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 2022 which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the Company Statement of Financial Position;
- the Company Statement of Changes in Equity;
- the Company Cash Flow Statement; and
- the 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 UK-adopted international accounting standards.

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 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of Investment Property including investment properties, investment properties held in joint ventures 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 judgement 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 value the majority of the Group's property portfolio at regular intervals. The external valuers performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. Any input inaccuracies or unreasonable assumptions used in these judgements could result in a material misstatement of the Statement of Comprehensive Income and Statement of Financial Position.	• We assessed management's process for reviewing and assessing the work of the valuers. • We assessed the competence, objectivity and integrity of the valuers. • We obtained the external valuation reports and assessed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement 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.
Revenue Recognition, including the timing of revenue recognition, the treatment of rents and incentives, the recognition of trading property proceeds 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. Revenue for the Group consists primarily of rental income, asset management fees and performance related fee income. Rental income is based on tenancy agreements where there is a standard process in place for recording revenue, which is system generated. The determination of whether a rent concession is treated as a lease modification, or not, is judgemental, and the accounting for the concession will vary accordingly. Refer to Note 3 for the judgements and estimates made by management in relation to the recognition of performance related fee income for the Office Fund.	• We performed detailed testing of rental income 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 rental income, including the treatment of lease incentives, is recorded on an appropriate basis and in accordance with relevant regulations. • We challenged management over the judgements and estimates used in the recognition of revenue, in particular in respect of the Office Fund profit share. • We performed substantive procedures over the recognition of revenue by the Group and each of the operating companies. • We assessed whether the revenue recognition policies adopted complied with IFRS as adopted by the United Kingdom.

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF FIRST PROPERTY GROUP PLC

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Accounting for the Gdynia restructuring During the year the Group signed an agreement with the lender to acquire the finance lease under which the Gdynia property is held, and to restructure the financing for this property. The accounting for the transaction is complex and includes a number of judgements over the transfer of control to the Group, and therefore this represents a significant risk of material misstatement.	• We examined the documentation associated with the transaction and reviewed the judgements made by management over the transfer of control to the Group. • We evaluated the accounting treatment in accordance with the applicable accounting standards.
Going concern The COVID pandemic has continued to impact on the Group and its tenants. Management prepared an analysis of the potential impact on the revenues, profits, cash flows, operations and liquidity position of the Group for the next 12 months. Management's analysis includes base and downside case scenarios and a robust analysis of planned mitigating actions. After considering all of these factors, management has concluded that preparing the financial statements on a going concern basis remains appropriate. No material uncertainty in relation to going concern exists.	• We obtained an understanding of the process followed by management to prepare the Group's going concern assessment, including identifying and assessing the ongoing impact of COVID-19. • We obtained the base case cash flow and liquidity forecasts covering the going concern period and the additional scenarios prepared by management including the extreme downside scenario. We tested the mathematical accuracy of the models. • We challenged the appropriateness of those forecasts by assessing historical forecasting accuracy, challenging management's consideration of downside sensitivity analysis and applying further sensitivities where appropriate to stress test the impact on liquidity. • We reviewed minutes of board meetings with a view to identifying any matters which may impact the going concern assessment. • We reviewed the disclosures in the financial statements in relation to COVID-19 with a view to confirming that they adequately disclose the risk, the impact on the Group's operations and results and potential mitigation actions.

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 £1.3m (2021: £1.1m) based on 3% of net asset values. We determined materiality for the Parent Company to be £0.42m (2021: £0.49m) based on 1% of gross 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 for the Group 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.

For each component we allocated a materiality threshold ranging between 1% and 50% of the overall Group materiality.

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. The same percentage was applied to each component materiality.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £65,000 for the Group, and of £21,000 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 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 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 11 legal entities within 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 11 legal entities was audited, either by the Group audit team or by component auditors, representing 93% 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 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 other information comprises the information included in the Annual Report and Accounts 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.

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.

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF FIRST PROPERTY GROUP PLC

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
- 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 Directors' responsibilities statement set out on page 35, 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most relevant to the presentation of the Annual Report and Accounts are those that relate to the reporting framework (IFRS and the Companies Act 2006, AIM rules and the UK Market Abuse Regulations), the relevant tax regulations in the United Kingdom, Poland and Romania and the UK General Data Protection Regulation (GDPR). There are no significant industry specific laws or regulations that we considered in determining our approach.

We understood how the Group is complying with those frameworks through enquiry with Management, and by identifying the Group's policies and procedures regarding compliance with laws and regulations. We also identified those members of Management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of Board minutes and papers provided to the Board and the Audit Committee, as well as consideration of the results of our audit procedures across the Group.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur through enquiry with Management and the Audit Committee during the planning and execution phases of our audit.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

Our procedures involved:

- Enquiry of Management, and when appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
- Reading minutes of meetings of those charged with governance;
- Obtaining electronic confirmations from the Group's banking providers to vouch the existence of cash balances and completeness of loans, borrowings and other treasury positions; and
- Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

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/auditorsresponsibilities. 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 and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

GEORGE STYLE ACA
(SENIOR STATUTORY AUDITOR)
For and on behalf of Haines Watts
Chartered Accountants and Statutory Auditors
Oxford

17 August 2022