Fund Operations, HR and remains Company Secretary and in July 2019 was approved by the FCA as the firms Compliance Officer and Money Laundering Reporting Officer (MLRO). Prior to joining she headed up the UK new business operations team for Ogier, where she handled the client take on and launch of a number of UK and offshore funds ranging from Real Estate and Infrastructure to Private Equity.

Jill has a strong financial and regulatory background.

Sectors and experience

Laura joined Fprop in 2014 and works directly with George Digby in preparing the accounting and financial reporting for First Property Group plc and its subsidiaries. She joined Fprop following five years at Moore Stephens LLP where she qualified as a Chartered Accountant in 2011. She has successfully overseen the installation and upgrade of the Group's integrated consolidation and accounting system.

Laura graduated from the University of Kent with a joint honours degree in Economics and Business.

Sectors and experience

Anthony joined FPAM in 2011 and works with Martin Pryce on the investment management of FPAM's UK funds, sourcing suitable investments, liaising with external agents and professionals, and undertaking commercial due diligence on prospective purchases. Post purchase, Anthony assists Martin in the formulation and implementation of asset management strategies to drive value. Anthony completed his Master's Degree in Real Estate in 2012 and is holder of the Investment Management Certificate (IMC).

Sectors and experience

John joined Fprop in April 2010 as IT Manager and Systems Engineer, following five years as IT manager and four years as IT Director at Harvard Public Relations Ltd. He was appointed CTO in 2017.

John has a BSc in Electronics & Physics from Loughborough University of Technology and is a Member of the British Computer Society (MBCS) and a Member of the Institution of Engineering and Technology (MIET). In addition he holds a PRINCE 2 Foundation Project Management certificate, plus several additional professional IT qualifications including Microsoft Certified Systems Engineer (MCSE), Microsoft Certified Systems Administrator (MCSA), and Microsoft Certified Professional (MCP).

Warsaw



Przemysław Kiszka, CFA
Managing Director,
First Property
Poland Sp. z o.o.

Sectors and experience

Przemek joined Fprop in 2006 to manage its Polish subsidiary, First Property Poland Sp. z o.o., which now employs 30 staff. His key responsibility is asset management, which involves enhancing the value of assets by renegotiating lease terms, and streamlining property operating costs and tax structures. He is also responsible for acquisitions, liaising with lending banks, and mitigation of risk exposures with derivatives instruments.

Prior to joining Fprop Przemek was the senior analyst for a Polish private equity fund and corporate analyst for an open investment fund (Invesco TFI).

He graduated in 2001 from Warsaw School of Economics and holds a Master Degree in Finance and Banking. He is CFA chartered since 2007.



Jeremi Slominski, MA, BA
Head of Asset
Management,
First Property
Poland Sp. z o.o.

Sectors and experience

Jeremi joined Fprop in 2006 as head of asset management for its existing property portfolio. He also performs a key role in the acquisition of new properties.

Prior to joining Fprop Jeremi was Reporting and Tenant Relations Coordinator with Apsys Polska, one of Poland's biggest retail gallery operators following a period with Central European Retail Property Fund, a Fund developing and managing Wola Park, at the time Warsaw's biggest shopping centre.

Jeremi holds an MA in Modern History, a BA in Political Science and Journalism, and a Graduation Certificate in International Relations, all from Warsaw University.



Robert Wozniak
General Counsel
Lawyer,
First Property
Poland Sp. z o.o.

Sectors and experience

Robert joined Fprop in 2006 as its in-house lawyer for Poland. He is responsible for dealing with and overseeing all legal issues relating to Fprop's business activities in Poland, including corporate and real estate law, litigation and dispute resolution, corporate governance and compliance as well as financing related issues, restructuring and insolvency litigation and other related matters.

Robert graduated from the Faculty of Law and Administration of Warsaw University in 2003.

Robert is also a member of the Supervisory Board of Agencja Inwestycyjna Corp Sp. z o.o., a joint-stock company related to First Property Poland Sp. z o.o.

Prior to the appointment, he was a member of the Management Board of Agencja Inwestycyjna Corp Sp. z o.o.



Barbara Komendowska
Chief Accountant,
First Property
Poland Sp. z o.o.

Sectors and experience

Barbara leads a team of accountants responsible for the accounts of Group SPVs in Poland. She has been employed in accounting since 1996, including as Chief Accountant at Pioneer Real Estate (Poland) from 1998. In 2001 Barbara set up and ran her own accounting services business, of which Fprop was a client from January 2006. She wound down her own business and joined Fprop full time in 2008.

Barbara holds a Master degree in Finance & Banking from Warsaw School of Economics and has also completed postgraduate studies in Financial & Management Accounting, Financial Accounting Studies on Polish and International Finance and Reporting Standards at Warsaw School of Economics, and Tax Advisor Studies at the Tax Studies Institute in Warsaw. Barbara holds a Ministry of Finance license and statutory auditors charter.

Bucharest



Catalin Ana, CFA, CAIA
General Manager,
First Property Asset
Management
Romania SRL

Sectors and experience

Catalin joined Fprop in 2017 to manage and enlarge the Group's Romanian operations. He is responsible, internally, for acquisitions (sourcing and due diligence), the maintenance and development of relationships with banking partners, and for enhancing the value of existing assets.

Prior to Fprop, Catalin was a banker in London with the European Bank for Reconstruction and Development (EBRD), focusing on project finance deals across Central Europe. He began his career with Ernst & Young's corporate finance advisory practice in Bucharest.

He graduated in 2008 from The Bucharest University of Economic Studies (ASE) and holds a dual Bachelor Degree in Commerce and Finance. He has been a CFA Charterholder since 2012 and a CAIA Charterholder since 2016.

DIRECTORS' REPORT

for the year ended 31 March 2019

The Directors present their report and the audited financial statements for the year ended 31 March 2019.

Principal activities and review of the business

The principal activity of the Group is a property fund manager and investor with operations in the United Kingdom and Central Europe (mainly in Poland).

The Consolidated Income Statement is set out on page 33.

A summary of likely future developments in the business of the Group is included in the Chief Executive's Statement.

Results and dividends

The Group made a total profit before taxation of £8.31 million (2018: £9.23 million). The retained profit was £1.56 million (2018: £4.93 million) after dividend, Non-controlling interest and sale of treasury shares, but before the increase in fair value through other comprehensive income on financial assets. The Directors recommend the payment of a final dividend of 1.22 pence per share (2018: 1.18 pence) payable on 27 September 2019 to shareholders on the register at 23 August 2019, making a total for the year of 1.66 pence per share (2018: 1.60 pence per share), after including the interim dividend of 0.44 pence per share paid in January 2019.

Diluted earnings per share decreased to 4.85 pence from 5.70 pence on the same basis.

The Group held cash of £9.74 million at 31 March 2019 (2018: £15.32 million) and bank borrowings of £66.68 million (2018: £117.62 million). Net assets decreased to £46.29 million (2018: £52.92 million).

Employees

First Property Group employed 55 staff on average during the year ended 31 March 2019 (2018: 49); of these, 41 employees were based in Poland (2018: 29) in the Group's Warsaw office providing essential service support to the properties located in Poland which it manages. The Group also employs one member of staff in its office in Bucharest, Romania. The Group's policy is to consult and discuss with employees, through regular meetings with subsidiary Company management, matters likely to affect employees' interests.

The group has a diversity and equal opportunities policy which commits it to promoting diversity and equality of opportunity for all staff and job applicants. It aims to create a flexible working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. It does not discriminate against staff on the basis of age, disability, gender, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief. This policy applies to all aspects of the relationship with staff and to relations between staff members at all levels. This includes job advertisements, recruitment and selection, training and development, opportunities for promotion, conditions of service, pay and benefits, conduct at work, disciplinary and grievance procedures, and termination of employment.

Compliance and regulations

First Property Group plc is listed on the AIM market of the London Stock Exchange. First Property Asset Management Limited, a wholly owned subsidiary of First Property Group plc, is Authorised and Regulated by the Financial Conduct Authority (FCA) and has recently filed an application for approval as a full scope manager under AIFMD. First Property Asset Management Limited is a provider of property fund management services to various property funds.

Risk management

The Group's economic and operational risks are identified and assessed on pages 18 and 19, together with a description of their impact and counter measures to mitigate them.

Share capital

At 31 March 2019, the Company's share capital comprised 116,601,115 Ordinary Shares of 1 pence each, including 5,247,114 shares held in treasury. Each share ranks equally with the others, including as to the rights to receive dividends and vote (except that no votes are cast or dividends paid in respect of shares held in treasury). Except as set out in the Articles, there are no restrictions on the transfer of the Company's securities.

During the financial year ended 31 March 2019, the following share issues and share transfers from treasury were made:

- ▶ On 6 April 2018 the Company purchased 4,775,000 Ordinary Shares into treasury at a price of 46.09 pence each thereby increasing the number of shares held in treasury to 5,359,569;
- ▶ On 27 September 2018 the Company sold 11,457 of its own Ordinary Shares held in treasury at a price of 52.37 pence per Ordinary Share, thereby reducing the number of shares held in treasury to 5,348,112;
- ▶ On 19 December 2018 the Company sold 90,000 of its own Ordinary Shares held in treasury at a price of 16.50 pence per Ordinary Share to satisfy the exercise of share options under the Company's share option scheme, thereby reducing the number of shares held in treasury to 5,258,112. The cost of the shares held in treasury of £38,000 has been deducted from the Purchase of own shares reserve and the loss of £24,000 has been charged to the Share based payment reserve; and
- ▶ On 8 January 2019 the Company sold 10,998 of its own Ordinary Shares held in treasury at a price of 54.56 pence per Ordinary Share, thereby reducing the number of shares held in treasury to 5,247,114.

90,000 share options were exercised during the year and none issued. Details of share options outstanding are set out in Note 28 on pages 63 and 64.

Directors and their interests

Directors are appointed and retire in accordance with the Articles. In particular, each Director is to retire from office at the third Annual General Meeting after the meeting at which he or she was appointed. Any Director who so retires may stand to be re-elected at that Annual General Meeting. Any Director who retires at an Annual General Meeting shall be deemed to have been re-elected at that meeting, unless (i) a Director is appointed by the Company in their place; (ii) it is expressly resolved not to fill the vacated office; or (iii) a resolution for that Director's re-election has been put to the meeting and lost.

The Directors are listed below:

The beneficial interests of the Directors in the share capital of the Company at 1 April 2018, 31 March 2019 and 16 July 2019, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act, were as follows:

	Ordinary Shares of 1 pence			Option over Ordinary Shares of 1 pence		
	16/7/2019	31/3/2019	1/4/2018	16/7/2019	31/3/2019	1/4/2018
A J D Locke	8,571,990	8,571,990	8,571,990	–	–	–
P Moon	468,474	468,474	446,019	–	–	–
B N Habib	14,450,000	14,450,000	16,700,000	–	–	–
G R W Digby	620,000	620,000	620,000	–	–	–

The market price of the Company's Ordinary Shares at the end of the financial year was 51.50 pence and the range of market prices during the year was between 47.50 pence and 65.50 pence.

Substantial shareholdings

At 16 July 2019 the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules Sourcebook published by the Financial Conduct Authority that the following persons had substantial interests in the voting rights of the Company:

	Number of Ordinary Shares of 1 pence*	Percentage of issued Ordinary Shares of 1 pence held %
B N Habib	14,450,000	13.0%
J C Kottler	9,664,283	8.7%
A J D Locke	8,571,990	7.7%
New Pistoia Income Ltd	7,507,500	6.7%
Quaero Capital Finds (Lux)	6,353,581	5.7%

* Number of Ordinary Shares in respect of which voting rights held.

Health and safety at work

The well-being of the employees is given the highest priority throughout the Group and it is the Group's policy not only to comply with Health & Safety measures, as required by law, but to act positively to prevent injury and ill health, and damage to the environment arising from its operations.

Annual General Meeting

The notice convening the Annual General Meeting to be held on Monday 9 September 2019, which can be found on pages 70 and 71, contains special resolutions empowering the Directors to:

- Allot relevant securities pursuant to the authority provided by Resolution 6 up to a maximum nominal amount of 371,143 (representing 33.33% of the issued Ordinary Share capital of the Company, less the number of Ordinary Shares held in treasury) outside the pre-emption provisions contained in the Companies Act 2006 and the Articles, provided that such securities shall only be:
 - issued or transferred from treasury in connection with a rights offer (Resolution 8(a)); or
 - issued or transferred from treasury otherwise than in connection with a rights issue where the aggregate nominal value of all Ordinary Shares so issued or transferred does not exceed £222,708 (representing 20% of the issued Ordinary Share capital of the Company, less the number of Ordinary Shares held in treasury) (Resolution 8(b)).

Given the growth stage of the Company and the Group, the resolution being proposed is a means of ensuring that the Directors have the ability to take advantage of opportunities becoming available, rapidly and without undue transaction costs.

DIRECTORS' REPORT CONTINUED

for the year ended 31 March 2019

Annual General Meeting continued

2. Purchase of up to 10% of its own issued Ordinary Shares of 1 pence each (Resolution 9).

The Directors now propose that the Company be authorised to purchase a maximum of 11,135,400 Ordinary Shares of 1 pence each (representing just under 10% of the Company's issued Ordinary Share capital as at 16 July 2019) within the limits described in Resolution 8 contained in the notice of the Annual General Meeting. It is intended that purchases will only be made on the AIM market of the London Stock Exchange. This should not be taken to imply that Ordinary Shares will be purchased. The Directors will only exercise the authority to purchase the Company's own Ordinary Shares if to do so would be in the best interests of its shareholders generally.

The Ordinary Shares acquired in this way would either be cancelled with a resultant reduction in the number of Ordinary Shares in issue, or the Directors may elect to hold them in treasury pursuant to the relevant provisions in the Companies Act 2006.

Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under a Company's employees' share scheme. Once held in treasury, a company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Furthermore, no dividend or other distribution of a Company's assets may be made to the Company in respect of the treasury shares.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Chief Executive's Statement and the financial statements in accordance with applicable laws and regulations. The Directors are required by UK Company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit and loss of the Group for that period having regard to the commercial substance of transactions. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the Company's financial position and enable them to ensure compliance with the Companies Act 2006, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that suitable accounting policies have been used and applied consistently, except as discussed in Note 2 on page 39 in order to adopt new accounting standards, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2019. The Directors also confirm that applicable accounting standards have been followed, that the financial statements have been prepared on a going concern basis and that the integrity of the Group's website has been maintained.

The Directors confirm that this Annual Report and these financial statements taken as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's performance, business model and strategy.

Information published on the Internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements. UK legislation governing the preparation and dissemination of financial segments may therefore differ from that in other jurisdictions.

Statement of disclosure to the auditor

After due enquiry the Board hereby confirms that each Director has taken the steps they ought to have taken as a Director to acquaint themselves with any relevant audit information and that all such information has been communicated to the auditors. So far as each Director is aware, there is no information which would be needed by the Company's auditors in connection with preparing their audit report of which the auditors are not aware.

By order of the Board



George RW Digby

Group Finance Director

6 August 2019

INDEPENDENT AUDITOR'S REPORT

to the Members of First Property Group plc

Opinion

We have audited the financial statements of First Property Group plc (the 'Parent Company') and its subsidiaries (collectively, the 'Group') for the year ended 31 March 2019 which comprise:

- › Consolidated Income Statement for the year ended 31 March 2019;
- › Consolidated Statement of Comprehensive Income for the year ended 31 March 2019;
- › Balance Sheets as at 31 March 2019;
- › Consolidated Statement of Changes in Equity for the year ended 31 March 2019;
- › Company Statement of Changes in Equity for the year ended 31 March 2019;
- › Consolidated Cash Flow Statements for the year ended 31 March 2019; and
- › Notes to the Financial Statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the European Union').

In our opinion:

- › the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- › the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- › the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- › the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- › the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Valuation of Investment Property including investment properties and trading properties:

Whilst the Group's property portfolio is held primarily at cost, the valuation of the investment properties is relevant to the possible impairment of individual properties.

The valuation of the property portfolio is a significant judgment area and is underpinned by a number of estimates and assumptions, including capitalisation yields and future rental income. The Group uses professionally qualified external valuers to fair value the majority of the Group's property portfolio at regular intervals.

Any input inaccuracies or unreasonable assumptions used in these judgments could result in a material misstatement of the Income Statement and Balance Sheet.

How our audit addressed the Key Audit Matter

- › We assessed management's process for reviewing and assessing the work of the valuer.
- › We assessed the competence, objectivity and integrity of the valuer.
- › We obtained the external valuation reports and assessed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgment areas.
- › We performed audit procedures to assess the integrity of a sample of the information provided to the valuer by agreeing that information to underlying lease agreements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the Members of First Property Group plc

Key audit matters continued

Key Audit Matter

Revenue Recognition, including the timing of revenue recognition, the treatment of rents, and incentives, and the calculation of performance related fee income:

Market expectation and profit-based targets may place pressure on management to distort revenue recognition.

This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.

The Group applied IFRS 15 – Revenue from contracts with customers ('IFRS 15') from 1 April 2018 and determined that there is no material impact on the way in which the Group recognises its revenues, with the exception of certain performance fee arrangements.

How our audit addressed the Key Audit Matter

- › We performed detailed testing for a sample of leases by agreeing the annual rent back to the terms of the lease agreements.
- › For a sample of leases, we tested that the lease income, including the treatment of lease incentives, is recorded on an appropriate basis and in accordance with relevant regulations.
- › For a sample of performance related fee income we agreed the fee terms used in the calculation to investment management agreements ('IMAs'), fee letters or fund prospectuses and verified management's interpretation of the calculation methodology as set out in the agreement. In addition, for long-term performance related fees we challenged management over the judgements and estimates used in the valuation of the fee calculations, and traced the results of the calculations to the revenue recorded.
- › We assessed whether the revenue recognition adopted complied with IFRSs as adopted by the European Union.

Deconsolidation of Fprop Opportunities plc ('FOP') in the year:

The Group disposed of part of its interest in the FOP entities in the year, which comprised a material proportion of its net assets. The assessment of whether the Group exercised control over the FOP entities and the date at which loss of control occurred is a judgement, and therefore presented a heightened risk of error.

- › We reviewed the appropriateness of management's assessment of the timing of loss of control over the FOP group companies.
- › We tested the valuation of the net assets of the FOP group as at the date of loss of control, and tested the calculation of the gain or loss on deconsolidation.
- › We tested the valuation of the closing investment in FOP as an associate company.

Our application of materiality

We define materiality as the magnitude of an omission or misstatement in the financial statements that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £1.325m (2018: £1.35m) based on 3.0% of net asset values. We determined materiality for the Parent Company to be £1.0m (2018: £0.80m) based on 3.0% of net asset values. This provided a basis for determining the nature, timing and extent of risk assessment procedures. We determined that net assets would be the most appropriate basis for determining overall materiality given that the key users of the Group financial statements are likely to be primarily focussed on the valuation of Group assets and the related financing.

Based on our risk assessment, including the Group's overall control environment, we determined a performance materiality of 75% of the financial statement materiality for both the Group and the Parent Company.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £66,000 for the Group, and of £50,000 for the Parent Company, which is set at 5% of financial statement materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group's level. Our assessment of audit risk and our evaluation of materiality determine our audit scope for each entity within the Group. We take into account size, risk profile, the organisation of the Group's and changes in the business environment when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we have adequate quantitative coverage of the significant accounts in the financial statements, we selected 18 legal entities within the UK and Poland.

The Group is audited by one audit team in the UK, directly responsible for the audit of the Parent Company and certain subsidiaries, in conjunction with locally-based auditors of the in scope legal entities based overseas. The complete financial information of all 18 legal entities was audited, either by the Group's audit team or by component auditors, representing 97% of the Group's revenue, 98% of the Group's profit before tax, and 99% of the Group's net assets. In addition, we performed testing of consolidation journals and intercompany eliminations, tests of financial systems, centralised processes and controls, and foreign currency translation recalculations, to respond to any potential risks of material misstatement to the Group financial statements.

Detailed audit instructions were issued to the auditors of the overseas legal entities, highlighting the significant risks to be addressed through their procedures, and detailing the information to be reported to the Group's audit team. The group audit team conducted a review of the work performed by the component auditors, and communicated with the component auditors throughout the planning, execution and completion stages of the audits.

The audit work on subsidiaries and associates is carried out to a materiality which is lower than, and in some cases substantially lower than, group materiality as set out above.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts on pages 1 to 28, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- › the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- › the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- › adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements are not in agreement with the accounting records and returns; or
- › the Parent Company financial statements are not in agreement with the accounting records and returns; or
- › certain disclosures of directors' remuneration specified by law are not made; or
- › we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the Members of First Property Group plc

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditors-responsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The logo for Haines Watts, featuring the company name in a stylized, handwritten-style font.

Jonathan Moughton FCA

(Senior Statutory Auditor)

For and on behalf of Haines Watts
Chartered Accountants and Statutory Auditors
Oxford

6 August 2019

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 Total results £'000	Year ended 31 March 2018 Total results £'000
Revenue	4	20,437	25,460
Cost of sales		(4,491)	(6,030)
Gross profit		15,946	19,430
Profit on the sale of 'FOP' shares		64	1,112
Gain on loss of control of subsidiary	15	4,827	–
Impairment of goodwill on acquisition of subsidiary	13	(27)	–
Loss on disposal of subsidiary	14	(5)	–
Write down/impairment loss to an investment property	17	(2,984)	(183)
Operating expenses		(9,320)	(9,158)
Operating profit		8,501	11,201
Share of results in associates	22	1,600	950
Investment income		273	63
Interest income	5	114	82
Interest expense	5	(2,180)	(3,063)
Profit before tax		8,308	9,233
Tax charge	10	(1,943)	(1,473)
Profit for the year		6,365	7,760
Attributable to:			
Owners of the parent		5,514	6,755
Non-controlling interests		851	1,005
		6,365	7,760
Earnings per share:			
Basic	16	4.95p	5.82p
Diluted	16	4.85p	5.70p

All operations are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	Year ended 31 March 2019 Total results £'000	Year ended 31 March 2018 Total results £'000
Profit for the year	6,365	7,760
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Exchange differences on retranslation of foreign subsidiaries	(1,784)	1,590
Foreign exchange profit recycled to the Income Statement on disposal	(721)	–
Net gain/(loss) on financial assets at fair value through other comprehensive income	29	(3)
Taxation	–	–
Total comprehensive income for the year	3,889	9,347
Total comprehensive income for the year attributable to:		
Owners of the parent	3,414	8,131
Non-controlling interests	475	1,216
	3,889	9,347

All operations are continuing.

Company Income Statement

The Company is taking advantage of the exemption in s.408 of The Companies Act 2006 not to present its individual Income Statement and related notes that form a part of these approved financial statements.


CONSOLIDATED BALANCE SHEETS

As at 31 March 2019

		2019	2019	2018	2018
	Notes	Group £'000	Company £'000	Group £'000	Company £'000
Non-current assets					
Goodwill	19	153	–	153	–
Investment properties	17	67,348	–	132,180	–
Property, plant and equipment	20	58	–	66	–
Investments in Group undertakings	21	–	3,213	–	3,077
Interest in associates	22 a)	17,054	14,036	4,725	2,756
Other financial assets at fair value through OCI	22 b)	3,539	3,539	4,517	3,617
Other receivables	24 b)	1,312	12,923	1,766	12,908
Deferred tax assets	27	2,779	–	4,518	–
Total non-current assets		92,243	33,711	147,925	22,358
Current assets					
Inventories – land and buildings	23	14,817	–	15,586	–
Current tax assets		28	–	100	–
Trade and other receivables	24 a)	5,918	198	5,154	65
Cash and cash equivalents		9,738	5,433	15,315	9,774
Total current assets		30,501	5,631	36,155	9,839
Current liabilities					
Trade and other payables	25	(7,078)	(4,723)	(8,298)	(5,640)
Financial liabilities	26	(6,329)	–	(8,319)	–
Current tax liabilities		(80)	(39)	(230)	(9)
Total current liabilities		(13,487)	(4,762)	(16,847)	(5,649)
Net current assets		17,014	869	19,308	4,190
Total assets less current liabilities		109,257	34,580	167,233	26,548
Non-current liabilities					
Financial liabilities	26	(60,348)	–	(110,768)	–
Deferred tax liabilities	27	(2,623)	–	(3,543)	–
Net assets		46,286	34,580	52,922	26,548
Equity					
Called up share capital	28	1,166	1,166	1,166	1,166
Share premium		5,791	5,791	5,789	5,789
Share-based payment reserve		179	179	203	203
Foreign exchange translation reserve		(731)	–	1,398	–
Purchase of own shares reserve		(2,248)	(2,248)	(95)	(95)
Investment revaluation reserve		(41)	(41)	(70)	(70)
Retained earnings		42,056	29,733	38,344	19,555
Equity attributable to the owners of the parent		46,172	34,580	46,735	26,548
Non-controlling interests		114	–	6,187	–
Total equity		46,286	34,580	52,922	26,548
Net assets per share	16	41.46p		40.29p	

The Company's profit for the year was £11.98 million (2018: £5.91 million).

The financial statements were approved and authorised for issue by the Board of Directors on 6 August 2019 and were signed on its behalf by:



George RW Digby
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

Group	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Foreign exchange translation reserve £'000	Purchase of own shares £'000	Investment revaluation reserve £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
At 1 April 2018	1,166	5,789	203	1,398	(95)	(70)	38,344	6,187	52,922
Profit for the year	–	–	–	–	–	–	6,365	–	6,365
Net gain/(loss) on financial assets at fair value through other comprehensive income	–	–	–	–	–	29	–	–	29
Movement on foreign exchange	–	–	–	(1,408)	–	–	–	(376)	(1,784)
Foreign exchange profit recycled to the Income Statement	–	–	–	(721)	–	–	–	–	(721)
Total Comprehensive Income	–	–	–	(2,129)	–	29	6,365	(376)	3,889
Change in proportion held by NCI (FOP)	–	–	–	–	–	–	–	978	978
Change in proportion held by NCI (E and S)	–	–	–	–	–	–	–	95	95
Deconsolidation of FOP	–	–	–	–	–	–	–	(7,598)	(7,598)
Sale of treasury shares	–	2	–	–	10	–	–	–	12
Purchase of treasury shares	–	–	–	–	(2,201)	–	–	–	(2,201)
Exercise of Share Options	–	–	(24)	–	38	–	–	–	14
Non-controlling interests	–	–	–	–	–	–	(851)	851	–
Dividends paid	–	–	–	–	–	–	(1,802)	(23)	(1,825)
At 31 March 2019	1,166	5,791	179	(731)	(2,248)	(41)	42,056	114	46,286
At 1 April 2017	1,166	5,781	203	19	(99)	(67)	33,410	3,015	43,428
Profit for the year	–	–	–	–	–	–	7,760	–	7,760
Net gain/(loss) on financial assets at fair value through other comprehensive income	–	–	–	–	–	(3)	–	–	(3)
Movement on foreign exchange	–	–	–	1,379	–	–	–	211	1,590
Total Comprehensive Income	–	–	–	1,379	–	(3)	7,760	211	9,347
Change in proportion held by Non-controlling interests	–	–	–	–	–	–	–	2,000	2,000
Sale of treasury shares	–	8	–	–	4	–	–	–	12
Non-controlling interests	–	–	–	–	–	–	(1,005)	1,005	–
Dividends paid	–	–	–	–	–	–	(1,821)	(44)	(1,865)
At 31 March 2018	1,166	5,789	203	1,398	(95)	(70)	38,344	6,187	52,922

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

Company	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Purchase of own shares £'000	Investment revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2018	1,166	5,789	203	(95)	(70)	19,555	26,548
Profit for the year	–	–	–	–	–	11,980	11,980
Net gain/(loss) on financial assets at fair value through other comprehensive income	–	–	–	–	29	–	29
Total comprehensive income	–	–	–	–	29	11,980	12,009
Sale of treasury shares	–	2	–	10	–	–	12
Purchase of treasury shares	–	–	–	(2,201)	–	–	(2,201)
Exercise of share options	–	–	(24)	38	–	–	14
Dividend paid	–	–	–	–	–	(1,802)	(1,802)
At 31 March 2019	1,166	5,791	179	(2,248)	(41)	29,733	34,580
At 1 April 2017	1,166	5,781	203	(99)	(67)	15,466	22,450
Profit for the year	–	–	–	–	–	5,910	5,910
Net gain/(loss) on financial assets at fair value through other comprehensive income	–	–	–	–	(3)	–	(3)
Total comprehensive income	–	–	–	–	(3)	5,910	5,907
Sale of treasury shares	–	8	–	4	–	–	12
Dividend paid	–	–	–	–	–	(1,821)	(1,821)
At 31 March 2018	1,166	5,789	203	(95)	(70)	19,555	26,548

Foreign exchange translation reserve

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

Share based payment reserve

The Group grants certain of its employees' rights to its equity instruments as part of its share-based payment incentive plans. The value of these rights has been charged to the Income Statement and has been credited to the share-based payment reserve (which is a distributable reserve).

Purchase of own Ordinary Shares

The cost of the Company's Ordinary Shares purchased by the Company for treasury purposes is held in this reserve. This reserve is non distributable.

Investment revaluation reserve

The change in fair value of the Group's financial assets measured at fair value through Other Comprehensive Income is held in this reserve, and is non distributable.

CONSOLIDATED CASH FLOW STATEMENTS

for the year ended 31 March 2019

	Notes	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Cash flows from operating activities					
Operating profit		8,501	8,507	11,201	353
Adjustments for:					
Depreciation/write down of investment property and property, plant & equipment		5,167	–	2,272	–
Profit on the sale of FOP shares		(64)	(1,583)	(1,112)	(2,928)
Gain on loss of control of subsidiary		(4,827)	(9,756)	–	–
Impairment loss to an investment property		(32)	–	183	–
Impairment of goodwill on acquisition of subsidiary		27	–	–	–
Loss on disposal of subsidiary		5	–	–	–
(Increase)/decrease in inventories		96	–	(107)	–
Decrease/(increase) in trade and other receivables		(1,285)	(1,854)	240	2,992
(Decrease)/increase in trade and other payables		(187)	(958)	(1,746)	(944)
Other non-cash adjustments		599	–	263	–
Cash generated from operations		8,000	(5,644)	11,194	(527)
Taxes paid		(1,268)	(133)	(1,407)	5
Net cash flow from operating activities		6,732	(5,777)	9,787	(522)
Cash flow (used in)/from investing activities					
Capital expenditure on investment properties	17	(1,531)	–	(2,375)	–
Proceeds from partial disposal of financial assets held at fair value through Other Comprehensive Income	22a)	549	549	633	633
Purchase of property, plant & equipment	20	(36)	–	(19)	–
Proceeds from the sale of 'FOP' shares		2,630	2,630	3,112	3,112
Cash paid on acquisition of new subsidiaries	13	(527)	(527)	–	–
Cash received for the sale of SCAUP	14	–	19	–	–
Cash and cash equivalent received on acquisitions of new subsidiaries	13	421	–	–	–
Cash disposed following deconsolidation of subsidiaries		(2,046)	–	–	–
Investment in shares of new associates		(527)	(460)	(122)	(122)
Payment of Rights Issue in 5PT		(138)	(138)	–	–
Investment in funds	22b)	(468)	(468)	(3,623)	(2,723)
Proceeds from funds	22b)	569	569	–	–
Interest received	5	114	188	82	192
Dividends from associates	22a)	590	590	61	61
Distributions received		273	1,974	68	1,513
Net cash flow (used in)/from investing activities		(127)	4,926	(2,183)	2,666
Cash flow (used in)/from financing activities					
Net repayment of shareholder loan in subsidiary		(121)	128	(1,841)	–
Proceeds from bank loan		–	–	3,994	–
Repayment of bank loans		(3,179)	–	(3,498)	–
Repayment from the sale of FOP shareholder loan		326	326	1,157	1,157
Repayment of finance lease		(3,065)	–	(3,403)	–
Sale of shares held in treasury		12	12	12	12
Purchase of new treasury shares		(2,201)	(2,201)	–	–
Exercise of share options		47	47	–	–
Interest paid		(2,180)	–	(2,915)	–
Dividends paid	12	(1,802)	(1,802)	(1,821)	(1,821)
Dividends paid to Non-controlling interests		(23)	–	(44)	–
Net cash flow (used in)/from financing activities		(12,186)	(3,490)	(8,359)	(652)
Net increase/(decrease) in cash and cash equivalents		(5,581)	(4,341)	(755)	1,492
Cash and cash equivalents at the beginning of the year		15,315	9,774	15,946	8,279
Currency translation gains on cash and cash equivalents		4	–	124	3
Cash and cash equivalents at the year end		9,738	5,433	15,315	9,774

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

1. Basis of preparation and presentation of financial statements

The financial statements for both the Group and Parent Company have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRIC) Interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for items carried at fair value in accordance with IFRS 9. These financial statements are presented in Sterling since that is the currency in which the Group and Parent Company transact a substantial part of their business and it is the currency considered most convenient for its shareholders. The functional currencies adopted by the Group's foreign operations are set out in Note 31 on page 65.

Standards and interpretations effective in the current period

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year, the impact of which is outlined below.

Changes in accounting policy

The Group has adopted IFRS 9 Financial Instruments on 1 April 2018. While some accounting policies have been amended on adoption of the standard, there have been no adjustments to the Group's income statement or balance sheet. The new accounting policies are set out below.

The Group has applied IFRS 15 using the cumulative effect method, without restatement of comparative period amounts. No adjustment was required to the opening profit and loss reserve at 1 April 2018 as a result of applying the standard and comparative information has not been restated.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 with effect from 1 April 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The Group has assessed whether it intends to hold its financial assets to collect the contractual cash flows, or whether it intends to sell them before maturity and has classified its financial instruments into the appropriate IFRS 9 categories.

While some accounting policies have been amended on adoption of the standard there have been no adjustments required to the Group's Income Statement or Balance Sheet. The new accounting policies are set out in Note 2.

The changes in classification of financial assets are as follows:

Financial Asset	Classification – IAS 39	Classification – IFRS 9	Measurement
Trade receivables	Loans and receivables	Financial assets at amortised cost	Amortised cost
Cash and cash equivalents	Amortised cost	Financial assets at amortised cost	Amortised cost
Other investments	Available for sale	Financial assets at fair value through other comprehensive income	Fair value, with changes recognised in other comprehensive income

IFRS 15 Revenue from Contracts with Customers

The Standard introduces a five-step model for recognising revenue, which consists of identifying the contract with the customer, identifying the relevant performance obligations, determining the amount of consideration to be received under the contract, allocating the consideration to each performance obligation, and earning the revenue as the performance obligation is satisfied.

The standard is applicable to asset management fee income, service charge income, proceeds from the sale of investment properties and performance related fee income, but not rental income arising from the Group's leases with tenants.

The Group has undertaken a comprehensive review of its contracts and concluded that there is no impact on the way in which the Group recognises its revenues other than for certain long-term agreements within performance related income. IFRS 15 constrains the amount of revenue that is recognised when estimating variable consideration. Where long-term agreements for performance related income are in place, the Group has considered constraining the amount of revenue that is recognised in relation to performance related fees that are subject to future reversal so as to reduce the risk of such reversal occurring. In the Directors' judgement no such reduction was considered necessary in the current year as there is a built-in buffer in future years to absorb the negative effects of future downward property revaluations that may cause such reversal. For the previous year, no such income was recognised and therefore no comparative restatements are necessary in this respect.

New standards and interpretations

As of the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- › IFRIC 23 Uncertainty over Income Tax Positions (effective p/c on or after 1 January 2019);
- › Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective p/c on or after 1 January 2019);
- › Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (effective p/c on or after 1 January 2019);
- › IFRS 17 Insurance Contracts (effective p/c on or after 1 January 2021);
- › Amendments to IFRS 3 Definition of a business (effective p/c on or after 1 January 2020); and
- › Amendments to IAS 1 and IAS 8 Definition of Material (effective p/c on or after 1 January 2020).

Some of these standards and amendments have not yet been endorsed by the EU which may cause their effective dates to change.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

► IFRS 16 Leases (effective p/c on or after 1 January 2019);

The standard makes substantial changes to the recognition and measurement of leases by lessees. On adoption of the standard, lessees, with certain exceptions for short-term or low value leases, are required to recognise all leased assets on their Balance Sheet as 'right-of-use assets' with a corresponding lease liability.

In addition to the re-measurements required, on application of the standard, the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and variability of lease payments and cash flows, by providing qualitative and quantitative information.

The requirements for lessors are substantially unchanged although the disclosures are also likely to increase.

An impact assessment of the standard was carried out and it was concluded that it has no material effect on the financial statements. The Group does not intend to apply this standard early.

Statement of going concern

The financial position of the Group, including its liquidity position, borrowing facilities and debt maturity profile, is set out in the consolidated financial statements and the Financial Review. The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2. Significant accounting policies

The principal accounting policies set out below have, unless otherwise stated, been applied consistently by the Group and the Company to each period presented in these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings which it controls, made up to 31 March 2019. Intra-Group balances, sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary or business, all of the assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. The results of subsidiary undertakings have been included from the dates of acquisition and up to the dates of disposal, being the dates that control passes.

Investments in subsidiaries

In the Company Balance Sheet investments in subsidiaries are held at cost less adequate provisions, where necessary, for impairments to value.

Investments in associates

Entities in which the Group is in a position to exercise significant influence but does not have the power to control are defined as associates. The Group accounts for its investments in associates using the equity method. The carrying value of the associates in the Group's Balance Sheet is subject to annual impairment reviews. The Group's share of the associate's profit or loss is included within the consolidated Income Statement. To be consistent with the Group's accounting policy for investment properties it adopts the cost model in respect of the investment properties held by the associates thus not recognising any property revaluations when assessing its share of the profit or loss after tax.

The Company's accounting policy is to include the interest in associates at cost subject to an annual impairment review and dividends received are credited to the Income Statement.

Other financial investments

All investments are held at fair value. All of the assets have been classified as fair value through Other Comprehensive Income. Fair value has been arrived at by applying the Group's percentage holding in the investments of the fair value of their net assets.

Impairment

The carrying values of the Group's non-financial assets, excluding goodwill, are reviewed at each reporting date to determine whether there are any indications that an asset may be impaired. If there are any indications of impairment, the assets' recoverable value is estimated and any impairment loss, measured against its carrying value, is recognised in the Income Statement. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

2. Significant accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at their purchase cost, together with any incidental costs of acquisition, or fair value on acquisition, less accumulated depreciation and where appropriate, provision for impairment. Depreciation is calculated so as to write off property, plant and equipment, less their estimated residual values, on a straight-line basis over the expected useful lives of the assets concerned.

The principal annual rates used for this purpose are:

	%
Computer equipment	33.33
Office equipment	33.33
Motor vehicles	25.00
Short leasehold improvements	33.33

The residual values and useful lives of all property, plant and equipment are reviewed and adjusted if appropriate at each financial year end.

Investment properties

Investment properties are properties held for long-term rental income or for capital appreciation or both. Acquisitions through direct asset purchases are initially held at cost including related transaction costs. The Group has adopted the cost model for investment properties so that after initial recognition, investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Where, in the Directors' opinion a property's estimated residual value at the end of the period of ownership will be lower than the carrying value the property will be depreciated over the lease term.

Inventories – land and buildings

Trading properties held for resale are stated at the lower of purchase cost, together with incidental costs of acquisition and any subsequent development costs, and net realisable value. The latter is assessed by the Group having regard to suitable valuations performed by external valuers.

Finance leases

Assets owned under finance leases have been included at cost under investment property and property, plant and equipment and depreciated accordingly. Payments in respect of finance leases have been apportioned between the finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest. Creditors under finance leases are determined as the principal amount outstanding at the Balance Sheet date.

Operating leases

Costs in respect of operating leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Any incentives to enter into operating leases are recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Taxation

The tax expense represents the sum of the current tax payable and movements in deferred tax during the year.

Current taxation

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income and expense that are taxable or deductible in other years or that may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

Deferred taxation

Deferred taxation is provided in full, on all temporary differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they are recognised based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

A net deferred tax asset is regarded as recoverable and is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits in the foreseeable future from which the reversal of the underlying temporary differences can be deducted. Management carry out a review of such items at the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Revenue recognition

Rental income arising under the Group's leases is recognised over the term of the lease on a straight-line basis and is adjusted for lease incentives such as rent-free periods and fit out contributions such that their cost is apportioned evenly over the full lease term.

Turnover rents and other such contingent rents are recorded as revenue in the periods to which they relate.

The Group's revenue from contracts with customers, as defined in IFRS 15 includes service charge income and income from the sale of properties charged by the Group Properties Division and asset management fees and performance related fees charged by the Group's Fund Management division.

Service charge income is recognised in the period in which the service is provided according to the terms of the individual lease agreement.

Income from the sale of properties is recognised generally on unconditional exchange of contracts when the significant risks and rewards of ownership are transferred to the buyer and there are no significant outstanding obligations between exchange of contract and completion.

Asset management and administration fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of AUM. Management fees are recognised as the service is provided and it is probable that the fee will be collected.

Performance related fees are earned from some arrangements when contractually agreed performance levels are exceeded within specified performance measurement periods. For short-term arrangements (typically one year or less) performance related fees are recognised when the performance period has ended and the performance calculation can be performed with reasonable certainty. For long-term arrangements performance related fees are only recognised where there is deemed to be a low probability of a significant reversal in future periods. In cases where performance related revenue is subject to potential future reversal the Directors will apply their judgement to the amount of revenue recognised in the Income Statement such that in their judgement there is a high probability that this revenue will not reverse in subsequent years. They will ignore all unrealised upward property revaluations above original cost (including acquisition costs) used to determine the total entitlement but include any downward revaluation below total original historic acquisition and subsequent capitalised property costs. This may result in the recognition of revenue before the contractual crystallisation date.

All revenue is classified in the revenue line of the Income Statement except for revenue from the sale of property which is netted off against costs and shown under profit on sale of property.

Interest income and expense are recognised on an accruals basis.

The above policies on revenue recognition result in both deferred and accrued income.

Lessor accounting

The Company does not own any properties itself directly. All commercial properties owned are held by subsidiary entities.

It is determined that these companies are not transferring the entire significant risk and benefits resulting from the ownership of the foresaid properties and therefore those leases are recognised as lease agreements.

Operating profit

Operating profit as stated in the Consolidated Income Statement is described as the profit derived from sales revenue less cost of sales, operating expenses and other items incurred during normal operating activities.

Defined contribution schemes

Contributions to the defined contribution pension scheme are charged to the Consolidated Income Statement in the period to which they relate.

Share-based payments

The Group issues options over the Company's equity to certain employees and these are professionally measured for fair value at the date of grant, using the Black-Scholes-Merton model. This fair value is fully expensed over the vesting period and is credited to the share-based payment reserve shown under equity and reserves in the Balance Sheet. Management's best estimates of leavers, price volatility and exercise restrictions have been used in the valuation method.

Foreign currencies

At entity level, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the date the transaction is recorded. Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rate ruling at the reporting date and the resultant exchange differences are recognised in the Income Statement unless they form part of the net investment in which case they are recognised in the Statement of Comprehensive Income.

On consolidation the results of overseas subsidiaries are translated into Sterling, the reporting currency, at the average exchange rate for the period and all their assets and liabilities are translated into Sterling at the exchange rate ruling at the reporting date.

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

On consolidation exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated in a separate reserve in equity. On disposal of a foreign operation these accumulated gains or losses are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

2. Significant accounting policies continued

Financial instruments

The Group initially records all financial assets at fair value. The Group subsequently holds each financial asset at fair value ('fair value through profit or loss' (FVTPL) or 'fair value through other comprehensive income' (FVOCI)) or at amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants. Amortised cost is the amount determined based on moving the initial amount recognised for the financial instrument to the maturity value on a systematic basis using a fixed interest rate (effective interest rate), taking account of repayment dates and initial premiums or discounts.

Trade receivables

Trade receivables are measured at initial recognition at fair value. Subsequently, they are measured at amortised cost. The carrying value of amortised cost financial assets is adjusted for impairment under the expected loss model (see Note 24).

Investments

Investments in the Group's managed funds have been designated as Fair value through Other Comprehensive Income on adoption of IFRS 9. They are initially recognised at fair value with any changes to the fair value recognised in other comprehensive income and accumulated in a separate reserve in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, term deposits and other short-term, liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities, except for borrowing costs incurred in respect of development and trading property, which are included in acquisition costs of the asset.

Bank borrowing

Interest bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. Interest charges are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise. Borrowing costs incurred in respect of the purchase of trading properties are capitalised together with other acquisition costs of the property and are amortised over the period of the loan.

Trade payables

Trade payables are initially measured at fair value.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds which are received, net of direct issue costs.

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. This method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities are included in the Consolidated Balance Sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Goodwill

Goodwill is stated at cost less, where appropriate, impairment in value. Under IAS 36 (para10b), annual impairment tests are mandatory for goodwill and, as such, have been carried out. Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the net assets acquired.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to exercise judgement in applying the Group's accounting policies. The areas where the Group considers the judgements to be most significant involve assumptions or estimates in respect of future events, where actual results may differ from these estimates.

Judgements

- › Revenue for performance related fees under long-term agreements is recognised when the relevant service has been provided and there is a low probability that a significant reversal will occur. The Group applies judgement to determine the expected future performance of funds managed under these agreements, and the likelihood of meeting the performance criteria at the date the agreement crystallises (Note 2);
- › The determination of control and significant influence over the Group's investments are dependent on judgements, including
 - the timing of the re-classification of the Group's investment in Fprop Opportunity plc from subsidiary to associate following loss of control; and
 - the Group's assessment that it did not maintain control over its investment in Eximius Park (formerly Krakow Business Park, KBP, prior to their sale to Fprop Phoenix Ltd, an associate company of the Group (Notes 14 and 22).

Estimates

- › Valuation of the investment property and trading property requires the Group to assess their useful lives and residual values. In addition, the Group's investment properties are reviewed for indications of impairment. Where impairment assessments are performed estimates are made over the rental value and equivalent yield in assessing the value in use (Note 17);
- › The Group's investments in its own funds are held at fair value, based on the net asset values of the funds. The Group's managed funds are invested in commercial properties which are valued by external experts, and are classified as Level 3 within the Group's fair value hierarchy (Note 22); and
- › The calculation of the Group's deferred tax balances requires a degree of estimation around the timing and amount of future taxable profits, in respect of which the Group does not recognise deferred tax assets (Note 27).

4. Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Directors and for which discrete financial information is available.

The Property Fund Management segment is organised into separate funds operating across all the Group's chosen geographic areas. It enjoys recurring income from managing commercial property on behalf of its various fund investors in the form of asset management fees and performance related fees when earned. It includes such fees from associates, but not Group Properties whose fees therefrom are eliminated at the Group level. A table of funds managed is listed in this report in the Review of operations section of the Chief Executive's Statement on page 2.

The Group Properties segment comprises the revenues and profits from the Group's trading in its own properties. Rental and service charge income from the properties owned by the Group is included in this segment. The profits and losses of trading in these properties can be volatile and, depending on the frequency and size of sale and by its nature, unpredictable. At the year end this division owned eight properties, held within investment properties under non-current assets and one property, held at cost in inventories under current assets. This segment also includes the results from the Group's investments treated as an associate together with the investment income received from its other investments with the exception of Fprop Opportunities plc (FOP) whose share of profits as an associate is shown in the FOP segment.

FOP was established as a separate fund in October 2010. After a second round of fundraising in April 2013, the Group's interest was 76.2% (reduced from 84.1%) but was still considered to be a controlling one which required that FOP continued to be consolidated into the Group accounts. Management concluded that it did and does not suit the criteria for existing segments and that for the purposes of transparency and clarity it should be reported as a separate segment called Group fund properties (FOP).

In 2016/17, the Directors decided to sell down its interest in FOP, with the intention of reducing its stake to that of a Non-controlling interest. At the current year end the Group's interest was 40.0% (2018: 51.5%) and as indicated in last year's Annual Report has been deconsolidated from the Group's Financial statements as from 12 October 2018 and treated as an associate because, in the judgement of the Directors, the Group can no longer demonstrate a controlling interest. For these accounts FOP continues to be reported under a separate segment so that its full contribution to the Group's profit before tax can be clearly identified.

Direct costs incurred by First Property Group plc relating to the cost of the Board and the related share listing costs are shown separately under unallocated central overheads. All other overheads are allocated on a percentage basis across the three other segments.

Interest income is allocated to a separate segment where there is a Non-controlling interest. All other surplus cash is managed centrally and all bank interest receivable is disclosed within the unallocated central overheads segment.

All assets and liabilities that relate to Group central activities have not been allocated to business segments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

4. Segmental reporting continued

Segment reporting 2019

	Fund Management Division	Group Properties Division			
	Property fund management £'000	Group properties and other co-investments £'000	Group fund properties 'FOP' £'000	Unallocated central overheads £'000	Total £'000
Rental income	–	9,658	3,272	–	12,930
Service charge income	–	1,748	798	–	2,546
Asset Management fees	3,420	–	–	–	3,420
Performance related fee income	1,541	–	–	–	1,541
Total revenue	4,961	11,406	4,070	–	20,437
Depreciation and amortisation	(37)	(1,991)	(200)	–	(2,228)
Operating profit	3,031	2,048	6,136	(2,714)	8,501
Share of results in associates	–	1,687	(87)	–	1,600
Investment income	–	273	–	–	273
Interest income	–	78	31	5	114
Interest payable	–	(1,387)	(793)	–	(2,180)
Profit/(loss) before tax	3,031	2,699	5,287	(2,709)	8,308
Analysed as:					
Underlying profit/(loss) before tax before adjusting for the following items:	1,981	7,467	2,058	(1,012)	10,494
Write down, impairment (losses)/reversals	–	(3,043)	32	–	(3,011)
Group's share of revaluation losses on associates	–	–	(764)	–	(764)
Profit on the sale of FOP shares	–	64	–	–	64
Gain on loss of control of subsidiary (Note 15)	–	606	4,221	–	4,827
Depreciation on investment property	–	(1,740)	–	–	(1,740)
Performance related fee income	1,541	–	–	–	1,541
Staff incentives	(476)	(190)	(212)	(1,669)	(2,547)
Realised foreign currency (losses)/gains	(15)	(465)	(48)	(28)	(556)
Total	3,031	2,699	5,287	(2,709)	8,308
Assets – Group	1,630	98,118	–	5,942	105,690
Share of net assets of associates	–	17,362	–	(308)	17,054
Liabilities	(398)	(74,254)	–	(1,806)	(76,458)
Net assets	1,232	41,226	–	3,828	46,286
Additions to non-current assets					
Property, plant and equipment	–	35	–	–	35
Investment properties	–	1,116	415	–	1,531
Trading stock	–	11	–	–	11
Interest in associates	–	13,172	–	–	13,172

Segment Reporting 2018

	Fund Management Division	Group Properties Division			
	Property fund management £'000	Group properties and other co-investments £'000	Group fund properties 'FOP' £'000	Unallocated central overheads £'000	Total £'000
Rental income	–	12,132	6,177	–	18,309
Service charge income	–	2,498	1,733	–	4,231
Asset Management fees	2,731	–	–	–	2,731
Performance related fee income	189	–	–	–	189
Total revenue	2,920	14,630	7,910	–	25,460
Depreciation and amortisation	(40)	(1,983)	(249)	–	(2,272)
Operating profit	1,004	9,404	3,749	(2,956)	11,201
Share of results in associates	–	950	–	–	950
Investment income	–	63	–	–	63
Interest income	–	53	20	9	82
Interest payable	–	(1,455)	(1,608)	–	(3,063)
Profit/(loss) before tax	1,004	9,015	2,161	(2,947)	9,233

Analysed as:

Underlying profit/(loss) before tax before adjusting for the following items:

	1,329	9,975	2,843	(941)	13,206
Impairment losses	–	(193)	(183)	–	(376)
Profit on the sale of FOP shares	–	1,112	–	–	1,112
FPG's share in associate's profit on the sale of investment property	–	397	–	–	397
Depreciation	–	(1,739)	–	–	(1,739)
Performance related fee income	189	–	–	–	189
Staff incentives	(538)	(214)	(213)	(1,915)	(2,880)
Realised foreign currency (losses)/gains	24	(323)	(286)	(91)	(676)
Total	1,004	9,015	2,161	(2,947)	9,233

Assets – Group	1,362	100,072	68,147	9,774	179,355
Share of net assets of associates	–	5,033	–	(308)	4,725
Liabilities	(204)	(75,337)	(53,562)	(2,055)	(131,158)
Net assets	1,158	29,768	14,585	7,411	52,922

Additions to non-current assets

Property, plant and equipment	19	–	–	–	19
Investment properties	–	371	2,004	–	2,375
Trading stock	–	107	–	–	107
Interest in associates	–	122	–	–	122

	Revenue		Non-current assets	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Geographic analysis				
UK	2,153	2,056	20,614	8,376
Poland	16,783	22,234	63,347	128,949
Romania	1,501	1,170	5,350	5,929
	20,437	25,460	89,311	143,254

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

5. Interest income/(expense)

	2019 Group £'000	2018 Group £'000
Interest income – bank deposits	18	28
Interest income – other	96	54
Total interest income	114	82

	2019 Group £'000	2018 Group £'000
Interest expense – property loans	(1,571)	(2,078)
Interest expense – bank and other	(49)	(142)
Finance charges on finance leases	(560)	(843)
Total interest expense	(2,180)	(3,063)

6. Employee information

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

	2019 Number	2018 Number
Management	13	10
Property operations	10	17
Technical operations	32	22
	55	49

An analysis of staff costs is set out below:

	2019 £'000	2018 £'000
Wages and salaries	5,095	5,317
Social security costs	639	566
Defined contribution pension costs	25	25
Share-based payments	12	12
	5,771	5,920

The Company employs two Directors and two Non-Executive Directors only. Analysis of these costs can be found in Note 7.

7. Directors' remuneration and emoluments

The remuneration of the Directors was as follows:

	2019 £'000	2018 £'000
Basic pay	574	561
Pension	11	16
Fees	60	60
Benefits	22	20
Annual bonus	1,466	1,662
	2,133	2,319

	Salary and benefits £'000	Annual bonus £'000	Fees £'000	2019 £'000	2018 £'000
A J D Locke	–	–	30	30	30
P Moon	–	–	30	30	30
B N Habib	374	1,222	–	1,596	1,750
G R W Digby	233	244	–	477	509
	607	1,466	60	2,133	2,319

The Group remunerates and incentivises its executives via a mixture of salary and discretionary bonuses. The latter is decided by the Remuneration Committee based on the level of profits earned by the Group (excluding non controlling interests) in the year under consideration.

There are no retirement benefits accruing to Directors (2018: £nil) under money purchase pension schemes run by the Company.

8. Profit on ordinary activities before taxation

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment	40	68
– Depreciation on investment properties	2,111	2,204
– Net foreign exchange losses	556	676
– Staff costs (see Note 6)	5,746	5,895
– Operating lease rentals	94	94
– Rental income from investment properties	10,615	15,914
– Direct operating expenses arising from investment property that generated rental income during the period	3,595	5,086
– Direct operating expenses arising from investment property that did not generate rental income	6,742	4,049
– Cost of inventories	11	107

9. Audit fees

	2019 Group auditor £'000	2019 Other auditors £'000	2018 Group auditor £'000	2018 Other auditors £'000
Audit fees				
– Audit of parent company and consolidated financial statements	44	–	48	–
– Audit of subsidiary undertakings	23	44	52	57
Non-audit fees				
– Other services	10	34	13	22
	77	78	113	79

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

10. Tax expense

	2019 £'000	2018 £'000
Analysis of tax charge for the year		
Current tax		
Current period profits	(1,149)	(1,383)
Prior period adjustments	(135)	–
Changes in tax rates	–	–
Total current tax	(1,284)	(1,383)
Deferred tax (see Note 27)	(659)	(90)
Total tax charge for the year	(1,943)	(1,473)

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

As in prior years, brought forward and current UK tax losses have not been recognised as a deferred tax asset due to insufficient foreseeable taxable profits being earned in the UK.

Factors affecting the tax charge for the period

The effective rate of tax applicable to the profit in the period is lower than the standard rate of corporation tax. The differences are explained as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	8,308	9,233
Profit on ordinary activities multiplied by the standard rate of 19% (2018: 19%)	1,579	1,754
Effects of:		
– Expenses not deductible for tax purposes	2	1
– Depreciation in excess of capital allowances on plant and equipment	2	3
– Prior year adjustments	135	–
– Movement on deferred tax unprovided	1	(27)
– Effect of overseas mainstream tax rates	(69)	(13)
– Other adjustments (including overseas tax allowable depreciation on property)	(366)	(335)
Total tax charge for the period	1,284	1,383

Unrecognised deferred tax

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	3	–	(4)	–
Tax losses carried forward	1,206	1,206	1,206	1,206
Unrecognised deferred tax asset	1,209	1,206	1,202	1,206

The Directors have concluded that there is insufficient evidence to support the recoverability of this asset from future taxable profits and therefore have not recognised this asset in the Balance Sheet. UK deferred tax has been calculated at a rate of 19.0% for 2019 and 2018.

11. Parent company result for the year

As permitted by s. 408 of the Companies Act 2006, the Company's Income Statement has not been included in these financial statements. The Company's profit for the year was £11.98 million (2018: £5.91 million).

12. Dividend on Ordinary Shares

	2019 £'000	2018 £'000
Interim dividend paid during the year 2019: 0.44 pence (2018: 0.42 pence)	489	487
Final dividend paid for the year ended 31 March 2018: 1.18 pence per share (2017: 1.15 pence per share)	1,313	1,334
	1,802	1,821

The total dividend for the current year ended 31 March 2019 of 1.66 pence (2018: 1.60 pence) will be subject to shareholder approval at the Annual General Meeting to be held on 9 September 2019.

13. Business acquisitions

These entities were consolidated into the accounts of the Group with effect 1 August 2018, following the Group acquiring full ownership of Regional Property Trading Ltd and 77% of E and S Estates Ltd. The net assets of the companies acquired were as follows:

	E and S Estates Ltd £'000	Regional Property Trading Ltd £'000	E and S Estates Poland Sp. z o. o. £'000	Total £'000
Acquisitions of net assets acquired at Fair Value				
Cash	67	54	300	421
Trade receivables	–	–	31	31
Bad debt provision	–	–	(17)	(17)
Other debtors	–	–	95	95
Deferred tax asset	–	–	59	59
Share in subsidiary	4	4	–	8
Investment property	–	–	5,406	5,406
Intercompany loans	142	134	(276)	–
Dividend payable/receivable	684	684	(1,368)	–
Trade and other payables	(3)	(4)	(195)	(202)
Tax liabilities	(1)	–	(499)	(500)
Financial liabilities	–	(2)	(4,485)	(4,487)
Goodwill on acquisition	18	9	–	27
Total net assets acquired before non controlling interests	911	879	(949)	841
Non-controlling interest share of net assets	(95)	–	–	(95)
Total net assets acquired	816	879	(949)	746
Note(i)				
Cash paid on buyout of investors (current year)	(226)	(301)	–	(527)
Less: cash acquired	67	54	300	421
Net cash paid	(159)	(247)	300	(106)
Note(ii)				
Cash paid on original purchase (prior years)	122	48	7	177
Share of Post Acquisition Profits to 31 July 2018 (since original purchase)	29	206	–	235
Less: impairment to 31 July 2018	(40)	(153)	–	(193)
	111	101	7	219
Cash paid on buyout of investors (current year)	226	301	–	527
Total consideration	337	402	7	746

The goodwill on acquisition of £27,000 which has arisen as a result of a premium being paid for the shares has been impaired and written off in the Income Statement given the uncertainty over future lettings at two of the four properties.

The acquired businesses contributed revenues of £190,000 and a net loss of £104,000 to the Group for the period 1 August 2018 to 31 March 2019. If the acquisition had occurred on 1 April 2018 consolidated pro forma revenue and loss for the year ended 31 March 2019 would have been £238,000 and £138,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

14. Disposal of subsidiary

On 5 June 2018 First Property Group plc sold its 100% ownership of Scaup Sp. z o. o. to Fprop Phoenix Ltd for consideration of £18,858. Fprop Phoenix Ltd is an associate of the Group.

	Net Assets £'000
Disposal of net assets	
Financial Assets – Shares in KBP entities	900
Cash	16
Trade Receivables	9
VAT	31
Prepayments	214
Other Debtors	39,496
Deferred Tax Asset	39
Intercompany Loans	(986)
Trade Payables	(243)
Other Payables	(39,445)
Other Tax Liabilities	(7)
Total net assets disposed	24
Sale proceeds	19
Loss on disposal of subsidiary	(5)

15. Disposal of subsidiaries (following change of status from subsidiary to associate)

With effect from 12 October 2018, and following disposals of its shareholding in Fprop Opportunities plc (FOP), a fund which it manages and which is fully invested in five commercial properties in Poland the Group's share in FOP reduced to 44.3%. The Directors judged that, in their opinion and after considering all the relevant facts and circumstances, the Group could no longer exercise control over FOP and therefore required that FOP be deconsolidated from the Group's accounts. The Group is now accounting for its remaining investment in FOP and its share of its profits as an associate undertaking. The Group has continued to sell down its shareholding in FOP and as at 31 March 2019 owned 40.0%.

Summary of Net Assets disposed of following the deconsolidation of FOP from the Group accounts:

	Fprop Opportunities plc £'000	Fprop Opportunity Lublin Ltd £'000	Lublin Zana Sp. z o. o. £'000	Fprop Opportunity Ostrowiec Ltd £'000	Galeria Ostrowiec Sp. z o. o. £'000	Fprop Ostrowiec Sp. z o. o. £'000
Investment property (at cost)	–	–	10,832	–	23,210	–
Trade and other debtors	–	–	43	–	308	–
Deferred tax asset	–	–	1	–	577	–
Bank	291	–	613	16	568	1
Total current assets	291	–	11,489	16	24,663	1
Trade and other payables	(2)	(53)	(354)	(4)	(156)	–
Bank loans and finance leases	–	–	(8,493)	–	(19,019)	–
Shareholder loans	(2,829)	–	–	–	–	–
Deferred tax liability	–	–	(1)	(165)	(708)	–
Provision	(1)	–	–	–	(28)	–
Total current liabilities	(2,832)	(53)	(8,848)	(169)	(19,911)	–
Total net assets	(2,541)	(53)	2,641	(153)	4,752	1

	Fprop Zinga Ltd £'000	Zinga Fprop Poland Sp. z o. o. £'000	Zinga Fprop Sp. z o. o. £'000	Zinga Poland Sp. z o. o. £'000	Fprop Opportunity Lodz Ltd £'000	Fprop Lodz Sp. z o. o. £'000
Investment property (at cost)	–	9,856	–	–	–	15,631
Trade and other debtors	–	269	–	–	–	158
Deferred tax asset	–	274	81	–	–	269
Bank	27	161	3	–	4	129
Total current assets	27	10,560	84	–	4	16,187
Trade and other payables	(5)	(214)	–	–	(14)	(84)
Bank loans and finance leases	–	(6,947)	–	–	–	(11,426)
Shareholder loans	–	–	–	–	–	–
Deferred tax liability	(21)	–	(166)	–	(9)	(338)
Provision	–	(1)	–	–	–	–
Total current liabilities	(26)	(7,162)	(166)	–	(23)	(11,848)
Total net assets	1	3,398	(82)	–	(19)	4,339

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

15. Disposal of subsidiaries (following change of status from subsidiary to associate) continued

	Fprop Opportunities Lodz II Ltd £'000	Fprop Opportunity Krasnystaw Ltd £'000	Fprop Krasnystaw Sp. z o. o. £'000	Total £'000
Investment property (at cost)	–	–	4,378	63,907
Trade and other debtors	–	–	61	839
Deferred tax asset	–	–	107	1,309
Bank	–	6	211	2,030
Total current assets	–	6	4,757	68,085
Trade and other payables	(4)	(4)	(81)	(975)
Bank loans and finance leases	–	–	(3,234)	(49,119)
Shareholder loans	–	–	–	(2,829)
Deferred tax liability	–	(6)	(82)	(1,496)
Provision	–	–	(3)	(33)
Total current liabilities	(4)	(10)	(3,400)	(54,452)
Total net assets	(4)	(4)	1,357	13,633
Non-controlling interest disposed				(7,598)
Uplift to fair value				3,500
Accumulated foreign exchange profits				721
Gain following the loss of control recognised in the Income Statement				4,221
Fair value of Shares in FOP retained by the Group at 12 October 2018				10,256
Value of the Shareholder loan due from FOP retained by the Group				1,253
Cost of shares subsequently sold following deconsolidation				(982)
Shareholder loan subsequently sold following deconsolidation				(110)
Shareholder loan repayments received following deconsolidation				(310)
Share of post-tax profit to 31 March 2019 following deconsolidation				677
Group's share of the associate's revaluation losses				(764)
Cost of associate as at 31 March 2019 (see Note 22)				10,020
Gain on loss of control of subsidiary				
Sale proceeds				1,487
Fair value of shares retained				10,256
Less:				
Net assets of subsidiary		13,633		
NCl prior to loss of control		(6,717)		
				(6,916)
Gain on loss of control of subsidiary				4,827
Represented by:				
Profit on sale of shares				606
Uplift to fair value		3,500		
Accumulated foreign exchange profits		721		
				4,221
Gain on loss of control of subsidiary				4,827

16. Earnings/NAV per share

	2019	2018
Basic earnings per share	4.95p	5.82p
Diluted earnings per share	4.85p	5.70p

	£'000	£'000
Basic earnings	5,514	6,755
Diluted earnings assuming full dilution	5,522	6,763

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

	2019 Number	2018 Number
Weighted average number of Ordinary shares in issue (used for basic earnings per share calculation)	111,353,468	116,004,730
Number of share options	2,610,000	2,700,000
Total number of Ordinary shares used in the diluted earnings per share calculation	113,963,468	118,704,730

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

	2019 £'000	2018 £'000
Basic earnings per share		
Basic earnings	5,514	6,755
Diluted earnings per share		
Basic earnings	5,514	6,755
Notional interest on share options assumed to be exercised	8	8
Diluted earnings	5,522	6,763

	2019	2018
Net assets per share	41.46p	40.29p
Adjusted net assets per share	57.48p	53.07p

Adjusted net assets per share are calculated using the fair value of all investments.

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for the year ended 31 March 2019

16. Earnings/NAV per share continued

The following numbers have been used to calculate both the net assets and adjusted net assets per share:

	2019 £'000	2018 £'000
For net assets per share		
Net assets excluding Non-controlling interest	46,172	46,735
	2019 Number	2018 Number
Number of shares in issue at the year end	111,354,001	116,016,546
	2019 £'000	2018 £'000
For adjusted net assets per share		
Net assets excluding Non-controlling interests	46,172	46,735
Investment properties at fair value net of deferred tax	4,664	10,272
Inventories at fair value net of deferred tax	5,416	4,582
Investments in associates and other financial investments	8,875	1,013
Other items	381	396
Total	65,508	62,998
	2019 Number	2018 Number
Number of shares in issue at year end	111,354,001	116,016,546
Number of share options assumed to be exercised	2,610,000	2,700,000
Total	113,964,001	118,716,546

17. Investment properties

	2019 Group £'000	2018 Group £'000
Investment properties		
At 1 April	132,180	128,428
Capital expenditure	1,531	2,375
Disposals	(63,907)	–
Additions through acquisitions (see Note 13)	5,406	–
Depreciation	(2,111)	(2,204)
Impairment loss to an investment property	(2,984)	(183)
Foreign exchange translation	(2,767)	3,764
At 31 March	67,348	132,180

Investment properties owned by the Group, are stated at cost less depreciation and accumulated impairment losses. The properties were valued at the Group's financial year end at €84.84 million (2018: €171.20 million), the Sterling equivalent at closing foreign exchange rates being £73.18 million (2018: £150.10 million). The Group considers all of its investment properties to fall within Level 3 as defined by IFRS 13.

The gross cost of investment properties is £78.35 million (2018: £139.42 million) which is before cumulative depreciation of £7.99 million (2018: £6.42 million) and cumulative impairment write downs of £3.02 million (2018: £816,000).

On acquisition of the Gdynia property the Directors took the decision to depreciate the property over the lease term which expires in 2020. In the Directors' opinion the property's estimated residual value at the end of the period of ownership will be lower than the carrying value. In the year ended 31 March 2019 the Directors resolved to make an additional write down to the property of €3.50 million to reflect the expected local market conditions as the termination of the current lease nears. The current recoverable amount of the property is €30.81 million which reflects its value in use. Its residual value has been calculated based on the expected net operating income when the current lease expires applying a gross yield of 8.33%. It is expected that the original rate of depreciation will continue until October 2020 when the lease expires. No other property has been depreciated as the estimated residual value is expected to be higher than the carrying value.

The property additions represent the four properties held by E and S Estates Poland Sp. z o.o. the Polish entity owned jointly by Regional Property Trading Ltd and E and S Estates Ltd, both of which were acquired through a step-acquisition on 1 August 2018.

The property disposals represent the deconsolidation of FOP from the Group which took effect on 12 October 2018. FOP, which consisted of five commercial properties in Poland is now treated as an associate.

The net carrying value of the only investment property (2018: three investment properties) that is held under a finance lease is £25.55 million (2018: £56.93 million).

18. Leases

	2019 Group £'000	2018 Group £'000
Minimum lease receipts under non-cancellable operating leases to be received:		
Not later than one year	10,748	15,757
Later than one year and not later than five years	18,659	32,134
Later than five years	3,010	9,461
	32,417	57,352

Investment properties are comprised of a number of commercial properties that are leased to third parties. The Group has approximately 80 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise but typically are let for a term of five years. The weighted average lease length of the leases granted was 2 yrs and 9 mths (2018: 3 yrs and 9 mths). No contingent rents are charged.

19. Goodwill

	2019 Group £'000	2018 Group £'000
At 1 April	153	153
Additions (Note 13)	27	–
Disposals	–	–
Impairment (Note 13)	(27)	–
At 31 March	153	153

The existing goodwill arose on the acquisition of Corp Sp. z o. o., the management company of Blue Tower in 2009. The amount represents the excess paid above the percentage share relating to the fair value of the net assets.

The Directors have carried out an annual impairment test by reviewing the cash generating unit in Corp Sp. z o. o. and concluded that no impairment write down is necessary because the estimated recoverable amount was higher than the value stated. The estimated recoverable amount was determined using the "value in use" basis. The "value in use" basis was calculated by applying a price earnings multiple of four to the average of the past three years earnings and next year's forecast earnings, which is based on information consistent with external sources.

20. Property, plant and equipment

	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Group 2019					
Cost					
At 1 April 2018	195	68	25	37	325
Foreign currency translation	(6)	(3)	(1)	–	(10)
Additions	34	2	–	–	36
Disposals/transfers	(4)	–	–	–	(4)
At 31 March 2019	219	67	24	37	347
Depreciation					
At 1 April 2018	163	41	25	30	259
Foreign currency translation	(3)	(2)	(1)	–	(6)
Charge for year	22	13	–	5	40
Disposals/transfers	(4)	–	–	–	(4)
At 31 March 2019	178	52	24	35	289
Net book value at 31 March 2019	41	15	–	2	58

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for the year ended 31 March 2019

20. Property, plant and equipment continued

	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Group 2018					
Cost					
At 1 April 2017	176	63	24	37	300
Foreign currency translation	2	1	1	–	4
Additions	10	9	–	–	19
Disposals/transfers	7	(5)	–	–	2
At 31 March 2018	195	68	25	37	325
Depreciation					
At 1 April 2017	139	36	24	4	203
Foreign currency translation	2	1	1	–	4
Charge for year	22	11	–	35	68
Disposals/transfers	–	(7)	–	(9)	(16)
At 31 March 2018	163	41	25	30	259
Net book value at 31 March 2018	32	27	–	7	66

The Company had no property, plant or equipment (2018: £nil). The Group holds no property plant and equipment under a finance lease.

21. Investment in Group undertakings

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Investment in consolidated subsidiaries				
Shares at cost	–	3,213	–	3,077
At 31 March	–	3,213	–	3,077

The movement represents the Company's change in its percentage ownership in;

- ▶ Fprop Opportunities plc following the sale of some its shares, reducing its investment from 51.5% to 40.0%;
- ▶ Scaup Sp. z o. o. following the sale of all of its shares on 5 June 2018 reducing its investment from 100.0% to nil%;
- ▶ E and S Estates Ltd and E and S Estates Poland Sp. z o. o. following the acquisition of some 50% of its shares increasing its shareholding to 77.0% with effect from 1 August 2018; and
- ▶ Regional Property Trading Ltd following the acquisition of full ownership with effect from 1 August 2018, increasing its investment to 100.0%.

The holding costs of these investments have been subjected to an impairment review carried out by the Directors.

22. Investments in associates and other financial investments

The Group has the following investments:

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Associates				
At 1 April	4,725	2,756	4,347	3,274
Additions	13,172	13,172	122	122
Disposals	(1,304)	(1,256)	–	–
Repayment of shareholder loan	(549)	(549)	(633)	(633)
Share of associates profit after tax	2,364	–	1,143	–
Impairment	(764)	(87)	(193)	(7)
Dividends received	(590)	–	(61)	–
At 31 March	17,054	14,036	4,725	2,756

The Group's investments in associated companies are held at cost plus its share of post-acquisition profits less dividends received, adopting the cost model for accounting for investment properties under IAS 40 and comprises the following:

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in associates				
5th Property Trading Ltd	1,288	258	1,029	53
Regional Property Trading Ltd	**	**	105	48
E and S Estates Ltd	**	**	116	116
Fprop Romanian Supermarkets Ltd	150	7	624	7
Fprop Galeria Corso Ltd	2,089	1,281	1,920	1,413
Fprop Krakow Ltd	1,308	1,031	1,239	1,119
Fprop Cluj Ltd	458	441	***	***
Fprop Phoenix Ltd****	2,049	998	***	***
Fprop Opportunities plc	10,020	10,020	*	*
	17,362	14,036	5,033	2,756
Less: Share of profit after tax withheld on sale of property to 5th Property Trading Ltd in 2007 (an associated company)	(308)	–	(308)	–
	17,054	14,036	4,725	2,756

* Fprop Opportunities plc, a fund which is invested in five commercial properties in Poland was deconsolidated from the main Group on 12 October 2018 and is now accounted for as an associate.

** With effect from 1 August 2018 Regional Property Trading Limited and E and S Estates Limited were consolidated into the Group.

*** New funds established during the year.

**** Fprop Phoenix Ltd's reporting date of 31 December differs to that of the Group. For the purposes of the Group's reporting the Group has included Fprop Phoenix Ltd's results for the period to 31 March 2019.

If the Group had adopted the alternative fair value model for accounting for investment properties, the carrying value of the investment in associates would have increased to £25.97 million (2018: £5.74 million).

The withheld profit figure of £308,000 represents the removal of the percentage of intercompany profit resulting from the sale of the property in 2007 to 5th Property Trading Limited, an associate. The figure will reduce when there is a reduction in First Property Group's stake in 5th Property Trading Limited.

Associates that are material to the Group

Fprop Opportunities plc is considered by the Group to be its only material associate. Fprop Opportunities plc is involved in the investment in commercial property located in the UK and Europe, principally Poland. Its principal place of business is 32 St James' Street, London, SW1A 1HD. The Group's ownership interest in the associate is 40.0% and the Group's investment in the associate is measured using the equity method. There were no dividends received in the period to 31 March 2019 and a financial summary of Fprop Opportunities plc in the year to 31 March 2019 is as follows;

	Year ended 31 March 2019		Year ended 31 March 2018	
	£'000		£'000	
Current assets	3,878		3,878	
Non-current assets	74,182		74,182	
Current liabilities	55,108		55,108	
Non-current liabilities	–		–	
Revenue	8,695		8,695	
Profit from continuing operations	3,093		3,093	

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Other financial investments				
At 1 April	4,517	3,617	897	897
Additions	468	468	3,623	2,723
Disposal	(900)	–	–	–
Repayments	(569)	(569)	–	–
Decrease in fair value during the year	23	23	(3)	(3)
At 31 March	3,539	3,539	4,517	3,617

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for the year ended 31 March 2019

22. Investments in associates and other financial investments continued

Associates that are material to the Group continued

The Group holds three unlisted investments in funds managed by it. All are held at fair value. All of the assets have been designated at fair value through OCI upon the adoption of IFRS 9. Fair value has been arrived at by applying the Group's percentage holding in the investments to the fair value of their net assets. The Group considers all of its financial investments to fall within Level 3 as defined by IFRS 13.

The three investments are in The UK Pension Property Portfolio LP, a fund established in February 2010, in which the Group has a 0.9% interest, Fprop UK Special Opportunities LP, a fund established in January 2017, in which the Group has a 4.0% interest and Fprop Offices LP, a fund established in July 2017, in which the Group has a 1.6% interest.

The disposal in June 2018 relates to the investment of £900,000 made in September 2017 of 100% of the share capital in 11 operating companies which own the majority of the properties situated in Eximius Park (formerly Krakow Business Park, KBP), Poland to Fprop Phoenix Ltd. At 31 March 2018 these operating companies were not consolidated into the Group because, in the opinion of the Directors, the Group did not exercise effective control over these companies.

On the same date as disposal, the Group secured third party investor commitment from a group of investors for some €33 million of new equity in Fprop Phoenix Ltd. The Group, which did not participate in this fundraising retains 23.4% of the issued share capital of Fprop Phoenix Ltd. The Group's share is now treated as an associate and, in keeping with its accounting policies, is held at cost plus its share of post-acquisition profits and losses less dividends received. The registered address of these entities is ul. Krakowska 280, 32-080 Zabierzów.

The principal investments of the Group at 31 March 2019 are as follows:

	Principal activities	% of Ordinary Shares held by	
		Company %	Subsidiary %
Group undertakings			
UK			
First Property Asset Management Limited	Property asset management	100	–
Fprop Corktree Limited	Property holding Company	100	–
FPGP Limited	Property holding Company	100	–
Regional Property Trading Limited	Property holding company	100	–
E and S Estates Limited	Property holding company	77	–
Fprop UK General Partner Limited	General partner of property fund	100	–
First Property General Partner (PDR) Limited	General partner of property fund	100	–
First Property Sterling General Partner Limited	General partner of property fund	100	–
Fprop Offices General Partner Limited	General partner of property fund	100	–
First Property General Partner Limited	General partner of property fund	51	–
SIPS Property Nominee Limited	Nominee	100	–
Poland			
First Property Poland Sp. z o. o.	Property investment and management	100	–
Ross Sp. z o. o.	Property investment and management	100	–
Corp Sp. z o. o.	Property services management	–	90
Ross 2 Sp. z o. o.	Property holding Company	100	–
Ross 3 Sp. z o. o.	Property holding Company	100	–
Corktree Sp. z o.o.	Property holding Company	–	100
Corktree Fprop Sp. z o. o.	Property holding Company	–	100
Gdynia Podolska Sp. z o.o.	Property holding Company	–	100
Fprop Krakow 2 Sp. z o. o.	Property holding Company	–	100
E and S Estates Poland Sp. z o. o.	Property holding Company	–	88
Romania			
First Property Asset Management Romania SRL	Property asset manager	90	10
Felix Development SRL	Property holding Company	100	–

	Principal activities	% of Ordinary Shares held by	
		Company %	Subsidiary %
Associates and other investments			
UK			
5th Property Trading Limited	Property fund	41	–
UK Pension Property Portfolio LP	Property fund	1	–
Fprop PDR LP	Property fund	5	–
Fprop Galeria Corso Limited	Property fund	28	–
Fprop Romanian Supermarkets Limited	Property fund	24	–
Fprop Krakow Limited	Property fund	18	–
Fprop UK Special Opportunities LP	Property fund	4	–
Fprop Offices LP	Property fund	2	–
Fprop Cluj Limited	Property fund	17	–
Fprop Phoenix Limited	Property fund	23	–
Fprop Opportunities plc	Property fund	40	–
Fprop Opportunity Lodz Limited	Property holding Company	–	40
Fprop Opportunity Krasnystaw Limited	Property holding Company	–	40
Fprop Opportunities Lodz II Limited	Property holding Company	–	40
Fprop Opportunity Lublin Limited	Property holding Company	–	40
Fprop Opportunity Ostrowiec Limited	Property holding Company	–	40
Fprop Zinga Limited	Property holding Company	–	40
Poland			
5th Property Poland Sp. z o. o.	Property holding company	–	41
Galeria Corso Sp. z o.o.	Property holding company	–	28
Fprop Krakow Sp. z o.o.	Property holding company	–	18
Scaup Sp. z o.o.	Property holding company	–	23
Fprop Lodz Sp. z o.o.	Property holding company	–	40
Fprop Krasnystaw Sp. z o.o.	Property holding company	–	40
Lublin Zana Sp. z o.o.	Property holding company	–	40
Galeria Ostrowiec Sp. z o.o.	Property holding company	–	40
Fprop Ostrowiec Sp. z o.o.	Property holding company	–	40
Zinga Fprop Sp. z o.o.	Property holding company	–	40
Zinga Poland Sp. z o.o.	Property holding company	–	40
Zinga Fprop Poland Sp. z o. o.	Property holding company	–	40
KBP – 2 Sp. z o. o.	Property holding company	–	23
KBP – 3 Sp. z o. o.	Property holding company	–	23
KBP – 4 Sp. z o. o.	Property holding company	–	23
KBP – 5 Sp. z o. o.	Property holding company	–	23
KBP – 6 Sp. z o. o.	Property holding company	–	23
KBP – 8 Sp. z o. o.	Property holding company	–	23
KBP – 9 Sp. z o. o.	Property holding company	–	23
KBP – 10 Sp. z o. o.	Property holding company	–	23
KBP – 11 Sp. z o. o.	Property holding company	–	23
KBP – TT Sp. z o. o.	Property holding company	–	23
Romania			
Fprop Rom Supermarkets SRL	Property holding company	–	24
Fprop CJ SRL	Property holding company	–	17

See page 56 for contributions from associate and other investments.

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for the year ended 31 March 2019

22. Investments in associates and other financial investments continued

	Principal activities	% of Ordinary Shares held by	
		Company %	Subsidiary %
Dormant nominee companies in which the Group has no beneficial interest			
First Property Sterling General Partner (Nominee 1) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 2) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 3) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 4) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 5) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 6) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 7) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 8) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 9) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 10) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 11) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 12) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 13) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 14) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 15) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 16) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 17) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 20) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 21) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 22) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 23) Limited	Nominee	–	100
First Property Sterling General Partner (Nominee 24) Limited	Nominee	–	100
Fprop UK GP (Nominee) 1 Limited	Nominee	–	100
Fprop UK GP (Nominee) 2 Limited	Nominee	–	100
Fprop UK GP (Nominee) 3 Limited	Nominee	–	100
Fprop UK GP (Nominee) 4 Limited	Nominee	–	100
Fprop UK GP (Nominee) 5 Limited	Nominee	–	100
Fprop UK GP (Nominee) 6 Limited	Nominee	–	100
Fprop UK GP (Nominee) 7 Limited	Nominee	–	100
Fprop Offices (Nominee) 1 Limited	Nominee	–	100
Fprop Offices (Nominee) 2 Limited	Nominee	–	100
Fprop Offices (Nominee) 3 Limited	Nominee	–	100
Fprop Offices (Nominee) 4 Limited	Nominee	–	100
Fprop Offices (Nominee) 5 Limited	Nominee	–	100
Fprop Offices (Nominee) 6 Limited	Nominee	–	100
Fprop Offices (Nominee) 7 Limited	Nominee	–	100
Fprop Offices (Nominee) 8 Limited	Nominee	–	100
Fprop Offices (Nominee) 9 Limited	Nominee	–	100
Synergy Sunrise (Scarles Yard) Limited	Property holding company	–	100

All UK companies are registered at 32 St James's Street, London, SW1A 1HD.

The registered address for Galeria Ostrowiec Sp. z o.o. and Fprop Ostrowiec Sp. z o.o. is ul. Adama Mickiewicza 30, 27-400 Ostrowiec Swietokrzyski. All other Polish companies are registered at 8 T. Chałubińskiego Street, Warsaw 00-613, Poland.

The Romanian companies are as follows:

First Property Asset Management Romania SRL – Bucuresti, sector 3, str. Burnitei, nr 24, Biroul 37, Etaj 1, Romania;

Felix Development SRL – Bucuresti, str. Salcamilor nr. 4, sector 2, Romania;

Fprop Rom Supermarkets SRL – Bucuresti, sector 3, str. Burnitei, nr 24, Biroul 102, Etaj 1 Romania;

Fprop CJ SRL – Centru logistic Tureni, Localitatea Tureni Strada Principala numarul 4i, parter, camera 3, fudetul Cluj, Romania.

23. Inventories – land and buildings

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Group properties for resale at cost				
At 1 April	15,586	–	15,115	–
Capital expenditure	11	–	232	–
Disposal/write off	(30)	–	–	–
Depreciation	(77)	–	(125)	–
Foreign exchange translation	(673)	–	364	–
At 31 March	14,817	–	15,586	–

The Group's total interest in Blue Tower (an office block in Warsaw) is 48.2% of the building. The fair value of this interest is £21.50 million (€24.95 million) up from £21.24 million (€24.23 million) in 2018 but is stated at cost as above.

24. Trade and other receivables

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Current assets				
Trade receivables	1,408	13	2,070	–
Less: provision for impairment of receivables	(297)	–	(640)	–
Trade receivables net	1,111	13	1,430	–
Other receivables	2,836	174	2,462	21
Prepayments and accrued income	1,971	11	1,262	44
	5,918	198	5,154	65

The estimated fair values of receivables are the amount of the estimated future cash flows expected to be received and approximate to their carrying amounts.

There is no significant concentration of credit risk with respect of trade receivables as the Group has a large number of tenants and the perceived overall credit quality is considered good.

The Group performs an expected credit loss assessment for all trade receivables to calculate a provision for expected credit loss, based on historical credit loss information, current conditions and forecasts of future economic conditions. The simplified approach is used in accordance with IFRS 9. A provision for uncollected receivables is recognised for amounts not expected to be recovered and all amounts over three months old. There are no unimpaired trade debts greater than three months old. Movements in the accumulated impairment losses on trade receivables were as follows:

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Accumulated impairments losses as at 1 April	(640)	–	(626)	–
Increase in provision	(510)	–	(347)	–
Provision used	10	–	179	–
Release of provision	827	–	173	–
Effect of translation on presentation currency	16	–	(19)	–
Accumulated impairment losses as at 31 March	(297)	–	(640)	–

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Non-current assets				
Other receivables	1,312	–	1,766	–
Amounts owed by subsidiaries and other undertakings	–	12,923	–	12,908

In 2019, other receivables include a balance of £1.31million (2018: £1.77 million) relating to the deferred consideration from the sale of an investment property located in Romania, which is receivable after one year. This has been discounted to reflect its net present value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

25. Trade and other payables

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Current liabilities				
Trade payables	2,798	16	3,405	12
Amounts due to subsidiary undertakings and associates	–	2,956	–	3,625
Other taxation and social security	855	–	946	–
Other payables and accruals	3,235	1,751	3,425	2,003
Deferred income	190	–	522	–
	7,078	4,723	8,298	5,640

Deferred income £190,000 (2018: £522,000) is in respect of rental and service charge income on Group properties invoiced in advance. The income is subsequently credited to the Consolidated Income Statement in the period to which it relates. All deferred income is deemed to be current.

26. Financial liabilities

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Current liabilities				
Loans repayable by subsidiary (FOP) to third party shareholders	–	–	1,464	–
Bank loan	3,780	–	3,411	–
Finance leases	2,549	–	3,444	–
	6,329	–	8,319	–
Non-current liabilities				
Bank loans	35,783	–	65,719	–
Finance leases	24,565	–	45,049	–
	60,348	–	110,768	–
Total obligations under bank loans and finance leases				
Repayable within one year	6,329	–	8,319	–
Repayable within one and five years	54,073	–	96,087	–
Repayable after five years	6,275	–	14,681	–
	66,677	–	119,087	–

Six bank loans and one finance lease all denominated in Euros totalling £66.68 million (2018: £117.62 million) included within financial liabilities are secured against investment properties owned by the Group and one property owned by the Group shown under inventories. The finance lease relates to the investment property in Gdynia. The bank loans and finance lease are otherwise non-recourse to the Group's assets.

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

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Finance lease liabilities:				
Less than one year	2,796	–	4,377	–
Between two and five years	24,781	–	32,925	–
Later than five years	–	–	14,012	–
Future finance charges on future finance lease payments	(463)	–	(2,821)	–
	27,114	–	48,493	–

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

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Less than one year	2,549	–	3,444	–
Between two and five years	24,565	–	40,177	–
Later than five years	–	–	4,872	–
	27,114	–	48,493	–

27. Deferred tax

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

	2019			2018		
	Group net assets £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
Accrued interest payable	(919)	120	(1,039)	(1,082)	551	(1,633)
Accrued income	(5)	–	(5)	(4)	–	(4)
Foreign currency loans	1,108	1,108	–	1,678	2,121	(443)
Investment properties and inventories	(146)	1,425	(1,571)	99	1,534	(1,435)
Other temporary differences	118	126	(8)	284	312	(28)
	156	2,779	(2,623)	975	4,518	(3,543)

Relevant Group companies are making taxable profits.

The movement in deferred tax assets and liabilities during the year:

	2019			2018		
	Group net assets £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
At 1 April	975	4,518	(3,543)	1,133	4,341	(3,208)
(Charge)/credit in the year	(659)	(1,670)	1,011	(90)	34	(124)
Foreign exchange translation	(160)	(69)	(91)	(68)	143	(211)
At 31 March	156	2,779	(2,623)	975	4,518	(3,543)

The Directors have exercised their judgement in assessing the amounts to recognise as deferred tax assets. Where there is doubt as to the future recoverability of the asset they have restricted the asset to the value of the deferred tax liability of the relevant entity based on the reasonable expectation of that entity making realisable taxable profits over the foreseeable future.

28. Called-up share capital

	2019 £'000	2018 £'000
Authorised		
240,000,000 (2018: 240,000,000) Ordinary Shares of 1 pence each	2,400	2,400
Issued and fully paid		
116,601,115 (2018: 116,601,115) Ordinary Shares of 1 pence each of issued share capital, of which 5,247,114 Ordinary Shares (2018: 584,569) are held in treasury	1,166	1,166

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

28. Called-up share capital continued

	Ordinary Shares number	Treasury Shares number	Share options number
1 April 2018	116,016,546	584,569	2,700,000
Purchase of shares into treasury	(4,775,000)	4,775,000	–
Exercise of share options	90,000	(90,000)	(90,000)
Issue of new shares	–	–	–
Issue of shares to Non-Executive Director	22,455	(22,455)	–
Lapse of share options	–	–	–
31 March 2019	111,354,001	5,247,114	2,610,000
	Ordinary Shares number	Treasury Shares number	Share options number
1 April 2017	115,992,699	608,416	2,700,000
Exercise of share options	–	–	–
Issue of new shares	–	–	–
Issue of shares to Non-Executive Director	23,847	(23,847)	–
Lapse of share options	–	–	–
31 March 2018	116,016,546	584,569	2,700,000

The Company had 2,610,000 options over Ordinary Shares outstanding at 31 March 2019 (2018: 2,700,000). Once these share options are exercised, the Ordinary Shares issued will rank pari passu with the existing Ordinary Shares. On 20 September 2018 the Directors resolved to extend the life of the Company's share option scheme by ten years to 2029.

Year of grant	Exercise price (p)	Exercise period	31 March 2019 Numbers	31 March 2018 Numbers
2008/09	11.50	Feb 2010 to Feb 2029	333,333	333,333
2008/09	11.50	Feb 2011 to Feb 2029	666,667	666,667
2009/10	16.50	Dec 2011 to Dec 2029	1,610,000	1,700,000

All outstanding options have fully vested and qualify to be exercisable. During the year 90,000 share options were exercised and none granted. The weighted average share price at the date of exercise of these shares was 52 pence. At the year end there are 110,000 share options that have been issued under the HMRC Enterprise Management Incentive Scheme with the remaining 2,500,000 share options issued under the Company's Unapproved Share Option Scheme. The weighted average contractual life of the share options is 124 months.

29. Contractual commitments

The Group has contractual commitments relating to the development of investment properties at 31 March 2019 amounting to £920,000 (2018: £1.6 million) which are expected to be expended over the next twelve months.

30. Financial commitments

At 31 March 2019 the Group had total commitments under non-cancellable operating leases payable as follows:

	Land and buildings 2019 £'000	Land and buildings 2018 £'000
Total amounts due		
– within a year	94	94
– between one and five years inclusive	23	117
	117	211

The liability relates to a five year operating lease terminating in 2020 for the office in London. The Group has one finance lease that is described in Note 31.

31. Financial instruments and risk management

The Group and Company's financial instruments comprise or have comprised cash and liquid resources, including trade receivables, trade payables and short-term deposits derived from its operations. The primary objective of these financial instruments is to finance the Group and Company's operations.

Objective, policies and strategies

As outlined on pages 18 and 19 the main areas of the Group and Company's exposure to economic and operational risk are interest rates, liquidity, capital management, foreign exchange and credit.

Interest rate risk

The Group and Company is exposed to interest rate risk on its short-term cash balances, deposits and also its bank borrowings.

The Group and Company regularly reviews market rates of interest to ensure that beneficial rates are secured on its cash and short-term deposits, so that maximum returns are being achieved.

The Group and Company's policy is to consider on a case by case basis whether or not to enter into interest rate swaps, options and forward rate agreements to manage interest rate exposures, in the event that long or short-term finance is in place. Interest rate fixes and caps are utilised to mitigate this risk on both bank loans and finance leases if they are not a requirement of the borrowing agreement at the outset of the agreement.

The Group's policy does not permit entering into speculative trading of financial instruments and this policy has continued to be applied throughout the year.

Liquidity risk

The liquidity risk is related to the repayment of financial liabilities. Long-term loans are incurred in the same currency used to value the property asset. Most loans are subject to loan-to-value and debt service cover ratio restrictions.

The Group and Company prepare monthly budgets, cash flow analyses and forecasts, which enable the Directors to assess the levels of borrowings, required in future periods. This detail is used to ensure that appropriate facilities are put in place to finance the future planned operations of the Group.

Budgets and projections will be used to assess any future potential investment and the Group/Company will consider the existing level of funds held on deposit as part of the process to assess the nature and extent of any future funding requirement.

Included within cash and cash equivalents is £540,000 deposited as a debt service reserve with the lending banks to secure their debt service cover ratio (DSCR) loan covenants on three bank loans. £1.03 million which is included within prepayments, is also deposited as a debt service reserve in respect of two other bank loans.

Capital management

The Group and Company monitors the capital structure by combining actions aimed at evaluating investment projects and disposal processes, management of financial expenses, risk monitoring, solvency control and verification of the key financial ratios. The main actions undertaken by the Company include: forecasting cash flows, monitoring the interest coverage ratio and debt service ratio, verification of the debt to security ratio and guaranteeing sufficient capital to fulfil the contracted obligations. The Group's capital is made up of share capital, retained earnings and other reserves.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

31. Financial instruments and risk management continued

Market risk

Currency risk

The Group and Company is exposed to currency risk through its overseas operations. Wherever possible, overseas investment is financed in the local currency so that exposure to currency markets is limited. The Group/Company regularly reviews the pertinent currency rates and calculates and reports the currency exposure on a monthly basis.

The tables below show the extent to which the Group has residual assets and liabilities in currencies other than Sterling at the Balance Sheet date. Foreign exchange differences on translation of these assets and liabilities are taken to the foreign exchange translation reserve in the Balance Sheet.

	Net foreign currency monetary assets/liabilities			
	Euro Poland & Romania £'000	Polish Zloty Poland £'000	Romanian Leu Romania £'000	Total £'000
2019				
Sterling Equivalent	(45,147)	95	582	(44,470)
2018				
Sterling Equivalent	(97,847)	416	27	(97,404)

All UK Group companies use Sterling as their functional currency, all Polish Group service companies use the Polish Zloty as their functional currency and the Romanian Group service company uses the Romanian Leu as its functional currency. Property owning companies in Poland and Romania use the Euro as their functional currency.

Sensitivity analysis

The following table illustrates the effect on the Income Statement and items that are recognised directly in equity that would result from possible movements in interest rates and foreign exchange rates before the effect of tax.

	2019 Income statement £'000	2018 Income statement £'000	2019 Equity £'000	2018 Equity £'000
Interest rate sensitivity analysis				
UK interest rate + 1%	62	109	62	109
EURO interest rate + 1%	(358)	(660)	(358)	(660)
RON interest rate + 1%	6	(19)	6	(19)
PLN interest rate + 1%	7	8	7	8
	(283)	(562)	(283)	(562)
Foreign currency sensitivity analysis				
EURO exchange rate +5%	58	416	498	1,899
RON exchange rate +5%	30	23	29	(77)
PLN exchange rate +5%	(46)	47	444	908
	42	486	971	2,730

The interest rate sensitivity analysis has been determined based on the exposure to interest rates for cash, bank loans and finance leases. The analysis is prepared assuming the amounts at the Balance Sheet date were outstanding for the whole year.

The foreign currency sensitivity analysis includes all foreign currency Balance Sheet items and adjusts their translation at the period end for a 5.0% change in foreign currency rates.

Credit risk

The Group and Company's principal financial assets are bank deposits, bank current account balances, and trade and other receivables which represent the Group and Company's maximum exposure to credit risk in relation to financial assets. It is the policy of the Group and Company to present the amount for trade and other receivables net of allowances for doubtful debts, estimated by the Group's management based on prior experience and making due allowance for the prevailing economic environment. See Note 24 for the Group's process for provisioning for trade receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group uses a number of banks thereby spreading this exposure over a number of counterparties.

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2019 and 31 March 2018 was as follows:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Non-interest bearing £'000	Total £'000
Other receivables due after 1 year	–	–	–	–
Cash	3,622	–	–	3,622
Short-term deposits	–	5,576	540	6,116
At 31 March 2019	3,622	5,576	540	9,738
Other receivables due after 1 year	–	–	–	–
Cash	5,330	–	–	5,330
Short-term deposits	–	9,985	–	9,985
At 31 March 2018	5,330	9,985	–	15,315

The fair value of the financial assets is considered to be their book value.

Floating rate financial assets earn interest at floating rates based on LIBOR.

Fixed rate short-term deposits at 31 March 2019 were £5.58 million (31 March 2018: £9.99 million).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2019 and 31 March 2018 was as follows:

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Non-interest bearing £'000	Total £'000
Bank loans	10,855	28,708	–	39,563
Finance lease obligations	27,114	–	–	27,114
Other financial liabilities	–	–	–	–
At 31 March 2019	37,969	28,708	–	66,677
Bank loans	23,070	46,060	–	69,130
Finance lease obligations	36,922	11,571	–	48,493
Other financial liabilities	–	–	1,464	1,464
At 31 March 2018	59,992	57,631	1,464	119,087

The Group's debt maturity other than short-term trade creditors and accruals at 31 March 2019 and 31 March 2018 was as follows:

	Bank loans £'000	Finance lease £'000	Other financial liabilities £'000	Total £'000
In one year or less	3,780	2,549	–	6,329
Between one and five years	29,508	24,565	–	54,073
Over five years	6,275	–	–	6,275
Total at 31 March 2019	39,563	27,114	–	66,677
In one year or less	3,411	3,444	1,464	8,319
Between one and five years	55,910	40,177	–	96,087
Over five years	9,809	4,872	–	14,681
Total at 31 March 2018	69,130	48,493	1,464	119,087

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

31. Financial instruments and risk management continued

Six bank loans and one finance lease all denominated in Euros totalling £66.68 million (2018: £117.62 million) are included within financial liabilities and are secured against investment properties owned by the Group and the property owned by the Group shown under inventories. These bank loans and the finance lease are otherwise non-recourse to the Group's assets.

In respect of its loan of €27.38 million outstanding as at 31 March 2019, Corktree Fprop Sp. z o.o. deposited with its lending bank an amount of €735,000 on 20 February 2019, representing an increase in its debt reserve to €1.13 million in order to remedy a default on its DSCR covenant following the vacancy created by a major lease expiry.

In the period to 31 March 2019 there were no other defaults in respect of any of the Group's other borrowings.

Bank Loans

£'000	Matures	Denominated		Capital repayments	Interest repayments	Secured
894	2019	Euro	Non -recourse	€5,300 per month	Annualised rate of one month EURIBOR plus an all in margin of 2.40%	Office building in central business district of Warsaw
23,702	2023	Euro	Non -recourse	€500,000 per quarter	Payable quarterly fixed at 2.323%	Chałubińskiego 8 (formally known as Oxford Tower)
4,213	2023	Euro	Non -recourse	€17,250 per month	Annualised rate of one month EURIBOR plus an all in margin of 2.40%	Four retail properties in Poland, of which, three are in Warsaw and one in Lodz
1,923	2024	Euro	Non -recourse	€84,000 per quarter	Annualised rate of three month EURIBOR plus an all in margin of 3.75%	Two Romanian properties located in Bucharest and Tureni
6,764	2025	Euro	Non -recourse	€30,200 per month	50% of the loan fixed at 0.58% and other 50% floating at margin 2.4% plus six month EURIBOR	28% share of Blue Tower office building
2,067	2033	Euro	Non -recourse	€14,000 per month	50% of the loan 2.60% over three month EURIBOR and other 50% of the loan 2.79% over three month EURIBOR	20% share of Blue Tower office building
39,563						

Finance leases

£'000	Matures	Denominated		Capital repayments	Interest repayments	Secured
27,114	2021	Euro	Non -recourse	€240,000 per month	Payable monthly on a floating rate based on an annualised rate of one month EURIBOR plus a margin of 1.30%	Office building in Gdynia
66,677						

Borrowing facilities

At 31 March 2019 the Group had £nil committed borrowing facilities available (31 March 2018: £nil undrawn).

32. Related party transactions

First Property Group plc is the Parent Company of the Group and the ultimate controlling party. The Parent Company incurs the costs of the Board of Directors and other unallocated central costs and also provides finance for funding to member companies of the Group on an unsecured basis. No provision has been charged to income for outstanding balances between the Parent Company, its subsidiaries and its associates; and no guarantees given.

During the year, Group companies entered into the following transactions with the Parent Company, its subsidiaries and its associates.

	2019 £'000	2018 £'000
Related party transactions for the Group		
Property management fees to associates	1,795	682
Amounts owed by associates at year end	161	82
Related party transactions for the Company	£'000	£'000
Management charge to subsidiaries	360	200
Management charge paid to subsidiaries	–	–
Profit share charged to subsidiaries	–	–
Dividends received from subsidiaries during the year	2,505	5,321
Net funding transactions with subsidiaries & associates	(1,566)	(4,728)
Shareholder loan interest receivable from subsidiaries during the year	179	183
Shareholder loan interest payable to subsidiaries during the year	–	–
Amounts owed by subsidiaries at year end	12,923	12,908
Amounts owed to subsidiaries at year end	2,956	3,625
Amounts owed by associates at year end	3,746	2,505
Purchase of shares in E and S Estates Ltd from Jennifer Habib (Mother of Ben Habib)	202	–
Purchase of shares in E and S Estates Ltd from Sarah Habib (Wife of Ben Habib at the date of the transaction)	22	–
Purchase of shares in Regional Property Trading Ltd from Frances Digby (Wife of George Digby)	15	–

No balances are outstanding in respect of the purchase of shares in E and S Estates Ltd and Regional Property Trading Ltd to the related parties detailed above.

	£'000	£'000
Key management compensation	£'000	£'000
Short-term employee benefits (see Note 7)	2,133	2,319

Key managers are the Group Directors.

All transactions were made in the ordinary course of trading or funding of the Group's continuing activities.

All loans made by the Company to UK subsidiary companies totalling £3,270,000 (2018: £3,054,000) are unsecured and are interest free. All loans made by UK subsidiary companies to the Company totalling £2,955,000 (2018: £3,094,000) are unsecured and are interest free.

All loans made by the Company to non-UK subsidiaries totalling £2,728,000 (2018: £3,440,000) are unsecured but interest bearing at commercial rates of interest. All loans made by non-UK subsidiaries to the Company totalling £225,000 (2018: £557,000) are unsecured but interest bearing at commercial rates of interest.

33. Five year financial summary

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Continuing operations					
Profit before tax	8,308	9,233	9,137	7,346	8,083
Performance related fee income	1,541	189	–	1,131	3,365
Net (borrowings)/cash	(56,939)	(102,308)	(101,590)	(105,844)	(95,537)
Net cash flow from operating activities	6,732	9,787	13,622	10,794	7,917
Net assets (excluding Non-controlling interest)	46,172	46,735	40,413	32,184	29,925
Total assets under management	£706m	£626m	£477m	£353m	£327m
Basic earnings per share	4.95p	5.82p	6.75p	4.37p	7.21p
Dividend per share	1.66p	1.60p	1.55p	1.50p	1.35p
Dividend cover	3.0x	3.6x	4.4x	2.9x	5.3x
Adjusted net asset value per share	57.48p	53.07p	47.64p	43.01p	35.75p

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the “**Meeting**”) of FIRST PROPERTY GROUP PLC (the “**Company**”) will be held at the Cavalry and Guards Club, 127 Piccadilly, London, W1J 7PX on 9 September 2019 at noon for the following purposes:

(The Dress Code for the Cavalry and Guards Club is formal business attire, requiring gentlemen to wear a jacket, collar and tie at all times and ladies to dress accordingly. Denim clothing, sportswear and training shoes may not be worn.)

Ordinary Business

To consider and, if thought fit, pass the following resolutions, each of which will be proposed as an Ordinary Resolution:

1. To receive and adopt the Directors’ Report and Accounts for the year ended 31 March 2019.
2. To declare and approve a final dividend of 1.22 pence per Ordinary Share of 1 pence each (“**Ordinary Share**”) which makes a total dividend of 1.66 pence per Ordinary Share for the year.
3. To re-appoint Benyamin N Habib as a Director who retires in accordance with Article 97 of the Company’s Articles of Association (“**Articles**”) and is entitled to be re-appointed in accordance with Article 97 of the Articles.
4. To re-appoint Peter G Moon as a Director who retires in accordance with Article 97 of the Company’s Articles of Association (“**Articles**”) and is entitled to be re-appointed in accordance with Article 97 of the Articles.
5. To re-appoint Haines Watts as Auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next General Meeting of the Company at which accounts are laid.
6. To authorise the Directors to determine the remuneration of the Auditors.

Special Business

To consider and, if thought fit, pass the following resolutions, each of which will be proposed as an Ordinary Resolution:

7. That the Directors be and are hereby generally and unconditionally authorised and empowered pursuant to and in accordance with Section 551 of the Companies Act 2006 (“**the Act**”) to exercise all the powers of the Company to allot shares and/or grant rights to subscribe for or to convert any security into shares (“**Rights**”) up to an aggregate nominal amount of £371,143 (being 33.33 per cent of the issued share capital of the Company as at 16 July 2019, less shares in treasury), such authority to expire on the earlier of the next Annual General Meeting of the Company held after the date on which this resolution is passed and the date fifteen months after the passing of this resolution, save that the Company may at any time before such expiry make an offer or enter into an agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

To consider and, if thought fit, pass the following resolutions, each of which will be proposed as a Special Resolution:

8. That the Directors be and are hereby generally authorised in accordance with Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company pursuant to the authority conferred by Resolution 7 above (including by way of a sale of treasury shares) as if Section 561(1) of the Act did not apply to any such allotment, provided that this authority shall be limited to:
 - a. the allotment of equity securities in connection with an offer by the way of rights in favour of the holders of equity securities in proportion (as nearly as may be possible) to the respective number of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems in respect of overseas holders or otherwise; and
 - b. the allotment of equity securities for cash or sale by the Company of treasury shares (otherwise than pursuant to Resolution 8 (a)) up to a maximum aggregate nominal amount of £222,708.

and this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed and the date fifteen months after the passing of this resolution save that the Company may make an offer or enter into an agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of equity securities already made, offered or agreed to be made pursuant to such authorities.

9. That in accordance with Article 57 of the Articles and Chapter 4 of Part 18 of the Act and subject to the following provisions of this resolution, the Company be and is hereby generally and unconditionally authorised (pursuant to Section 701 of the Act) to make market purchases (within the meaning of Section 693(4) of the Act) of any of its own Ordinary Shares on such terms and in such manner as the Directors may from time to time determine provided that:
- a. the maximum number of Ordinary Shares authorised to be acquired is 11,135,400 (representing just under 10 per cent of the Company's issued Ordinary Share capital as at 16 July 2019);
 - b. the minimum price which may be paid for each Ordinary Share is 1 pence (exclusive of expenses);
 - c. unless a tender or partial offer is made to all holders of the Ordinary Shares on the same terms, the maximum price (exclusive of expenses) which may be paid for each Ordinary Share shall not exceed, in respect of a share contracted to be purchased on any day, the higher of:
 - (i) 5% above the average of the middle market quotation of an Ordinary Share of the Company taken from the AIM Appendix to The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the contract of purchase is made; and
 - (ii) the higher of the price of the last independent trade and the highest current independent bid for the Company's shares on the market where the purchase is carried out;
 - d. the Company may enter into one or more contracts to purchase Ordinary Shares under this authority before this authority expires which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts;
 - e. this authority will (unless renewed, varied or revoked) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, on the date twelve months from the date of passing this resolution.

By Order of the Board



George RW Digby
Company Secretary

6 August 2019

Registered Office:
32 St James's Street
London
SW1A 1HD

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Please note First Property Group Plc no longer use a hard copy proxy form, please see the below for instructions on how to lodge your vote.

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy they may do so at www.signalshares.com.
2. To be effective, the proxy vote must be submitted at www.signalshares.com so as to have been received by the Company's registrars not less than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting or any adjournment of it. By registering on the Signal shares portal at www.signalshares.com, you can manage your shareholding, including:
 - › cast your vote;
 - › change your dividend payment instruction;
 - › update your address; and
 - › select your communication preference.

Any power of attorney or other authority under which the proxy is submitted must be returned to the Company's Registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF. If a paper form of proxy is requested from the registrar, it should be completed and returned to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF to be received not less than 48 hours before the time of the meeting.

3. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended), the Company has specified that only those members registered on the register of members of the Company at close of business on 5th September 2019 (the Specified Time) (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by close of business on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy, or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrars (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).
7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
9. Any electronic address provided either in this Notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.
10. If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Asset Services by email at enquiries@linkgroup.co.uk, or you may call Link on 0871 664 0391 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK. We are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Submission of a Proxy vote shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof.
11. As at midday on 16 July 2019, the Company's issued share capital comprised 111,354,001 Ordinary Shares of one pence each and 5,247,114 treasury shares. Each Ordinary Share (except the treasury shares) carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at midday on 16 July 2019 is 111,354,001.
12. Resolution 8 is a special resolution to renew the Directors' authority to allot shares for cash without first offering them to existing shareholders on a pro-rata basis. Although there is currently no intention to make use of this authority, the Directors consider that it is in the interests of the Company, in certain circumstances, for the Directors to have limited flexibility so as to be able to allot shares without having first to offer them to existing shareholders.

The authority sought in Resolution 8(b) is restricted (other than in relation to any rights issue, open offer or other pre-emptive issue pursuant to Resolution 8(a)), to shares having an aggregate nominal value of £222,708, which corresponds to 20% of the issued share capital of the Company (less the number of Ordinary Shares held in treasury) at 16 July 2019.

Communication

13. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
 - › calling the Link Asset Services shareholder helpline on 0871 664 0300; calls cost 12p per minute plus your phone company's access charge. From overseas, +44 371 664 0300; calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales;
- Or
- › First Property Group plc on 0207 340 0270 available 24 hours a day, seven days a week.

You may not use any electronic address provided either:

- › in this notice of Annual General Meeting; or
- › any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

DIRECTORS AND ADVISERS

Directors

Alasdair JD Locke
(Non-Executive Chairman)

Peter G Moon
(Non-Executive Director)

Benyamin N Habib
(Group Chief Executive)

George RW Digby
(Group Finance Director)

Company Secretary
George RW Digby

Registered Office
32 St James's Street
London
SW1A 1HD
Registered No. 02967020
Incorporated in England

Website: www.fprop.com

Bankers

Handelsbanken
86 Jermyn Street
3rd Floor
London
SW1Y 6JD

Nominated Adviser & Broker

Arden Partners Plc
5 George Road
Edgbaston
Birmingham
B15 1NP

Legal Advisers

Mills & Reeve LLP
1 St James Court
Whitefriars
Norwich
NR3 1RU

Public Relations

Newgate Communications Ltd
Skylight City Tower
50 Basinghall Street
London
EC2V 5DE

Registered Auditors

Haines Watts
Sterling House
19-23 High Street
Kidlington
Oxford
OX5 2DH

Registrars

Link Asset Services
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