Fprop plc

First Property Group plc

Annual Report & Accounts 2022

WELCOME TO FIRST PROPERTY GROUP PLC

We are an award-winning property fund manager and investor with operations in the United Kingdom, Poland and Romania.

Ranked No.1

Funds managed by First Property Group rank No.1 versus MSCI's Central & Eastern European (CEE) Benchmark for the fourteen years from the commencement of its operations in Poland in 2005 to 31 December 2019.

MSCI

Some of our clients

- Willis Towers Watson
- Christ Church, Oxford
- Seek Ventures
- Christ's College, Cambridge
- St. Catherine's College, Oxford
- Fulcrum Asset Management
- Brasenose College, Oxford
- Robinson College, Cambridge

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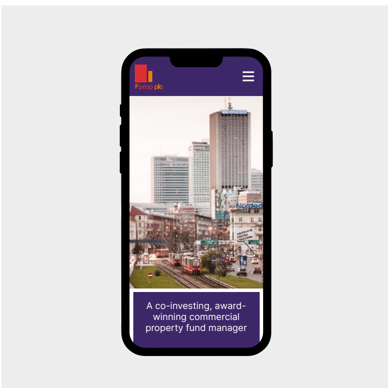


Did you know?

You can request an online copy of the Annual Report instead of the printed copy.

Visit **www.fprop.com** for more information

Listed on AIM, the Company has offices in London and Warsaw. Around one third of the shares in the Company are owned by management and their families.

Our 2022 reporting suite

First Property Group's Annual Report is part of a suite of reporting resources available online, also downloadable in Excel format:

- Annual Report online summary 2022: **www.fprop.com/plc-investors/financial-reports**
- Annual Report 2022: **www.fprop.com/plc-investors/financial-reports**

OUR BUSINESS AT A GLANCE

We specialise in investing 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.

69
properties managed, of which 7 are directly owned

61
employees in 2 offices in London and Warsaw

13
funds under management, 1 new fund in FY 2022

£559m
total assets under management

Highlights for the year ended 31 March 2022

£7.08m

2022	£7.08m
2021	(£5.09m)

Profit/(loss) before tax

£559m

2022	£559m
2021	£569m

Total Assets Under Management

£0.50p (per share)

2022	£0.50p
2021	£0.45p

Total dividend

£44.14m

2022	£44.14m
2021	£36.79m

Net assets with 7 directly held properties at book value

£53.43m

2022	£53.43m
2021	£48.36m

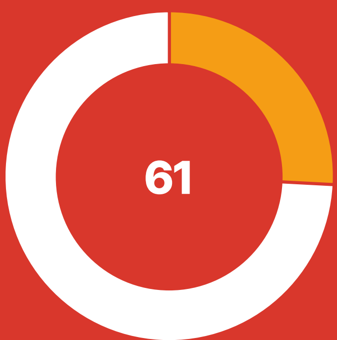
Net assets with 7 directly held properties at market value

£30.60m

2022	£30.60m
2021	£27.47m

Market value of Group investments in FPAM managed funds

Our People

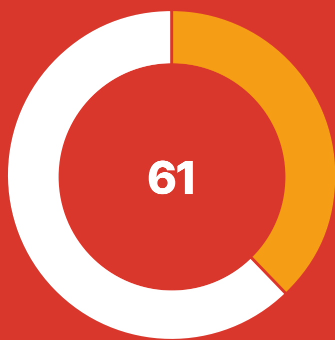


Number of employees by country

United Kingdom	26%
Poland	74%

Tenure

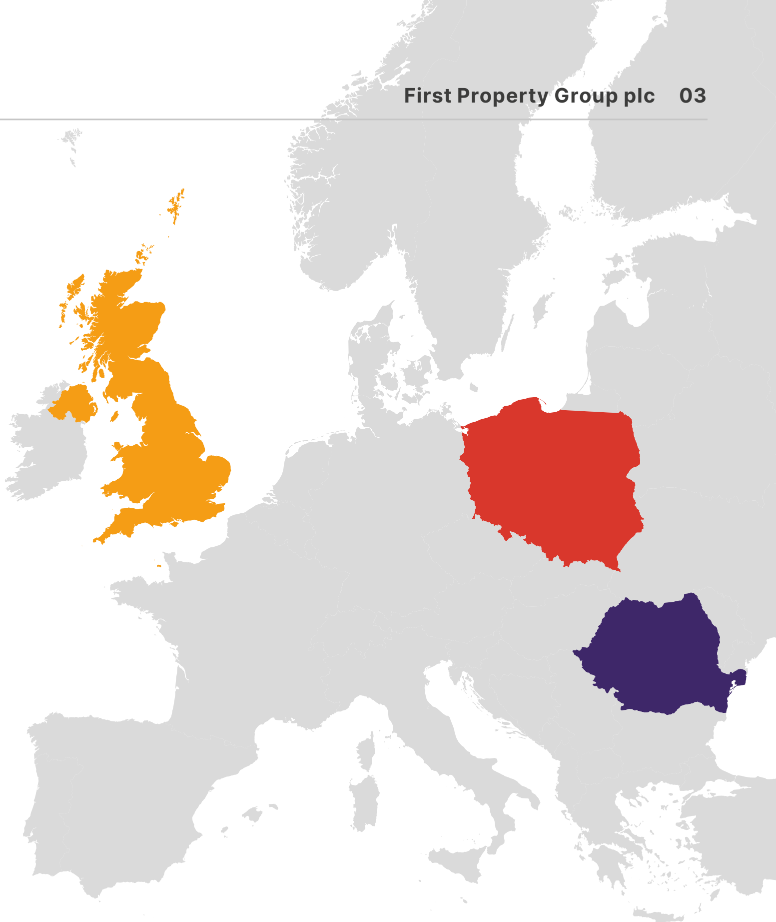
<1 year	16%
1-5 years	50%
5-10 years	11%
>10 years	23%



Gender

Male:	38%
Female:	62%

OUR OPERATIONS

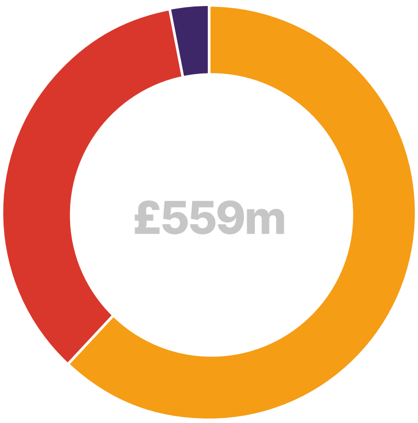


First Property Group plc is an award-winning property fund manager and investor with operations in the United Kingdom and Central Europe. Its focus is on higher yielding commercial property with sustainable cash flow.

A key facet of successful property investing is local knowledge. Our local teams are capable of performing all aspects of property investing and subsequent asset management.

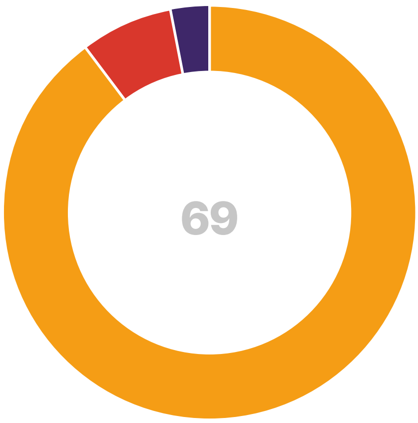
Investments include:

- 7 directly held properties in Poland and Romania;
- Non-controlling interests in eleven of the thirteen funds managed by FPAM.



Total AUM by region

United Kingdom	62%
Poland	35%
Romania	3%



Properties by region

United Kingdom	68%
Poland	28%
Romania	4%

Where we operate

The Group operates two divisions:

Fund Management

FCA regulated and AIFMD approved subsidiary, First Property Asset Management Ltd (FPAM) earns fees from investing for third parties in property. FPAM currently manages thirteen funds which are invested across the United Kingdom, Poland and Romania.

Read more on pages 8 to 11

Group Properties

Principal investments by the Group to earn a return on its own capital, usually in partnership with third parties. Investments comprise seven directly owned properties in Poland and Romania and non-controlling interests in eleven of the thirteen funds managed by FPAM.

Read more on pages 12 to 15

CHIEF EXECUTIVE'S STATEMENT

BEN HABIB, Chief Executive

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

Financial performance

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

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

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

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

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

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

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

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

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

Dividend

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

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

The full year's dividend is covered 12 times.

Current trading and prospects

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

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

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

BEN HABIB
CHIEF EXECUTIVE

23 June 2022

Why invest?

1 Expertise

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

2 Diversified earnings

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

3 Earnings growth

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

4 Strength

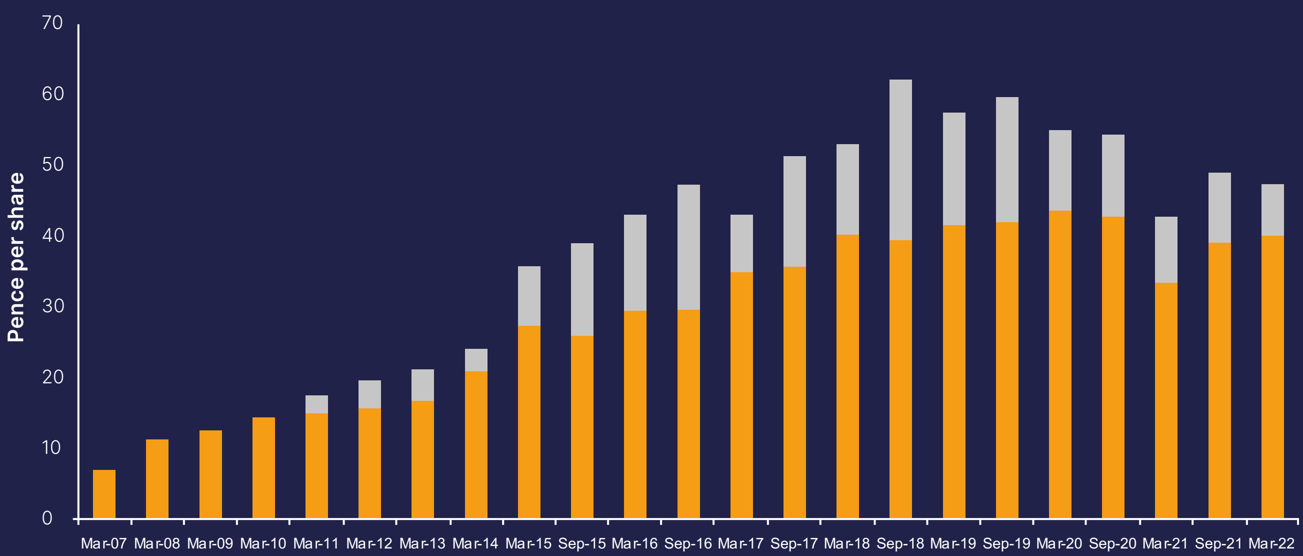
- ✓ Strong balance sheet;
- ✓ Progressive dividend policy, based on it being covered by earnings, targeting a ratio in excess of 2.5x.

OUR STRATEGY AND MARKETS

THE STRATEGY	OUR STRATEGIC RESPONSES
Deliver sustainable revenue	• Establish new funds which will increase the Group's fund management fee income. • Invest in properties with sustainable income streams.
Achieve overall growth with an equal balance between the two operating divisions	• Establish new funds. • Consider sale of directly owned Group Properties.
Active approach to asset management	• Drive income and in turn capital values by hands-on property management, relying as much as possible on internal capabilities.
Remain flexible	• Thinking from first principles. • In-house property teams employed in Poland and the UK.
Capitalise on market opportunities	• Maximise and exploit new opportunities arising.

Net Asset Value (NAV) per share

Book NAV EPRA NAV



OUR MARKETS	COMMERCIAL PROPERTY MARKETS OUTLOOK
United Kingdom	The UK is forecast to fall into recession. Inflation is running at over 10% per annum. The Bank of England base interest rate is still low at 1.75%, having risen from 0.1% in December 2021. Further increases in interest rates are expected. The yield curve currently flattens out at just under 3%. Investor demand for commercial property polarised during the lockdown induced lows, between those sectors which benefit from online trading and could operate during lockdowns, such as logistics and essential retailers, and other sectors such as offices, hotels and non-essential retailers which depend on physical trading. The disparity in valuations between sectors is still wide. The values of offices have been adversely impacted by changing working habits. However, the supply of offices has also reduced due to conversions to alternative uses and a substantial increase in building costs. Any increase in tenant demand should therefore result in rental growth.
Poland	GDP is expected to grow by 4% in 2022. The annual rate of inflation reached 13.9% in May but is expected to moderate to around 6% in 2023. The National Bank of Poland has led interest rate rises in Europe, with its benchmark reference rate now standing at 6.0%. It has also indicated that it is closer to the end of its interest rate raising cycle than the beginning, and that it may start to reverse increases in interest rates by the end of 2023. Investment demand for commercial property has abated but continued economic growth and an influx of refugees and businesses from Ukraine should sustain occupational demand. Meanwhile, the effects of inflation, in particular in the cost of building materials and labour (which far exceeds the general rate of inflation), should curtail new supply forcing rents to rise. Rental values in Poland are contractually mostly linked to Eurozone inflation, which also offers protection from inflation as long as the economy remains buoyant. Prime commercial yields generally range from 5-6% but may soften as interest rates rise.

Dynamic flexible approach as the market changes

- **2005:** Largely exited the UK commercial property market.
- **2008:** Reversed asset management policy of waiting until lease expiry to renew leases following the onset of the credit crunch.
- **2009:** Re-entered the UK commercial property market – we act dynamically.
- **2016:** Varied investment strategy in the UK with respect to offices, to invest for rental growth as opposed to for development due to the effects of permitted development rights (PDR) legislation resulting in diminishing office supply/rising rents.
- **2020:** Entered the COVID pandemic with £23.6 million of cash following the sale of an office building (CH8) in Warsaw, Poland.
- **2022:** Reduced Group debt to £23 million with 57% of the debt either interest free or with a fixed interest rate.

Investment Philosophy

1 Sustainability of income
- When buying for income, sustainability of income is a priority.
- We target higher yielding properties with sustainable income streams, enabling us to boost returns by applying leverage.

2 Capital preservation
- Capital is better protected if investments yield a high income.
- Over the long term it is income and not capital value movements which largely determine total returns.

3 A fundamental approach to investing
- Consensus may chase a particular investment theme but that does not justify it.

4 Flexibility in the light of market changes
- Experienced management team with an excellent track record, including in challenging market conditions.

5 An active approach to asset management
- Drive income and in turn capital values by hands-on property management, relying as much as possible on internal expertise. The quality of our people is a crucial factor in our continuing success.

Fund Management Division

First Property Asset Management Ltd (FPAM)

Division Revenue

£4.04m +19%

(2021: £3.39m)

Third-Party AUM

£516.5m -2%

(2021: £527.2m)

Our Fund Management Division earns fees from investing for third parties in property via its FCA regulated and AIFMD approved subsidiary, First Property Asset Management Ltd (FPAM). Third-party assets under management ended the year at £516.5 million (31 March 2021: £527.2 million). The decrease was attributable to sales of properties valued at some £32.7 million offset by purchases of properties worth some £10.0 million and an increase in the value of the remainder of the portfolio of some £12.0 million.

One new fund was raised during the year, Fprop Fulcrum Property LP, which had invested £10.0 million by year end, purchasing two properties in the UK. The fund is open ended and further subscriptions and investments are expected. Notices for redemptions may not be given before August 2024, with redemptions taking place 12 months after any such notices are served.

During the year two other funds managed by FPAM sold, for £39.2 million, eight properties in the UK which had been valued at £32.7 million.

One fund, Fprop Romanian Supermarkets Ltd, was closed during the year having earned an internal rate of return over its seven-year life of 42% per annum.

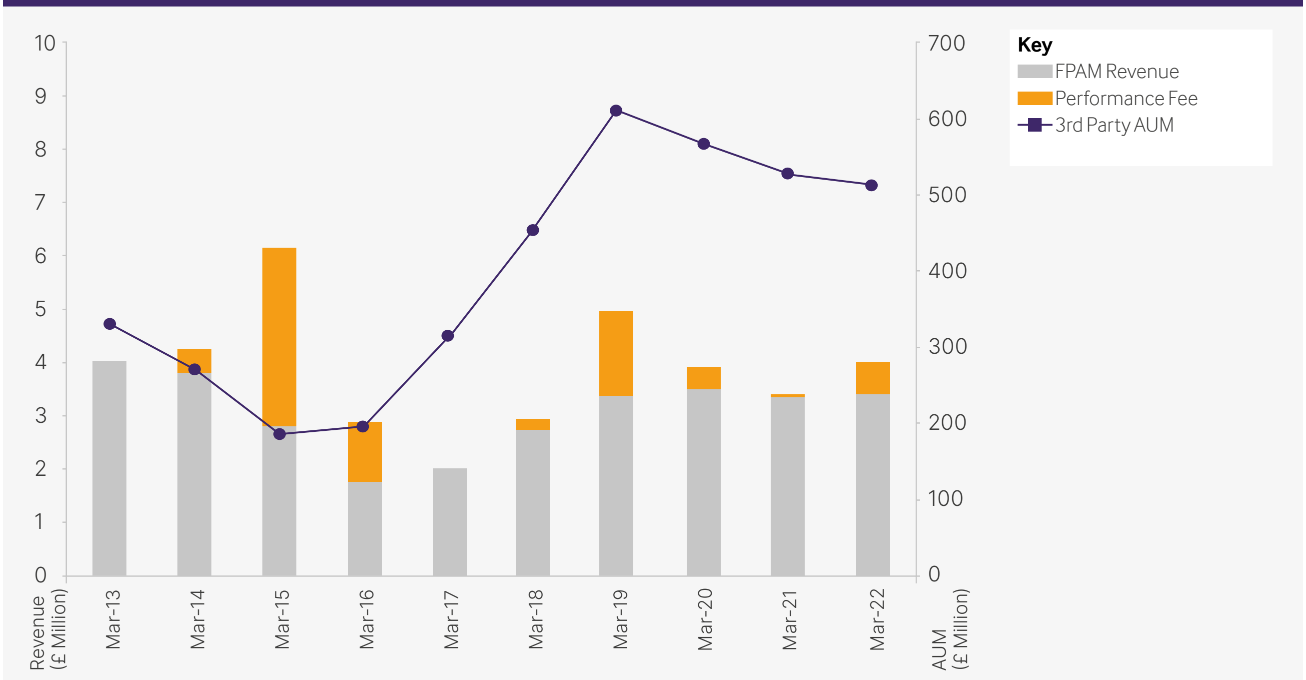
Fund management fees are generally levied monthly by reference to the value of properties. In the case of Fprop Offices LP, the Group is entitled to a share of total profits in lieu of fund management fees and to receive annual payments on account equivalent to 10% of total cumulative income profits and realised capital gains. These payments are adjusted annually, if necessary, for any overpayments made in previous years up to a maximum of total past cumulative payments received.

Revenue earned by this division increased by 19% to £4.04 million (2021: £3.39 million), resulting in profit before unallocated central overheads and tax increasing by 11% to £1.44 million (2021: £1.30 million). The increase was primarily due to an increase in performance fees to £578,000 (2021: £40,000) in the form of profit share earned from Fprop Offices LP.

At the year end fund management fee income, excluding performance fees and the profit share from Fprop Offices LP, was being earned at an annualised rate of £2.66 million (31 March 2021: £2.90 million).

The weighted average unexpired fund management contract term at the year-end was 3 years, 3 months (31 March 2021: 3 years, 11 months).

SEGMENTAL ANALYSIS: FUND MANAGEMENT REVENUE AND AUM



RECONCILIATION OF MOVEMENT IN THIRD-PARTY FUNDS UNDER MANAGEMENT DURING FY 2022

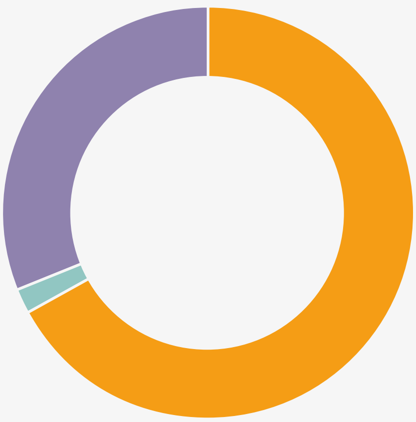
Funds managed for third parties (including funds in which the Group is a minority shareholder)

	UK £m	CEE £m	Total £m	No. of properties
As at 1 April 2021	349.8	177.4	527.2	68
Purchases	10.0	–	10.0	2
Property sales	(32.7)	–	(32.7)	(8)
Capital expenditure	3.3	2.2	5.5	–
Property revaluation	15.1	(7.3)	7.8	–
FX revaluation	–	(1.3)	(1.3)	–
As at 31 March 2022	**345.5**	**171.0**	**516.5**	**62**

FUNDS MANAGED BY ASSET CLASS

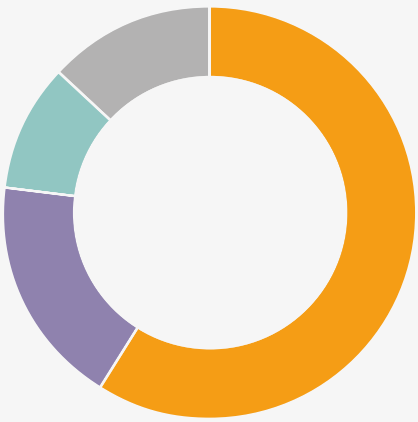
	UK £m	Poland £m	Romania £m	Total £m	% of Total
Offices	204.2	93.2	8.6	306.0	59.2
Retail warehousing	93.3	–	–	93.3	18.1
Supermarkets	48.0	17.9	–	65.9	12.8
Shopping centres	–	51.3	–	51.3	9.9
Industrial	–	–	–	–	–
Total	**345.5**	**162.4**	**8.6**	**516.5**	**100.0**
% of Total Third-Party AUM	**66.9%**	**31.4%**	**1.7%**	**100.0%**	

THIRD-PARTY ASSETS UNDER MANAGEMENT FY 2022



By Geography

- United Kingdom **67%**
- Poland **31%**
- Romania **2%**



By Sector

- Offices **59%**
- Retail warehousing **18%**
- Shopping centres **10%**
- Supermarkets **13%**

PERFORMANCE REVIEW CONTINUED

Fund Management Division continued

THIRD-PARTY FUNDS UNDER MANAGEMENT FY 2022

An overview of the value of assets and maturity of each of the funds is set out below:

Fund	Country of investment	Fund expiry	Assets under management at market value at 31 March 2022 £m	No. of properties	% of total third-party assets under management	Assets under management at market value at 31 March 2021 £m
SAM & DHOW	UK	Rolling	*	*	*	*
5PT	Poland	Dec 2022	7.7	3	1.5	7.7
OFFICES	UK	Jun 2024	136.4	5	26.4	133.5
SIPS	UK	Jan 2025	140.6	24	27.2	134.3
FOP	Poland	Oct 2025	64.5	5	12.5	61.6
FRS	Romania	Jan 2026	**	**	**	**
FGC	Poland	Mar 2026	21.3	1	4.1	21.1
UK PPP	UK	Jan 2027	41.5	12	8.0	64.8
SPEC OPPS	UK	Jan 2027	17.0	4	3.3	17.2
FKR	Poland	Mar 2027	19.4	1	3.8	20.7
FCL	Romania	Jun 2028	8.5	1	1.7	8.7
FPL	Poland	Jun 2028	49.6	4	9.6	57.6
FUL	UK	Indefinite	10.0	2	1.9	–
Total Third-Party AUM			**516.5**	**62**	**100.0**	**527.2**

* Not subject to recent revaluation.
** Fund closed during the year and in the process of being liquidated.

Widewater Place, Denham, UK

Imperial Place, Borehamwood, UK

PERFORMANCE REVIEW CONTINUED

Group Properties Division

Group Properties comprised seven directly owned commercial properties in Poland and Romania valued at £42.24 million (31 March 2021: seven valued at £41.57 million) and interests in eleven of the thirteen funds (classified as Associates and Investments) in which the Group's share is valued at £30.60 million (31 March 2021: £27.47 million).

The contribution to Group profit before tax and unallocated central overheads from this division was £8.60 million (2021: loss £5.14 million) representing 85.70% of Group profit before unallocated central overheads and tax. The increase was mainly driven by the restructuring of the finance lease secured against our office property in Gdynia, Poland, which resulted in the amount owed reducing by €9.00 million (£7.81 million), as previously described.

1. Directly owned Group Properties (all accounted for under the cost model):

Two of the Group's seven directly owned properties account for 68% by market value (£28.84 million) of their total value. Both are office buildings in Poland of which one is in Warsaw (11,000 m²) and the other in Gdynia (13,500 m²). The other five properties, representing 32% by market value (£13.40 million), comprise three mini-supermarkets in Poland (one recently developed), an office block in Bucharest and a warehouse in Tureni, Romania.

The seven directly owned properties generated a profit before unallocated central overheads and tax of £7.48 million (31 March 2021: loss of £5.80 million). The increase was almost entirely attributable to the restructuring of the finance lease secured against the office block in Gdynia, as already described. This debt restructuring is the main explanation for the reduction in Group debt by 33% to £23.66 million (31 March 2021: £35.09 million). The loans secured against the seven properties are held in separate non-recourse special purpose vehicles.

Interest costs on the Group's debt amounted to £0.33 million (2021: £0.74 million) in the year. This equates to an average borrowing cost of 1.39% per annum when expressed as a percentage of total outstanding Group debt of £23.66 million, or 2.44% if the deferred consideration of €12.00 million (£10.14 million) in respect of the Group property in Gdynia, on which no interest is payable, is excluded.

Of the Group's interest-bearing loans, the interest rate is fixed on 25% (2021: 27%) and is floating on the balance of 75% (2021: 73%). A one percentage point increase in interest rates would impact the cost of the floating rate loans and would increase the Group's annual interest bill by £0.10 million per annum (2021: £0.31 million). The fixed rate loans expire in 2025 (£2.79 million) and 2029 (£0.62 million).

The average vacancy rate across all seven properties is 35%. If the office property in Gdynia were to be excluded, due to its high level of vacancy, the vacancy rate would reduce to 5%. As announced on 13 May 2022, the property in Gdynia is now 20% let and we expect the new main tenant, the District Court in Gdynia, to attract other tenants to the building.

The weighted average unexpired lease term (WAULT) as at 31 March 2022 was 5 years, 7 months (2021: 4 years, 9 months).

Group Properties

Division Revenue

£4.60m -47%

(2021: £8.73m)

Directly Owned Group Properties Market Value

£42.24m +2%

(2021: £41.57m)

Directly owned Group Properties

Two of the Group's seven directly owned properties, Blue Tower in Warsaw and the office building in Gdynia, (pictured below), account for 68% of their aggregate value (£28.84m).

Blue Tower, Warsaw, Poland (Fprop 48% share: 11,000 m²)

Podolska, Gdynia, Poland (13,500 m²)

DIRECTLY OWNED GROUP PROPERTIES AS AT 31 MARCH 2022

Country	Sector	No. of properties as at 31 March 2022	Book value as at 31 March 2022 £m	Market value as at 31 March 2022 £m	No. of properties as at 31 March 2021	Market value as at 31 March 2021 £m	*Contribution to Group profit before tax 31 March 2022 £m	*Contribution to Group profit before tax 31 March 2021 £m
Poland	Offices	2	25.87	28.84	2	29.46	**8.14	(4.59)
Poland	Supermarkets	3	6.42	7.47	3	5.85	***0.20	0.12
Romania	Office and logistics	2	3.92	5.93	2	6.26	0.37	0.32
Total		**7**	**36.21**	**42.24**	**7**	**41.57**	**8.71**	**(4.15)**

* Prior to the deduction of direct overhead, holding company and unallocated central overhead expenses.

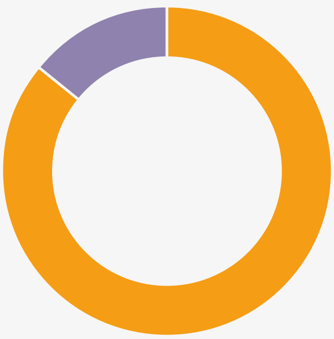
** Includes €9.00 million (£7.81 million) debt reduction following restructuring of the finance lease at Gdynia.

*** Of which two are let and the third is being redeveloped, scheduled for completion in FY 2023.

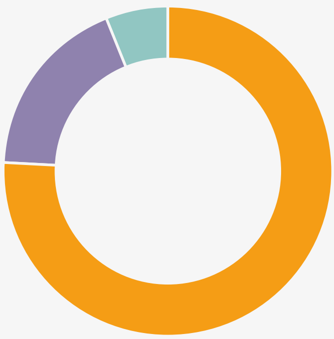
DEBT SECURED AGAINST GROUP'S DIRECTLY OWNED PROPERTIES

	31 March 2022 £m	31 March 2021 £m
Book value of directly owned properties	36.21	34.95
Market value of directly owned properties	42.24	41.57
Gross debt (all non-recourse to Group)	23.66	35.09
LTV at book value	65.34%	100.41%
LTV at market value	56.01%	84.41%
Weighted average borrowing cost	1.39%	1.60%

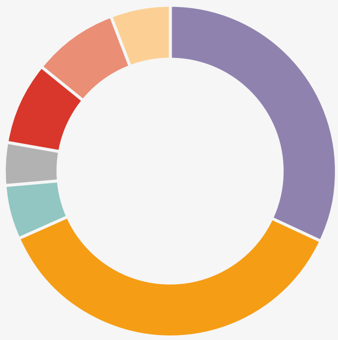
MARKET VALUE OF DIRECTLY OWNED GROUP PROPERTIES



By Geography
- Romania: 14%
- Poland: 86%



By Sector
- Office: 76%
- Supermarkets: 18%
- Industrial: 6%



By Property
- Gdynia, Poland: 32.0%
- Blue Tower, Warsaw, Poland: 36.3%
- Praga, Poland: 5.5%
- Nastroj/Lodz, Poland: 4.1%
- Wawer, Poland: 8.0%
- Dr Felix, Bucharest, Romania: 8.3%
- Tureni, Romania: 5.8%

PERFORMANCE REVIEW CONTINUED

Group Properties Division continued

Associates and Investments

Division PBT

£1.12m +71%

(2021: £0.66m)

Market Value

£30.60m +11%

(2021: £27.47m)

2. Associates and Investments

These comprise non-controlling interests in eleven of the thirteen funds managed by FPAM and are valued at £30.60 million (31 March 2021: £27.47 million). Of these, seven are accounted for as Associates and held at the lower of cost or fair value (the "cost model"), and four are accounted for as Investments in funds and held at fair value.

The contribution to Group profit before tax and unallocated central overheads from its seven Associates and four Investments increased by 71% to £1.12 million (31 March 2021: £0.66 million) mainly due to an increase in the value of the Group's 44% share in Fprop Opportunities plc (FOP).

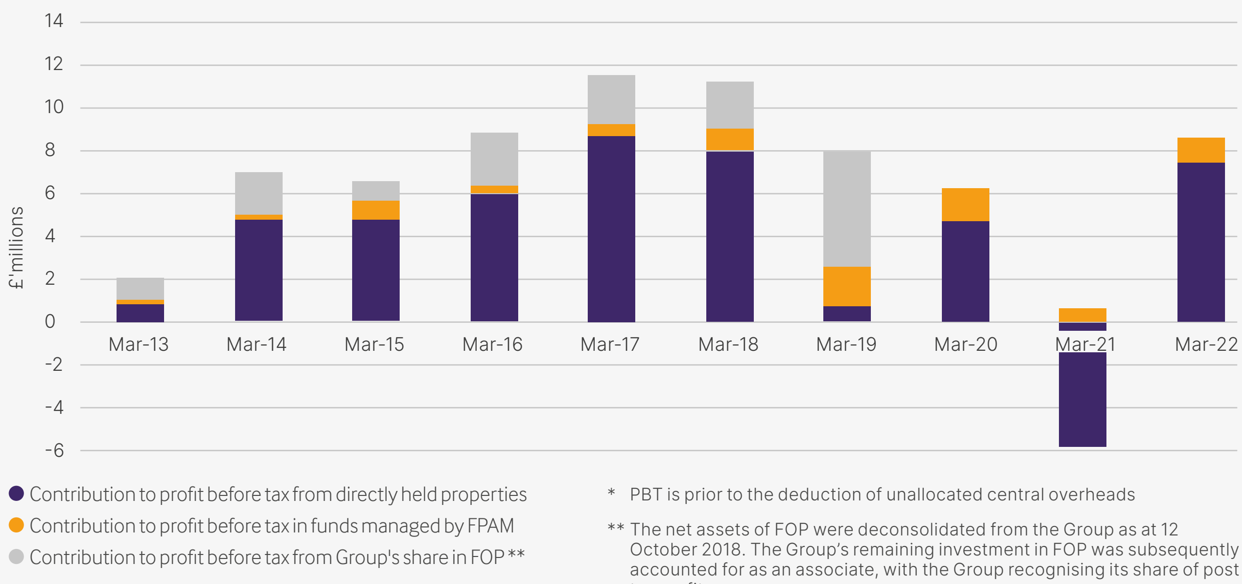
Fprop Phoenix Ltd made a loss after tax of which the Group's share amounted to £0.62 million (2021: loss of £0.38 million). This is a turnaround investment which has been impacted by a combination of lockdowns and corresponding working from home, together with a near 50% increase in the supply of office space in Krakow since we first acquired the park out of administration in 2017. We have done much to improve the asset during our ownership: we have resolved legacy legal issues including obtaining clean title over parts which were deficient and upgraded the rental proposition to include first class amenities such as a creche, kindergarten, gym, sports ground, BBQ area and conference centre, amongst other things. However, it is 80% vacant and with a 16% office vacancy rate in Krakow, we expect it will take some time to lease up. We do however expect this investment to generate substantial profits in due course.

Eximius Park, Poland

ASSOCIATES AND INVESTMENTS

	% owned by First Property Group %	Book value of Group's share in fund £'000	Current market value of holdings £'000	Group's share of post-tax profits earned by fund 31 March 2022 £'000	Group's share of post-tax profits earned by fund 31 March 2021 £'000
a) Associates					
5PT	40.6	1,344	1,344	97	119
FRS	24.1	–	–	47	50
FOP	43.8	11,983	11,983	1,044	256
FGC	28.2	2,700	2,826	221	179
FKR	18.1	1,580	1,580	(12)	166
FPL	23.4	913	4,619	(617)	(378)
FCL	17.4	615	798	67	78
Sub Total		**19,135**	**23,150**	**847**	**470**
b) Investments					
UK PPP	0.9	431	431	100	54
FULCRUM	2.5	262	262	–	–
SPEC OPPS	11.1	4,754	4,754	23	34
OFFICES	1.6	1,998	1,998	148	97
Sub Total		**7,445**	**7,445**	**271**	**185**
Total		**26,580**	**30,595**	**1,118**	**655**

GROUP PROPERTY DIVISION CONTRIBUTION TO PROFIT BEFORE TAX (PBT)*



* PBT is prior to the deduction of unallocated central overheads

** The net assets of FOP were deconsolidated from the Group as at 12 October 2018. The Group's remaining investment in FOP was subsequently accounted for as an associate, with the Group recognising its share of post tax profits.

Environmental, Social and Governance

We recognise the potential impact of environmental, social and governance (ESG) factors on the investment returns of our Group Properties and the funds we manage. We believe that we have a responsibility to consider these risks and opportunities in our investment decisions. We therefore seek to embed ESG considerations into activities within our operational control or influence, including investment, development and refurbishment, asset management and stakeholder engagement.

ESG reporting highlights

Environmental

We carefully manage our environmental impact and work with our tenants, suppliers and business partners to manage buildings in ways that enhance the health of our environment. We achieve this by improving the environmental performance of our buildings and reducing operational costs principally by:

- ✓ Improving energy efficiency and minimising carbon emissions.
- ✓ Improving water efficiency and leak prevention.
- ✓ Enabling good waste management practices and reducing waste generation.
- ✓ Improving sustainability standards within our investment and asset management processes.
- ✓ Enhancing the health and wellbeing of our tenants.

40,757 tCO_2e

Operational carbon footprint FY 2022 in tons of carbon emitted

We measured the Group's and the FPAM funds' carbon footprint in FY 2022, focusing on material operational emissions. We created an environmental performance dashboard to monitor and track performance.

Social

We strive to be a good employer, a trusted business partner and a good corporate citizen. We want to make a positive contribution to our local communities.

890 m^2

Space donated to accommodate Ukrainian refugees

Support to Ukrainian Refugees

- ✓ Provided food and shelter in vacant office space at Eximius Park, Krakow.
- ✓ Donated warehouse space at Krasnystaw as a transhipment site for donations to Ukraine.
- ✓ Provided donation collection points at our supermarkets in Poland and collaborated with tenants to provide discounted goods and food to local refugee centres.
- ✓ Provided space to enable a refugee information centre to be established.

Governance

We evolve our governance practices in line with our strategy and business model and the relevant laws and regulations where we operate.

- ✓ We have created a new role to focus on ESG issues and have hired an experienced Sustainability Manager, Ben Kerrison.
- ✓ We have formalised our commitment to ESG and published a Responsible Investment Policy.
- ✓ We strengthened our existing ESG governance structure with the formation of a new ESG Steering Committee.

Sustainability

The Board regularly reviews the effectiveness and relevance of its communications strategy. Given technological advancements and the principles of sustainability, we strongly encourage our shareholders to receive the Annual Reports online from the Company by contacting the Registrar, Link, by visiting **www.signalshares.com** or by writing to them at Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL or by emailing them at **shareholderenquiries@link.co.uk**.

For the year to 31 March 2023, we will not be publishing a hard copy of the Annual Report. The physical publication of such a report is expensive, results in additional carbon emissions and serves no purpose which cannot be fulfilled by an online document. Those shareholders who wish to continue to receive a hard copy by post will receive a print of the online copy.

Our responsible investment targets

To measure and track performance against 6 core responsible investment targets

1. IMPROVE THE ENVIRONMENTAL PERFORMANCE OF OUR BUILDINGS AND REDUCE OPERATIONAL COSTS

- Create an accurate baseline of energy, water & waste consumption, to enable reduction targets to be set
- Set building energy, water & waste data collection targets for 2025 by area (landlord & tenant)
- Set energy reduction targets for 2025 & 2030 (aligned with CRREM & leading Net Zero Carbon frameworks) for buildings in our operational control

2. IMPROVE SUSTAINABILITY STANDARDS WITHIN OUR INVESTMENT AND ASSET MANAGEMENT PROCESSES

- Switch 85% of UK landlord electricity consumption to green tariffs by 2025
- Install smart meters (Automated Meter Reading) at 85% of our buildings by 2025
- Undertake a review of the potential to install Solar PV panels & Electric Vehicle (EV) charging points across our portfolio
- Set installation targets for Solar PV panels & Electric Vehicle (EV) charging points for 2025
- Embed green lease clauses in leases wherever possible

3. ENHANCE THE HEALTH AND WELLBEING OF OUR TENANTS

- Conduct annual tenant forums to identify areas to enhance tenant experiences (via managing agents). Monitor and track improvements

4. CONTRIBUTE TO OUR LOCAL COMMUNITIES

- Measure our annual social impact from charitable giving, local community events and volunteering using the National TOMs* methodology

5. ENGAGE WITH OUR INVESTORS AND SUPPLY CHAIN PARTNERS ON MATERIAL SUSTAINABILITY ISSUES

- Complete 100% of investor requested ESG reports
- Set and report against fund specific ESG metrics in investor reports
- Submit pilot Fprop Fund to GRESB, an industry wide sustainability benchmark

6. ENSURE ROBUST PROCESSES ARE IN PLACE TO MANAGE MATERIAL LEGISLATIVE, ENVIRONMENTAL AND SOCIAL RISKS AND OPPORTUNITIES

- Create and maintain a sustainability risk matrix, identifying material risks and implementing mitigation measures where required
- Update the Employee Handbook to provide support and clarity to employees on internal policies

* The National TOMs (Themes, Objectives, Measures) methodology is a social value standard across the UK. It provides a framework for measuring the value delivered and quantifying the wider value for society.

OPERATING RESPONSIBLY CONTINUED

CARBON FOOTPRINT

Minimising our environmental impact is a core part of the Group's approach to responsible investment. We recognise that in order to reduce the environmental impact of the assets we own and manage, we first need to understand our carbon footprint.

For the first time we are reporting the carbon footprint of the Group and First Property Asset Management Ltd.

Our primary focus is on the most material emissions of our business and the energy consumed for the operation of the buildings we own and manage.

Our aim is to expand our reporting to cover all applicable emissions categories.

Scope 1, 2 & 3 carbon emissions cover the operational energy usage across all the assets we own and manage. Where the Group does not have operational control, energy consumption has been estimated using best practice industry benchmarks.

All consumption data is then converted to carbon using the latest DEFRA & IEA emissions factors for geographies in which we operate and reported in tonnes of carbon dioxide equivalent (tCO_2e).

	Actual & Estimated Carbon Emissions FY 2022		
	Scope 1 (tCO_2e)	**Scope 2 (tCO_2e)**	**Scope 3 (tCO_2e)**
OFFICES	413	372	1,317
FUL	–	1	88
SIPS	–	106	6,491
UK PPP	8	6	2,514
SPEC OPPS	48	76	236
FCL	209	85	425
FOP	499	2,372	13,688
5PT	69	277	767
GCO	–	639	1,244
FPL	264	2,140	832
E&S	–	158	417
FKR	–	588	242
Group	83	3,243	840
Total	**1,593**	**10,063**	**29,101**

Group	83	3,243	840
FPAM	1,510	6,820	28,261
Total	**1,593**	**10,063**	**29,101**

Scope 1 – Landlord procured natural gas for heating;
Buildings in our operational control (where not directly sub-metered to tenants)

Scope 2 – Landlord procured electricity for heating and power;
Buildings in our operational control (where not directly sub-metered to tenants)

Scope 3 – Downstream Leased Assets
Landlord procured electricity & gas – buildings in our operational control (directly sub-metered to tenants)
Tenant procured electricity & gas – buildings out of our operational control

EPRA SUSTAINABILITY REPORT

The data disclosed in the tables below is reported in accordance with the methodology set out in the third edition of the European Public Real Estate Association (EPRA) Sustainability Best Practices Recommendations (sBPR). As per the methodology we have set our organisational boundary using the operational control approach as defined by the Greenhouse Gas (GHG) Protocol. The data covers the 2022 financial year.

		FY 2022	
Measure	**Assets in operational control**	**Group**	**FPAM**
Fuels-Abs	Coverage	2 of 2	16 of 17
	Total energy consumption from fuels from occupied buildings	451,180 kWh	7,848,909 kWh
	Total direct fuel consumption for landlord spaces	451,180 kWh	6,969,344 kWh
	Total direct fuel purchased sub-metered to occupiers	–	879,565 kWh
GHG-Direct-Abs	Scope 1 emissions from landlord obtained consumption of fuels	83 tCO_2e	1,438 tCO_2e
Elec-Abs	Coverage	4 of 4	27 of 28
	Total energy consumption electricity from occupied buildings	5,171,728 kWh	18,322,437 kWh
	Total landlord purchased grid electricity from renewable sources	–	2,904,262 kWh
	Total landlord purchased grid electricity from non-renewable sources	5,171,728 kWh	15,418,175 kWh
	Proportion of grid electricity from renewable sources	0%	16%
	Total grid purchased electricity consumed in landlord (common) area	4,107,835 kWh	10,110,918 kWh
	Total grid purchased electricity sub-metered to occupiers	1,063,892 kWh	8,211,519 kWh
	Grid electricity consumed within head office	17,145 kWh	–
GHG-Indirect-Abs	Scope 2 emissions (location-based) from landlord-obtained consumption of electricity	3,790 tCO_2e	12,241 tCO_2e
	Scope 2 emissions (market-based) from landlord-obtained consumption of electricity	3,790 tCO_2e	11,624 tCO_2e
Total Energy-Abs	Coverage	4 of 4	27 of 28
	Total energy consumption from occupied buildings		
	Total building energy (electricity and fuel) consumption	5,622,908 kWh	26,171,346 kWh
	Total building energy sub-metered to occupiers	1,063,892 kWh	9,091,084 kWh
Energy-Int	Coverage	4 of 4	27 of 28
	Building energy intensity of occupied buildings		
	Gross internal floor area (m^2)	77,023 m^2	227,113 m^2
	Building intensity ($kWh/m^2/year$)	73 $kWh/m^2/yr$	115 $kWh/m^2/yr$
GHG-Int	Coverage	4 of 4	27 of 28
	Total carbon intensity of occupied buildings	3,873 tCO_2e	13,385 tCO_2e
	Gross internal floor area (m^2)	77,023 m^2	227,113 m^2
	Building intensity ($tCO_2e/m^2/year$)	0.05 $tCO_2e/m^2/yr$	0.06 $tCO_2e/m^2/yr$

FINANCE DIRECTOR'S REVIEW

LAURA JAMES, Group Finance Director

"A financial year dominated by an exceptional gain from the restructure of a finance lease."

Profit before tax for the year was £7.08 million (2021: loss before tax £5.09 million).

The results were dominated by an exceptional gain of €9.00 million (£7.81 million) from the restructuring in June 2021 of the finance lease secured against the Group's office block in Gdynia, Poland. The loss in the prior year was mainly due to the recognition of an impairment of £7.02 million in the value of this property following the expiry of the lease to its sole tenant.

The contribution from Associates and Investments increased to £1.12 million (2021: £0.66 million). The explanation for this increase is in the 'Share of results in associates' section below.

Group net assets excluding non-controlling interests increased by 20.0% to £44.14 million (31 March 2021: £36.79 million) mainly due to the reduction in borrowings which resulted from the restructuring of the finance lease at Gdynia.

Gross debt excluding IFRS 16 lease liabilities reduced to £23.66 million (31 March 2021: £35.09 million) mainly due to the restructuring of the finance lease at Gdynia. Of this £10.14 million is deferred consideration on which no interest is payable. Net debt excluding IFRS 16 lease liabilities reduced to £17.24 million (31 March 2021: £18.85 million).

GOING CONCERN

Information on our approach and the result of our assessment is included in Note 1 of the Financial Statements.

INCOME STATEMENT

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

Revenue and Gross Profit

Revenue for the year reduced by £3.47 million or 29% to £8.65 million (2021: £12.12 million) mainly due to the expiry in February 2021 of the sole lease at the Group's office block in Gdynia. The contribution to rental income from this property reduced by £3.20 million in the year.

Gross profit (revenue less the cost of sales) reduced by £2.27 million or 28.4% to £5.72 million (2021: £7.99 million) due mainly to the property in Gdynia making a loss of £0.56 million (2021: profit £2.85 million).

Performance fee income

Performance fees totalled £0.58 million (2021: £0.04 million) and were entirely attributable to Fprop Offices LP (2021: £nil). Accumulated income in respect of this fund amounts to £1.97 million (2021: £1.38 million), all of which is subject to clawback in the event of losses by the Limited Partnership.

Operating expenses

Operating expenses increased by £0.10 million or 1% to £7.46 million (2021: £7.36 million).

Share of results in associates

The contribution from the Group's seven associates amounted to £0.85 million (2021: £0.47 million). The increase was mainly attributable to the Group's 44% share in Fprop Opportunities plc (FOP), which benefitted from an increase of £0.91 million in the fair value of the Group's interest (2021: decreased by £2.99 million).

Fprop Phoenix Ltd, in which the Group owns 23.4%, made a loss after tax of which the Group's share amounted to £0.62 million (2021: loss of £0.38 million).

Investment income (from other financial assets and investments)

Investment income from the Group's four investments in four (of the five) UK funds managed by FPAM increased by 42% to £0.27 million (2021: £0.19 million).

Finance costs

Finance costs reduced to £0.33 million (2021: £0.74 million) mainly due to lower Group debt following restructuring of the financing of the property in Gdynia. All bank loans are denominated in Euros and all are used to finance properties valued in Euros.

Current tax

The current tax charged reduced marginally to £0.17 million (2021: £0.18 million).

The charge includes Polish and Romanian corporation tax where headline rates remain at 19% and 16% respectively.

STATEMENT OF FINANCIAL POSITION

Investment properties and property held as inventory (all held using the cost model)

The Group has adopted the "cost model" of valuation whereby investment properties are accounted for at the lower of cost less accumulated depreciation and impairments or market value.

The book value of the Group's seven directly owned properties at the year-end was £36.20 million (31 March 2021: £34.95 million). Their fair market value was £42.24 million (31 March 2021: £41.57 million).

Capital expenditure incurred on the Group's seven directly owned properties amounted to £1.76 million (2021: £0.37 million).

Foreign exchange revaluations amounted to £0.32 million (2021: £2.52 million).

Borrowings

Bank and other borrowings reduced to £23.66 million (31 March 2021: £35.09 million) mainly due to the restructuring of a debt secured on our property in Gdynia, whereby a payment of €16.00 million was agreed to be made in final settlement of the debt of €25.00 million. Of this €4.00 million was paid during the year and the remaining €12.00 million was deferred, interest free, for payment by June 2024. The €9.00 million reduction in the face value of the loan from €25.00 million down to €16.00 million was credited to the Income Statement.

The ratio of debt to gross assets at their market value (the gearing ratio) reduced to 30.69% (31 March 2021: 42.05%).

All bank loans are denominated in Euros and are non-recourse to the Group's assets.

Deposits of €0.65 million (31 March 2021: €0.75 million) are held by lending banks in respect of four bank loans (31 March 2021: five) as security for Debt Service Cover Ratio (DSCR) covenants, of which €62,000 (31 March 2021: €98,000) are accounted for as prepayments.

Trade and other receivables

Trade and other receivables decreased by 16% to £4.33 million (31 March 2021: £5.15 million) due to a reduction in a tenant deposit at the property in Gdynia, following the expiry of the lease to its former tenant.

Provisions

Provisions decreased to £0.92 million (31 March 2021: £2.08 million) and are entirely in respect of the guaranteed space at CH8, Warsaw. Payments of £1.93 million in respect of fit out and rent guarantee costs were made in the year. The reduction in the provision is due to some 73% of the office space which is subject to the guarantee having been leased, as announced by RNS on 23 September 2021. The provision represents our best estimate of the Group's remaining liability over the life of the rent guarantee (until April 2025).

Non-controlling interests

The value of the Group's two non-controlling interests (10% of the share capital of Corp Sp. z o. o., the property management company to Blue Tower, Warsaw, and 23% of the share capital of E and S Estates Ltd, a fund invested in three properties in Poland) increased to £0.23 million (31 March 2021: £0.20 million).

Investment revaluation reserve

The investment revaluation reserve increased by £1.04 million to £0.68 million (2021: decreased by £0.36 million) mainly due to an increase of £0.90 million in the value of the Group's investment in Fprop UK Special Opportunities LP. In addition, the value of the Group's share in the other investments increased by £0.14 million of which the largest increase is in UK Pension Property Portfolio LP, which increased by £0.10 million.

Foreign exchange translation reserve

A weakening of the Polish Zloty against Sterling to PLN/ GBP 5.4868 (31 March 2021: PLN/ GBP 5.4443) resulted in the deficit in the foreign exchange translation reserve increasing to £3.30 million (31 March 2021: £3.11 million).

CASH AND CASH FLOW

The Group's cash balance reduced to £6.42 million (31 March 2021: £16.24 million, 31 March 2020 £7.34 million) mainly as a result of investing and financing activities.

Net cash flow by activity in the year was:

- Operating activities: -£1.44 million (2021: £38.73 million)
- Investing activities: -£4.27 million (2021: £1.05 million)
- Financing activities: -£4.08 million (2021: -£30.66 million)
- Currency translation: loss of -£0.03 million (2021: loss of -£0.21 million)
- Net cash flow: -£9.82 million (2021: £8.91 million)

The significant cash outflows in the year were:

- £3.63 million: Investment in two UK funds (Fprop UK Special Opportunities LP and Fprop Fulcrum Property LP);
- £3.43 million (€4 million): Debt restructuring at Group property in Gdynia;
- £1.76 million: Capital expenditure, mainly at one of the Group's mini supermarkets held in the consolidated entity, E and S Estates Poland Sp. z o.o.;
- £1.30 million: Scheduled bank loan repayments;
- £0.28 million: Interim dividend.

Significant cash inflows in the year included:

- £1.29 million: Refinancing of the bank loan secured against the Group's two directly owned properties in Romania;
- £1.08 million: Partial repayment of shareholder loan by Fprop Opportunities plc and payment of corresponding interest.

LAURA JAMES
GROUP FINANCE DIRECTOR

KEY PERFORMANCE INDICATORS

47.28p

Adjusted Net Asset Value (NAV) per share

Link to Strategy

A measure of NAV mark 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
Increase largely attributable to the restructuring of the finance lease secured against the Group's office building in Gdynia, Poland.

£517m

Third-Party Assets Under Management

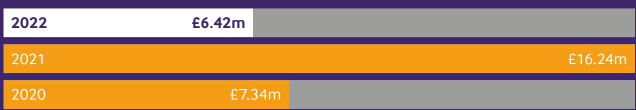
Link to Strategy

The measure on which fee income is generally charged.

Comment
Reduction mainly due to the sale of eight properties by funds during the year. One new fund was established during the year.

£6.42m

Cash Levels



Link to Strategy

The Group's focus on cash levels enables it to act quickly in respect of new investments and refinancing bank debt.

Comment
The Group's cash balance reduced in the year mainly as a result of investing and financing activities. Large cash movements include a Group investment made in two UK funds and the debt restructuring of a Group property in Gdynia.

5yrs 7mths

Weighted Average Unexpired Lease Term of Group Properties

Link to Strategy

A measure of the sustainability of the revenue from the seven directly held Group Properties.

Comment
Weighted average lease term for directly owned group properties increased to 5yrs 7mths.

£8.07m

Revenue

Link to Strategy

Revenue from both divisions is calculated on a historic basis.

Comment
Excludes all performance fee and non-recurring income of £0.58 million (2021: £1.13 million, 2020: £0.42 million).

3yrs 3mths

Weighted Average Unexpired Fund Life

Link to Strategy

A measure of the sustainability of the revenue from the Fund Management division.

Comment
Reduced due to sales of eight properties in a fund with an expiry date of January 2027.

STAKEHOLDER ENGAGEMENT

Our key stakeholder groups

Oxford Square, Newbury, UK

Shareholders

- Seek to comply with the QCA Code – see the Governance section of this report and the Company's website;
- Maintain open communications via the AGM, Annual Report and Accounts, RNS announcements, and through various media platforms.

Investors in funds

- Ensure investors are kept abreast of performance with regular investor reports and direct communication via email. This includes updates on topics such as property purchases/disposals, significant tenant lettings, cash distributions and financing.

Tenants

- Conduct extensive due diligence on tenant covenants;
- Maintain a proactive and continuous dialogue;
- Be responsive to changing tenant requirements;
- Active approach to asset management using our in-house specialist teams.

Employees

- Consult and discuss matters likely to affect employees' interest through regular meetings;
- Diversity and equal opportunities policy;
- Discretionary bonus incentive schemes for all employees.

Our community and the wider environment

- In larger properties, particularly in the retail sector, we hold events to foster links with the local community. This also helps to drive higher footfall and occupier wellbeing.

Section 172

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of members as a whole. This statement includes consideration of the likely consequences of the decisions of the Board in the longer term and how the Board has taken wider stakeholders' needs into account.

RISKS AND MITIGATIONS

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

ECONOMIC RISK MANAGEMENT

ECONOMIC RISK	IMPACT	MITIGATION	LINK TO STRATEGY
Slowdown in the economies of the UK and Poland	Could lead to: • falls in the value of commercial property; • reduction in overall rent levels and occupier's ability to pay their rental commitments.	The Group closely monitors economic reports of the markets in which it operates and acts pre-emptively in accordance with its proactive property management policy. The Group endeavours to ensure 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).	
National epidemic or global pandemic	Restrictions on people's movements adversely affects all trade. Consequent reductions in GDP could adversely affect tenants' ability to meet their rental commitments for business premises.	The Group closely monitors debts owed by tenants, aided by maintaining close dialogue with all tenants. Maintaining liquidity in the funds and the property-owning companies is a priority.	
Weakening in the Euro and Polish Zloty against Sterling	Nearly all revenue from the Group Properties division is earned 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.	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. Under the Group's foreign currency risk management policy, hedging instruments can be used to hedge a proportion of specific items as specified in IAS 39.	
Extended period of interest rate tightening in the EU	Prolonged interest rate tightening could decrease equity returns due to higher debt servicing costs and may result in breaches of Debt Service Covenant Ratios (DSCR) which could require additional funds to remedy.	The Board regularly reviews property market forecasts and where possible adjusts it's geared strategy according to these changing market conditions. The Board also regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet its cash requirements. The Board regularly monitors and reports on its DSCRs against its relevant bank covenants so that it can act in a pre-emptive manner. Interest rate fixes and caps are used to mitigate risk.	
Political risk including the war in Ukraine	Political events, such as the war in Ukraine, can lower business confidence and weaken economies.	The Board considers geopolitical and macro-economic conditions when setting strategy and making its investment decisions.	

OPERATIONAL RISK MANAGEMENT

OPERATIONAL RISK	IMPACT	MITIGATION	LINK TO STRATEGY
Rent void periods	Could lead to longer void periods, higher vacancy rates, reduced occupier retention, payment arrears and defaults.	Our asset managers are focused on income generation and maintain close contact with tenants to ensure they fully understand their current business performance and future plans. A proactive approach to asset management is taken with regular interaction with tenants.	
Credit risk	Could lead to the tenants 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. This ensures early detection of likely tenant defaults thereby enabling swift remedial action. Our asset managers maintain close contact with tenants.	
Liquidity risk	Most loans are subject to covenant restrictions. If 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 taken out in the same currency used to value the property, thus 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 in place to finance future planned operations. The Group is structured whereby investment properties are held in special purpose vehicles so that the lender has no recourse to the parent entity. The Board regularly monitors and reports its LTV ratios against the relevant bank covenant so that it can act in a pre-emptive manner.	
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 has implemented the recommendations of an independent review of its IT operations to enhance the robustness of its security protection and the effectiveness of its disaster recovery plan. The Group retains the services of an IT specialist service provider, part of whose role is to ensure that protections against data theft and corruption are in place and effective, by utilising the latest anti-viral software and technologies.	

The Strategic Report was approved by the Board of Directors on 17 August 2022 and signed on its behalf by:

LAURA JAMES
GROUP FINANCE DIRECTOR

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

ALASDAIR LOCKE, Non-Executive Chairman

"The Directors are committed to maintaining high standards of corporate governance and seek to comply with the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies."

The Group's corporate governance framework supports the delivery of our strategy and business objectives.

The Directors are committed to maintaining high standards of corporate governance and seek to comply with the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies. First Property Group's core underlying principle is "to ensure that the Group 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 key governance principles defined in the QCA Code please refer to the disclosures made below and on the Company's website.

The Board is pleased to report that the Company has complied with the provisions of the Code.

No key governance matters have arisen since the publication of the last Annual Report.

ROLE OF THE BOARD

The Board as a whole is collectively responsible for the success of the Group. Its duties are to:

- Set the Group's strategic direction, purpose and values and align these with its culture;
- Oversee competent and prudent management of internal control, corporate governance and risk management;
- Approve business plans and budgets in light of the Group's risk profile;
- Ensure that the ethical and compliance commitments of management and employees are understood throughout the Group.

BUSINESS MODEL AND STRATEGY

First Property Group's business model is explained on page 3. The Group's strategy is explained fully on page 6. Our strategy is focused around building and growing a balanced business between fund management and property investing, with both divisions delivering resilient, recurring revenue of a contractual nature with high forward visibility.

RISK MANAGEMENT

Strategy is set and developed taking into account the Board's assessment of both the impact and likelihood of the principal risks identified. The principal risks and uncertainties to the business and how these are mitigated are set on pages 24 and 25.

The corporate governance framework complements the Group's internal controls framework and its supporting framework of policies and processes.

In addition, the Board and the Audit Committee have oversight of whistleblowing matters. The Company's whistleblowing policy ensures that the workforce feel empowered to raise concerns in confidence and without fear of unfair treatment.

BOARD COMPOSITION

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 operations of the Board are underpinned by the collective experience of the Directors and the diverse skills which they bring. The Board contains the necessary mix of experience, skills and capabilities to deliver the strategy of the Company for the benefit of the shareholders. The Board contains Directors with relevant knowledge and expertise that includes:

- Extensive knowledge of the Group; one Director has worked for the Company for twelve years and two Directors have worked for the Group for over twenty years. This long tenure ensures that the Board has significant expertise in managing property cycles through difficult conditions;
- Considerable experience of providing strategic, financial and commercial management to financial services and other commercial operations;
- Extensive accounting and financial reporting expertise;
- Considerable experience of leading a successful international business.

The Directors maintain and enhance their knowledge and expertise through their involvement with respected commercial organisations. Each Director has undertaken to allocate sufficient time to the Group in order to discharge their responsibilities effectively.

First Property Group's core underlying principle is "to ensure that the Group is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

Read more on our website at
www.fprop.com/plc-investors/aim-rule-26/

BOARD MEETINGS

Board meetings are carried out at least four times annually, minimum attendance for a meeting to be considered quorate is two. Should an issue arise between scheduled meetings, the Board will discuss such matters remotely with any decision ratified at the next Board meeting.

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. Neither the Board nor the Committees required advice from external advisors in the year.

The Chairman of the Board evaluates the performance of the Board by holding regular discussions with the other Board members to ensure that the Board is operating effectively. The Board currently considers that the use of external consultants to facilitate the Board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

BOARD ATTENDANCE

In line with the agreed meeting schedule, the Board held four Board meetings in the year ended 31 March 2022.

Outside of the formal Board and Committee meetings and informational calls, Non-Executive Directors have unfettered access to employees at all levels of the business.

All the Directors attended all four Board meetings.

CULTURE

We work hard to nurture our culture, and it is something we regularly measure and monitor to ensure we keep it alive. We have a number of culture standards we wish to live by, such as diversity and inclusion, diligence in risk management, good leadership, integrity and respectful behaviour.

CHAIRMAN'S INTRODUCTION TO GOVERNANCE CONTINUED

BOARD COMMITTEES

The Board constitutes the following committees: Audit Committee, Remuneration Committee, and Nominations Committee.

Audit Committee

The Audit Committee is responsible for monitoring the controls that are in force to ensure the integrity of information reported to shareholders.

The Audit Committee meets at least four times a year as part of the quarterly Board meeting and is responsible for ensuring that the Company's financial performance is properly monitored, controlled and reported.

The Audit Committee advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditors.

Audit Committee Report

During the year, the Audit Committee has continued to focus on the effectiveness of controls throughout the Group. Consideration was given to the audit plan and audit findings reports and these provided opportunities to review the accounting policies, internal control and the financial information contained in both the annual and interim reports. The Audit Committee met four times in the year.

Remuneration Committee

The role of the Remuneration Committee is to review the performance of the Executive Directors and to set the scale and structure of their remuneration, including any bonus arrangements, with due regard to the interest of shareholders.

The Remuneration Committee is responsible for determining if the Company should adopt any form of share option plan, and considering the terms of the grant of options under any such plan, ensuring that due regard is given to any relevant legal requirements, including the provisions and recommendations in the Listing Rules.

Remuneration Committee Report

During the year, the Committee continued to review the performance and remuneration of the Executive Directors. The Committee met twice in the year.

Nominations Committee

The role of the Nominations Committee is to evaluate the Board of Directors and examine the skills and characteristics required of Board candidates to ensure the Company has a board composition with a mix of skills, expertise and perspectives as well as paying attention to diversity, gender, ethnicity and other factors.

Nominations Committee Report

The Committee did not meet during the year as there was no change in the composition of the Board.

Further information on the Board Committees, including their formal written charters, is set out on the Company website at: **https://www.fprop.com/plc-investors/board-committees-terms-of-reference/**.

Members of the Board Committees

Name	Role	Committees (Audit, Remuneration, Nominations)
Alasdair Locke	Chairman & Non-Executive Director	Nominations – Chairman Audit – Member Remuneration – Member
Peter Moon	Non-Executive Director	Nominations – Member Audit – Chairman Remuneration – Chairman

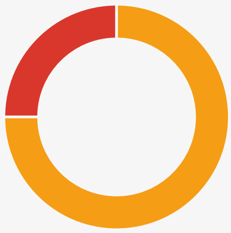
The Annual General Meeting of the Group will take place on 27 September 2022. The Notice of this meeting and the proposed ordinary and special resolutions to be put to the meeting are included at the end of this Annual Report.

ALASDAIR LOCKE
NON-EXECUTIVE CHAIRMAN

17 August 2022

GOVERNANCE AT A GLANCE

BOARD COMPOSITION



Board diversity

Male	75%
Female	25%

Board tenure

1-5 Years	25%
10-15 Years	25%
>20 Years	50%

Board composition

Non-Executive	50%
Executive	50%

BOARD – ROLES AND RESPONSIBILITIES

GROUP CHIEF EXECUTIVE OFFICER
BEN HABIB

Responsible for:

- Proposing and delivering the strategy as set by the Board.
- Leading the Group to deliver operational and financial performance.
- Representing the Group internally and externally to stakeholders, including shareholders.

GROUP FINANCE DIRECTOR
LAURA JAMES

Responsible for:

- Overseeing the Group's financial, management and tax reporting.
- Treasury management.
- Financial planning and analysis.

NON-EXECUTIVE CHAIRMAN
ALASDAIR LOCKE

Responsible for:

- Leadership of the Board.
- Ensuring effective relationships exist between the Non-Executive and Executive Directors.
- Ensuring that the views of all stakeholders are understood and considered appropriately in Board discussions.

INDEPENDENT NON-EXECUTIVE DIRECTOR
PETER MOON

Responsible for:

- Active participation in Board decision-making.
- Advising on key strategic matters.
- Critiquing and challenging proposals and activities, and approving plans where appropriate.

ATTENDANCE

BOARD MEETINGS

Director	Number of meetings attended/ meetings possible	Attendance %
Ben Habib	4/4	100
Laura James	4/4	100
Alasdair Locke	4/4	100
Peter Moon	4/4	100

AUDIT COMMITTEE

Director	Number of meetings attended/ meetings possible	Attendance %
Alasdair Locke	4/4	100
Peter Moon	4/4	100

REMUNERATION COMMITTEE

Director	Number of meetings attended/ meetings possible	Attendance %
Alasdair Locke	2/2	100
Peter Moon	2/2	100

BOARD OF DIRECTORS

1.
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
- Chair of Brexit-Watch

2.
LAURA JAMES, ACA, BA (HONS)
GROUP FINANCE DIRECTOR

Year appointed
2020

Education
University of Kent, Canterbury

Previous experience
- 2011: Qualified as a Chartered Accountant (ACA) with Moore Stephens LLP
- 2014-2020: Group Financial Controller for First Property Group plc

External commitments
- None

3.
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
- 2005-2020: Non-Executive Chairman of Hardy Oil and Gas

External commitments
- Chairman of Motor Fuel Group
- 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

4.
PETER MOON, BSC (ECON)
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 Advisor to Middlesbrough Council (since 1986)
- Non-Executive Chairman of Bell Potter (UK) Ltd (since 2010)
- Non-Executive Director of JPMorgan Asian Investment Trust Plc (since 2016)

OUR PEOPLE

MARTIN PRYCE, MRICS, IMC, BSC
DIRECTOR, FUND MANAGER

JEREMY BARKES, BA (HONS)
DIRECTOR, BUSINESS DEVELOPMENT

JILL AUBREY
DIRECTOR, FUND OPERATIONS, HR, COMPANY SECRETARY, COMPLIANCE OFFICER AND MLRO

ANTHONY GRIFFIN, BA (HONS), MSC, IMC
SENIOR FUND MANAGER

ANGELI DESAI, BSC (HONS), ACA
GROUP FINANCE MANAGER

JOHN ROBERTS, MSC, MRICS, IMC
HEAD OF UK ASSET MANAGEMENT

BEN KERRISON, MSC, PIEMA
SUSTAINABILITY MANAGER

PAUL GUIRY, FCA, MBA
INTERIM FINANCE DIRECTOR

RICHARD DIGBY MSC
ASSET MANAGER

PRZEMYSLAW KISZKA, CFA
MANAGING DIRECTOR, FIRST PROPERTY POLAND SP. Z O.O.

JEREMI SLOMINSKI, MA, BA
HEAD OF ASSET MANAGEMENT, FIRST PROPERTY POLAND SP. Z O.O.

BARBARA KOMENDOWSKA
CHIEF ACCOUNTANT, FIRST PROPERTY POLAND SP. Z O.O.

MARTYNA SKURSKA
IN-HOUSE LAWYER, FIRST PROPERTY SERVICES SP. Z O.O.

Our people bios

You can learn more about our people on our website.

Read more on our website at **www.fprop.com/about**

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Group is to earn fees from property fund management and to earn a return on the Group's own capital by making principal investments, usually by co-investing with fund management clients of the Group. The Group has operations in the United Kingdom and Central Europe (mainly in Poland).

The Consolidated Income Statement is set out on page 42.

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 £7.08 million (2021: loss before taxation of £5.09 million). The total comprehensive income for the year was £7.69 million (2021: retained loss £9.37 million).

The Directors have resolved to pay a final dividend of 0.25 pence (2021: £nil) which together with the interim dividend of 0.25 pence per share (2021: 0.45 pence per share) equates to a total dividend of 0.50 pence for the year.

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

The Group held cash of £6.42 million at 31 March 2022 (2021: £16.24 million) and had bank borrowings of £23.66 million (2021: £35.09 million). Net debt decreased to £17.24 million (2021: £18.85 million).

COVID

The financial year ended 31 March 2022 was impacted by COVID-19 and the economic consequences of the measures taken by various governments to contain the virus. The Group continues to adhere to the policies and advice of the UK, Polish and Romanian governments.

SECTION 172 STATEMENT

This section of the Annual Report covers the Board's considerations and activities in discharging its duties under s172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of members as a whole.

Please see our section 172 Statement in more detail in the Strategic Report on page 23.

EMPLOYEES

First Property Group employed 61 staff on average during the year ended 31 March 2022 (2021: 65); of these, 44 employees were based in Poland (2021: 46) in the Group's Warsaw office providing essential service support to the properties located in Poland which it manages. The Group also employed one member of staff in its office in Bucharest, Romania, with the remainder based in the Group's UK office in London. Of the total average staff across the Group, 23 are male and 38 are female.

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 operates a discretionary cash bonus incentive scheme for which all employees qualify and is based on a combination of the employee's individual and the Group's overall performance.

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 is full scope under AIFMD, allowing it to manage third-party funds with a value in excess of €500 million. 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 24 and 25, together with a description of their impact and countermeasures to mitigate them.

SHARE CAPITAL

At 31 March 2022, the Company's share capital comprised 116,601,115 Ordinary Shares of 1 pence each, including 6,218,783 shares held in treasury. Each share ranks equally with the others, including 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.

There were no shares issued or transferred from treasury during the year ended 31 March 2022.

No share options were exercised during the year and none were issued. Details of share options outstanding are set out in Note 28 on page 71.

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 or last 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 2021, 31 March 2022 and 4 July 2022, 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		
	04/07/2022	31/03/2022	01/04/2021	04/07/2022	31/03/2022	01/04/2021
A J D Locke	8,571,990	8,571,990	8,571,990	–	–	–
P Moon	496,805	496,805	496,805	–	–	–
B N Habib	14,940,000	14,940,000	14,940,000	–	–	–
L B James	–	–	–	–	–	–

SUBSTANTIAL SHAREHOLDINGS

At 4 July 2022 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	14,940,000	13.5%
Galjaden Invest AB/Peter Gyllenhammar AB	8,860,693	8.0%
J C Kottler	8,769,283	7.9%
A J Locke	8,571,990	7.7%
Whitehall Associated SA	7,747,394	7.0%
Bjorn Saven	4,631,432	4.2%

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

HEALTH AND SAFETY AT WORK

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

ESG

The Group aims to be a sustainable business, playing its part in tackling key social and environmental challenges. Details of the Group's ESG Objectives, ESG Activity Highlights, Responsible Investment Policy and ESG Focus Areas for FY 2023 are included in ESG on pages 16 to 19.

POLITICAL DONATIONS

The Group made no political donations and has incurred no political expenditure in the year (2021: £nil).

DIRECTORS' REPORT CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

DIRECTORS' PROFESSIONAL INDEMNITY INSURANCE

All Directors of the Company have the benefit of the indemnity provision contained in the Company's Articles of Association. The provision, which is a qualifying third-party indemnity provision, remains in force. The Group also purchased and maintained throughout the financial period Directors' liability insurance in respect of itself and its Directors, although no cover exists in the event Directors are found to have acted fraudulently or dishonestly.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting to be held on 27 September 2022, can be found on pages 77 and 78.

We continue to monitor the impact of the COVID-19 virus in the United Kingdom. The health and wellbeing of our colleagues, shareholders and the wider community in which our Company operates is a priority for us. Shareholders are advised to check the Company's website for any updates to the arrangements for the AGM. Shareholders are asked not to attend the AGM in person if they are displaying any symptoms of COVID-19 or have recently been in contact with anyone who has tested positive. To facilitate shareholder engagement, the Company will be providing a facility to allow shareholders to join remotely via a live presentation and the Board invites shareholders to submit questions at any time in advance of the meeting or during the meeting using the online facility that will be provided. Details of how to access the live presentation and to ask questions will be published on the Company's website. Please note that shareholders will be required to register to access the live presentation via www.investormeetcompany.com and follow First Property Group plc. Please note that joining remotely will not constitute attendance and shareholders will not be able to vote at the meeting. Shareholders are therefore asked to submit their votes by proxy.

To the extent shareholders wish to attend in person and can do so safely, the Board kindly requests that shareholders pre-register their intentions to attend by emailing the Company Secretary, Jill Aubrey at jill.aubrey@fprop.com.

The notice convening the Annual General Meeting contains special resolutions empowering the Directors to:

1. Allot relevant securities pursuant to the authority provided by Resolution 7 up to a maximum nominal amount of £369,570 (representing 33.33% of the issued Ordinary Share capital of the Company as at 4 July 2022, less the number of Ordinary Shares held in treasury) outside the pre-emption provisions contained in the Companies Act 2006 and the Articles of Association, provided that such securities shall only be:

   (i) issued or transferred from treasury in connection with a rights offer (Resolution 8(a)); or

   (ii) 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 £221,764 (representing 20% of the issued Ordinary Share capital of the Company as at 4 July 2022, 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.

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 11,088,233 Ordinary Shares of 1 pence each (representing just under 10% of the Company's issued Ordinary Share capital as at 4 July 2022, less any treasury shares) within the limits described in Resolution 9 contained in the notice of the Annual General Meeting. It is intended that purchases will only be made on the 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 UK-adopted international accounting standards.

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 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 2022. 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

The Board hereby confirms that each Director has taken the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the auditors are aware of all such information. So far as each Director is aware, there is no relevant audit information of which the auditors are not aware.

The Directors' report, which has been prepared in accordance with the requirements of the Companies Act 2006, comprises the following sections: Chief Executive's Statement, Risks and Mitigation and ESG.

Approved and signed on behalf of the Board

LAURA JAMES
GROUP FINANCE DIRECTOR

17 August 2022

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Year ended 31 March 2022 Total results £'000	Year ended 31 March 2021 Total results £'000
Revenue	4	**8,645**	12,119
Cost of sales		**(2,928)**	(4,128)
Gross profit		**5,717**	7,991
Debt reduction following restructuring of finance lease	5	**7,809**	–
Profit on sale of an investment property		**–**	161
Recycled foreign exchange gain		**–**	1,163
Impairment loss to an investment property	15	**–**	(7,023)
Operating expenses		**(7,464)**	(7,363)
Operating profit/(loss)		**6,062**	(5,071)
Share of associates' (loss)/profit after tax	19a)	**(29)**	3,467
Share of associates' revaluation gains/(losses)	19a)	**876**	(2,997)
Investment income		**271**	185
Interest income	6	**230**	67
Interest expense	6	**(330)**	(740)
Profit/(loss) before tax		**7,080**	(5,089)
Tax charge	11	**(245)**	(2,312)
Profit/(loss) for the year		**6,835**	(7,401)
Attributable to:			
Owners of the parent		**6,779**	(7,449)
Non-controlling interests		**56**	48
		6,835	(7,401)
Earnings/(loss) per share:			
Basic	12	**6.14p**	(6.75p)
Diluted	12	**6.01p**	(6.59p)

All operations are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Year ended 31 March 2022 Total results £'000	Year ended 31 March 2021 Total results £'000
Profit/(loss) for the year	**6,835**	(7,401)
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Exchange differences on retranslation of foreign subsidiaries	**(189)**	(685)
Foreign exchange profit recycled to the Income Statement	**–**	(1,163)
Net profit/(loss) on financial assets at fair value through other comprehensive income	**1,039**	(119)
Taxation	**–**	–
Total comprehensive income for the year	**7,685**	(9,368)
Total comprehensive income for the year attributable to:		
Owners of the parent	**7,623**	(9,440)
Non-controlling interests	**62**	72
	7,685	(9,368)

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.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
Non-current assets					
Investment properties	15	**23,849**	**–**	22,456	–
Right of use assets	16	**1,018**	**–**	686	–
Property, plant and equipment	17	**128**	**–**	157	–
Investment in Group undertakings	18	**–**	**3,418**	–	3,418
Investment in associates	19a)	**19,135**	**13,838**	18,577	13,893
Other financial assets at fair value through OCI	19b)	**7,445**	**7,445**	3,061	3,061
Other receivables	22b)	**95**	**13,826**	487	13,610
Goodwill	20	**153**	**–**	153	–
Deferred tax assets	27	**1,599**	**–**	1,518	–
Total non-current assets		**53,422**	**38,527**	47,095	33,982
Current assets					
Inventories – land and buildings	21	**12,352**	**–**	12,494	–
Current tax assets		**14**	**–**	296	109
Right of use assets	16	**446**	**–**	–	–
Trade and other receivables	22a)	**4,329**	**1,328**	5,149	1,729
Cash and cash equivalents		**6,419**	**3,493**	16,244	13,094
Total current assets		**23,560**	**4,821**	34,183	14,932
Current liabilities					
Trade and other payables	23	**(3,388)**	**(11,116)**	(3,447)	(10,756)
Provisions	24	**(922)**	**–**	(2,076)	–
Lease liabilities	16	**(410)**	**–**	–	–
Financial liabilities	25	**(4,212)**	**–**	(22,637)	–
Current tax liabilities		**(20)**	**(43)**	(12)	(23)
Total current liabilities		**(8,952)**	**(11,159)**	(28,172)	(10,779)
Net current assets		**14,608**	**(6,338)**	6,011	4,153
Total assets less current liabilities		**68,030**	**32,189**	53,106	38,135
Non-current liabilities					
Financial liabilities	25	**(9,309)**	**–**	(12,457)	–
Other financial liabilities	26	**(10,141)**	**–**	–	–
Lease liabilities	16	**(1,098)**	**–**	(686)	–
Deferred tax liabilities	27	**(3,112)**	**–**	(2,974)	–
Net assets		**44,370**	**32,189**	36,989	38,135
Equity					
Called up share capital	28	**1,166**	**1,166**	1,166	1,166
Share premium		**5,791**	**5,791**	5,791	5,791
Share based payment reserve		**179**	**179**	179	179
Foreign exchange translation reserve		**(3,297)**	**–**	(3,108)	–
Purchase of own shares reserve		**(2,653)**	**(2,653)**	(2,653)	(2,653)
Investment revaluation reserve		**684**	**684**	(355)	(355)
Retained earnings		**42,271**	**27,022**	35,768	34,007
Equity attributable to the owners of the parent		**44,141**	**32,189**	36,788	38,135
Non-controlling interests		**229**	**–**	201	–
Total equity		**44,370**	**32,189**	36,989	38,135
Net assets per share	12	**40.00p**		33.33p	

The Company's loss for the year was £6.71 million (2021: profit £3.49 million).

The financial statements were approved and authorised for issue by the Board of Directors on 17 August 2022 and were signed on its behalf by:

LAURA JAMES
FINANCE DIRECTOR

Registered No. 02967020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

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 2021	**1,166**	**5,791**	**179**	**(3,108)**	**(2,653)**	**(355)**	**35,768**	**201**	**36,989**
Profit for the year	–	–	–	–	–	–	6,835	–	6,835
Net profit on financial assets at fair value through other comprehensive income	–	–	–	–	–	1,039	–	–	1,039
Exchange differences arising on translation of foreign subsidiaries	–	–	–	(189)	–	–	–	6	(183)
Foreign exchange profit recycled to the Income Statement	–	–	–	–	–	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**(189)**	**–**	**1,039**	**6,835**	**6**	**7,691**
Non-controlling interests	–	–	–	–	–	–	(56)	56	–
Dividends paid	–	–	–	–	–	–	(276)	(34)	(310)
At 31 March 2022	**1,166**	**5,791**	**179**	**(3,297)**	**(2,653)**	**684**	**42,271**	**229**	**44,370**
At 1 April 2020	**1,166**	**5,791**	**179**	**(1,260)**	**(2,653)**	**(236)**	**45,060**	**157**	**48,204**
Loss for the year	–	–	–	–	–	–	(7,401)	–	(7,401)
Net (loss) on financial assets at fair value through other comprehensive income	–	–	–	–	–	(119)	–	–	(119)
Exchange differences arising on retranslation of foreign subsidiaries	–	–	–	(685)	–	–	–	24	(661)
Foreign exchange profit recycled to the Income Statement	–	–	–	(1,163)	–	–	–	–	(1,163)
Total comprehensive income	**–**	**–**	**–**	**(1,848)**	**–**	**(119)**	**(7,401)**	**24**	**(9,344)**
Non-controlling interests	–	–	–	–	–	–	(48)	48	–
Dividends paid	–	–	–	–	–	–	(1,843)	(28)	(1,871)
At 31 March 2021	**1,166**	**5,791**	**179**	**(3,108)**	**(2,653)**	**(355)**	**35,768**	**201**	**36,989**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

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 2021	**1,166**	**5,791**	**179**	**(2,653)**	**(355)**	**34,007**	**38,135**
Profit for the year	–	–	–	–	–	(6,709)	(6,709)
Net profit on financial assets at fair value through other comprehensive income	–	–	–	–	1,039	–	1,039
Total comprehensive income					**1,039**	**(6,709)**	**(5,670)**
Dividend paid	–	–	–	–	–	(276)	(276)
At 31 March 2022	**1,166**	**5,791**	**179**	**(2,653)**	**684**	**27,022**	**32,189**
At 1 April 2020	**1,166**	**5,791**	**179**	**(2,653)**	**(236)**	**32,358**	**36,605**
Profit for the year	–	–	–	–	–	3,492	3,492
Net (loss) on financial assets at fair value through other comprehensive income	–	–	–	–	(119)	–	(119)
Total comprehensive income	**–**	**–**	**–**	**–**	**(119)**	**3,492**	**3,373**
Dividend paid	–	–	–	–	–	(1,843)	(1,843)
At 31 March 2021	**1,166**	**5,791**	**179**	**(2,653)**	**(355)**	**34,007**	**38,135**

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. The 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.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
Cash flows (used in)/ from operating activities					
Operating profit/(loss)		**6,062**	**(7,862)**	(5,071)	(1,197)
Adjustments for:					
Depreciation of investment property and property, plant & equipment		**90**	**–**	1,362	–
Debt reduction following restructuring of finance lease	5	**(7,809)**	**–**	–	–
Profit on the sale of investment property		**–**	**–**	(161)	–
Loss on the sale of inventory		**–**	**–**	217	–
Impairment loss on an investment property		**–**	**–**	7,023	–
Impairment loss on amounts due from subsidiaries		**–**	**6,010**	–	–
Decrease/(increase) in inventories		**38**	**–**	(129)	–
Decrease/(increase) in trade and other receivables		**1,208**	**(5,997)**	38,858	3,908
(Decrease)/increase in trade and other payables		**(1,213)**	**360**	(2,607)	4,657
Other non-cash adjustments		**65**	**–**	(126)	–
Cash (used in)/generated from operations		**(1,559)**	**(7,489)**	39,366	7,368
Taxes received/(paid)		**118**	**111**	(640)	–
Net cash flow (used in)/from operating activities		**(1,441)**	**(7,378)**	38,726	7,368
Cash flow (used in)/from investing activities					
Capital expenditure on investment properties	15	**(1,642)**	**–**	(160)	–
Purchase of property, plant & equipment	17	**(33)**	**–**	(134)	–
Proceeds from the sale of investment property		**–**	**–**	1,505	–
Investment in shares of new associates		**–**	**–**	(605)	(605)
Investment in funds	19b)	**(3,633)**	**(3,633)**	–	–
Proceeds from funds	19b)	**290**	**290**	–	–
Proceeds from investment in associates	19a)	**48**	**48**	172	172
Interest received		**187**	**347**	67	201
Dividends from associates	19a)	**241**	**241**	24	24
Distributions received		**266**	**763**	179	4,384
Net cash flow (used in)/from investing activities		**(4,276)**	**(1,944)**	1,048	4,176
Cash flow (used in)/from financing activities					
Proceeds from bank loan		**1,289**	**–**	–	–
Repayment of bank loans		**(1,297)**	**–**	(25,077)	–
Repayment of finance lease		**(3,434)**	**–**	(2,970)	–
Interest paid		**(330)**	**–**	(740)	–
Dividends paid		**(276)**	**(276)**	(1,843)	(1,843)
Dividends paid to non-controlling interests		**(34)**	**–**	(28)	–
Net cash flow (used in)/from financing activities		**(4,082)**	**(276)**	(30,658)	(1,843)
Net (decrease)/increase in cash and cash equivalents		**(9,799)**	**(9,598)**	9,116	9,701
Cash and cash equivalents at the beginning of the year		**16,244**	**13,094**	7,337	3,395
Currency translation (losses)/gains on cash and cash equivalents		**(26)**	**(3)**	(209)	(2)
Cash and cash equivalents at the year end		**6,419**	**3,493**	16,244	13,094

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. Basis of Preparation

The financial statements for both the Group and Parent Company have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs). 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 73.

Going Concern

In a financial year impacted by COVID-19 and the economic adversity brought about by governments' policy responses to it, the Directors have carried out an analysis to support their view that the Group is a going concern and under which basis these financial statements have been prepared.

Analysis and scenario testing was carried out on the Group's main divisional income streams, being asset management fees from the asset management division, rental income from its seven directly owned group properties and cash returns from its associates and investments.

a) Asset Management Fee Income

Asset management fee income is primarily derived from its UK funds (53%), four of which are limited partnerships whose limited partners are a mix of pension funds and registered charities.

With one exception, fees are invoiced monthly and are calculated based on a percentage of the latest valuation, which for the UK funds is performed quarterly. In the one fund from which fees are not levied by reference to the properties' valuation (Fprop Offices LP) a 7% decrease in property values in this fund would trigger a clawback of a proportion of the fees received. A 27% decrease would trigger the maximum clawback of fees recognised to date of £1.97 million.

In the two UK funds with borrowing there is headroom of 14% on current property values within the LTV covenant agreed with the lenders. The Directors believe all funds have access to adequate resources to remedy the remote possibility of any loan covenant breaches.

Asset management fees on the Group's Polish and Romanian managed funds are also levied as a percentage of funds under management, with reference to the most recent valuations, again with one exception where the fee is fixed (Fprop Phoenix Ltd). These funds are set up under the ownership of a UK limited company which in turn owns the company domiciled in the country that owns the property. Each of these local companies has borrowing secured on the property and is therefore ring fenced from the Group.

The longevity of this asset management fee income is determined by the fund's life which is fixed by agreement when each fund is first established. The weighted average unexpired fund management contract term is 3 years, 3 months.

b) Rental Income from Group Properties

All seven Group Properties are located in Poland or Romania. These properties consist of three office blocks, a logistics warehouse, two mini-supermarkets and one plot of land currently under development into a mini-supermarket. All were independently valued on 31 March 2022 at £42.24 million (31 March 2021: £41.57 million).

The rental income has been reviewed and evaluated and no significant falls in collection rates are expected. The tenants are of good quality, as proven by excellent cash collection rates through and after the lockdown periods. Any renegotiation of rental payment terms that have been agreed are reflected in the analysis. Exposure to non-food retailers is very limited.

The property in Gdynia, Poland, was 97% vacant at 31 March 2022. As at 1 August 2022 it was 20% let however it could be a couple of years before this property again yields a significant income.

c) Income from Associates and Investments

Analysis was also conducted on the returns from the Group's investment in its seven Associates. All funds invested in Poland and Romania have temporarily suspended distributions to shareholders and consequently no income for the Group was assumed from this source for the purposes of this test. All bank loan covenants were reviewed and tested against future decreases in valuation and net operating income.

Dividend income from the Group's UK investments was also stress tested and found not to have a significant impact.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

1. Basis of Preparation continued

Going Concern statement

Based on the results of the analysis conducted as outlined above the Board believes that the Group has the ability to continue its business for at least twelve months from the date of approval of the financial statements and therefore has adopted the going concern basis in the preparation of this financial information.

New standards and interpretations

Standards and interpretations effective in the current period

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 April 2021. This change constitutes a change in accounting framework however, there is no impact on recognition, measurement or disclosure.

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards, (the 'applicable framework'), and have been prepared in accordance with the provisions of the Companies Act 2006 (the 'applicable legal requirements'). The policies have been consistently applied to all years presented unless otherwise stated below.

New standards and interpretations

New standards impacting the Group have been adopted in the financial statements for the year ended 31 March 2022. These have given rise to the following changes in the Group's accounting policies, which have not had a material impact on the financial statements for the year ending 31 March 2022:

- IFRS 16 (amended) – Covid-19-related Rent Concessions;
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended) – Interest Rate Benchmark Reform – Phase 2.

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 2022. 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 Statement of Financial Position, 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 Statement of Financial Position 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

Investment 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.

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.

Lessee accounting

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives received
- Variable lease payments that are based on an index or a rate
- Amounts expected to be paid by the company under residual value guarantees
- Payments or penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

2. Significant Accounting Policies continued

Lessee accounting cont.

To determine the incremental borrowing rate the Company, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 transfer of control over the property being disposed and when there are no significant outstanding obligations between buyer and seller. This generally occurs on 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 Statement of Financial Position. 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 2022

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 22).

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 qualifying 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 Statement of Financial Position 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.

  The Directors are satisfied that it is highly probable that the recognition of the Office Fund revenue in the year ended 31 March 2022 or in previous accounting periods will not be reversed in a subsequent accounting period. For the financial year ended 31 March 2022, £0.58 million was recognised in respect of the Office Fund. To date an amount of £1.97 million has been recognised which is subject to clawback. See full assessment of this revenue recognition on page 20 of the Strategic Report.

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 15);
- 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 19);
- 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); and
- As a condition of the sale of CH8 in March 2020, the Group has guaranteed the rental and service charge income and fit-out costs on the residual vacant space (Note 24).

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 are eliminated at the Group level. A table of funds managed is listed in this report on page 10.

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 seven properties, of which six were held within investment properties under non-current assets and one property held at cost in inventories under current assets.

The Associates and Investments segment includes the contributions to the Group's profit before tax from its investments in associates and other financial investments. The Group recognises its share of associates' profit after tax plus any fair value adjustments. Investment income is received from the Group's other financial investments.

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 operating expenses are allocated on a percentage basis only across the Property Fund Management segment and the Group Properties segment.

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 2022

4. Segmental Reporting continued

Segment reporting 2022

	Fund Management Division	Group Properties Division			
	Property fund management £'000	Group properties £'000	Associates and investments £'000	Unallocated central overheads £'000	**Total £'000**
Rental income	–	2,926	–	–	**2,926**
Service charge income	–	1,678	–	–	**1,678**
Sale of a property held in inventory	–	–	–	–	**–**
Asset management fees	3,463	–	–	–	**3,463**
Performance related fee income	578	–	–	–	**578**
Total revenue	**4,041**	**4,604**	**–**	**–**	**8,645**
Depreciation and amortisation	(36)	(24)	–	–	**(60)**
Operating profit	**1,437**	**7,781**	**–**	**(3,156)**	**6,062**
Share of results in associates	–	–	(29)	–	**(29)**
Fair value adjustment on associates	–	–	876	–	**876**
Investment income	–	–	271	–	**271**
Interest income	–	29	–	201	**230**
Interest payable	–	(330)	–	–	**(330)**
Profit/(loss) before tax	**1,437**	**7,480**	**1,118**	**(2,955)**	**7,080**
Analysed as:					
Underlying profit/(loss) before tax before adjusting for the following items:	**1,182**	**401**	**242**	**(1,449)**	**376**
Provision in respect of rent guarantee	–	(629)	–	–	**(629)**
Debt reduction following restructuring of finance lease	–	7,809	–	–	**7,809**
Interest received on loan to FOP at 12%	–	202	–	–	**202**
Fair value adjustment on associates (FOP)	–	–	876	–	**876**
Performance related fee income	578	–	–	–	**578**
Staff incentives	(305)	(251)	–	(1,472)	**(2,028)**
Realised foreign currency (losses)/gains	(18)	(52)	–	(34)	**(104)**
Total	**1,437**	**7,480**	**1,118**	**(2,955)**	**7,080**
Assets – Group	891	44,693	7,445	4,818	**57,847**
Share of net assets of associates	–	–	19,135	–	**19,135**
Liabilities	(143)	(31,922)	–	(547)	**(32,612)**
Net assets	**748**	**12,771**	**26,580**	**4,271**	**44,370**
Additions to non-current assets					
Property, plant and equipment	5	28	–	–	**33**
Investment properties	–	1,642	–	–	**1,642**
Trading stock	–	119	–	–	**119**

Geographic analysis	Revenue		Non-current assets	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
UK	**2,302**	2,224	**26,844**	21,912
Poland	**5,146**	8,910	**20,809**	19,110
Romania	**1,197**	985	**4,017**	4,402
Total	**8,645**	12,119	**51,670**	45,424

Segment reporting 2021

	Fund Management Division	Group Properties Division			
	Property fund management £'000	Group properties £'000	Associates and investments £'000	Unallocated central overheads £'000	**Total £'000**
Rental income	–	6,087	–	–	**6,087**
Service charge income	–	1,544	–	–	**1,544**
Sale of a property held in inventory	–	1,103	–	–	**1,103**
Asset management fees	3,345	–	–	–	**3,345**
Performance related fee income	40	–	–	–	**40**
Total revenue	**3,385**	**8,734**	**–**	**–**	**12,119**
Depreciation and amortisation	(21)	(1,425)	–	–	**(1,446)**
Operating profit	**1,304**	**(5,090)**	**–**	**(1,285)**	**(5,071)**
Share of results in associates	–	–	3,467	–	**3,467**
Fair value adjustment on associates	–	–	(2,997)	–	**(2,997)**
Investment income	–	–	185	–	**185**
Interest income	–	31	–	36	**67**
Interest payable	–	(740)	–	–	**(740)**
Profit/(loss) before tax	**1,304**	**(5,799)**	**655**	**(1,249)**	**(5,089)**
Analysed as:					
Underlying profit/(loss) before tax before adjusting for the following items:	**1,294**	**3,023**	**1,472**	**(1,213)**	**4,576**
Provision in respect of rent guarantee	–	(1,030)	–	–	**(1,030)**
Profit on the sale of Group properties	–	161	–	–	**161**
Loss on the sale of a property held in inventory	–	(217)	–	–	**(217)**
Impairment to investment property	–	(7,023)	–	–	**(7,023)**
One-off additional income from our share of associates (FOP)	–	–	2,180	–	**2,180**
Fair value adjustment on associates (FOP)	–	–	(2,997)	–	**(2,997)**
Recycled foreign exchange gain	–	1,163	–	–	**1,163**
Depreciation	–	(1,327)	–	–	**(1,327)**
Performance related fee income	40	–	–	–	**40**
Staff incentives	–	–	–	–	**–**
Realised foreign currency (losses)/gains	(30)	(549)	–	(36)	**(615)**
Total	**1,304**	**(5,799)**	**655**	**(1,249)**	**(5,089)**
Assets – Group	836	43,873	3,061	14,931	**62,701**
Share of net assets of associates	–	–	18,885	(308)	**18,577**
Liabilities	(120)	(44,001)	–	(168)	**(44,289)**
Net assets	**716**	**(128)**	**21,946**	**14,455**	**36,989**
Additions to non-current assets					
Property, plant and equipment	27	110	–	–	**137**
Investment properties	–	160	–	–	**160**
Trading stock	–	213	–	–	**213**
Investment in associates	–	–	605	–	**605**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

5. Debt Reduction Following Restructuring of Finance Lease

The results reflect the reduction of €9.00 million (£7.81 million) in the amount owed to ING Bank (from €25 million to €16 million) in final settlement of the finance lease secured against the Group's directly held property in Gdynia. As part of the transaction which completed on 11 June 2021, ING was paid €4.00 million in June 2021. The remainder of the finance lease liability was replaced by an interest free deferred consideration of €12.00 million (£10.14 million) repayable by June 2024. The deferred consideration is reflected as an Other Financial Liability in the Statement of Financial Position.

6. Interest Income/(Expense)

	2022 Group £'000	2021 Group £'000
Interest income – bank deposits	–	26
Interest income – other	230	41
Total interest income	**230**	67

	2022 Group £'000	2021 Group £'000
Interest expense – property loans	(326)	(467)
Interest expense – bank and other	(4)	(47)
Finance charges on finance leases	–	(226)
Total interest expense	**(330)**	(740)

7. Profit on Ordinary Activities Before Taxation

	2022 Group £'000	2021 Group £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment (Note 17)	60	35
– Depreciation on investment properties (Note 15)	30	1,327
– Net foreign exchange (gains)/losses (Note 4)	104	615
– Staff costs (Note 8)	5,301	3,580
– Rental income from investment properties	1,017	4,248
– Direct operating expenses arising from investment property that generated rental income during the period	1,267	1,057
– Direct operating expenses arising from investment property that did not generate rental income	614	2,071
– Depreciation on inventories (Note 21)	157	84

8. Employee Information

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

	2022 Number	2021 Number
Management	12	12
Property operations	12	12
Technical operations	37	41
	61	65

An analysis of staff costs is set out below:

	2022 Group £'000	2021 Group £'000
Wages and salaries	4,884	3,178
Social security costs	390	373
Defined contribution pension costs	27	29
Share-based payments	–	–
Total staff costs	**5,301**	3,580

The Company employs two Directors and two Non-Executive Directors only. Analysis of these costs can be found in Note 9.

9. Directors' Remuneration and Emoluments

The remuneration of the Directors was as follows:

	2022 £'000	2021 £'000
Basic pay	526	570
Pension	6	8
Fees	66	66
Benefits	15	19
Annual bonus	1,472	–
Total Directors' remuneration	**2,085**	663

	Salary and benefits £'000	Annual bonus £'000	Fees £'000	2022 £'000	2021 £'000
A J D Locke	–	–	33	33	33
P Moon	–	–	33	33	33
B N Habib	391	1,372	–	1,763	385
L B James	156	100	–	256	92
G R W Digby (retired 30 September 2020)	–	–	–	–	120
	547	1,472	66	2,085	663

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 the non-controlling interest) in the year under consideration.

There are no retirement benefits accruing to Directors (2021: £nil) under money purchase pension schemes run by the Company.

10. Audit Fees

	2022		2021	
	Group auditor £'000	Other auditors £'000	Group auditor £'000	Other auditors £'000
Audit fees				
– Audit of parent company and consolidated financial statements	54	–	49	–
– Audit of subsidiary undertakings	29	32	25	32
Non-audit fees				
– Other services	7	26	18	29
Total audit fees	**90**	**58**	92	61

11. Tax Expense

	2022 Group £'000	2021 Group £'000
Analysis of tax charge for the year		
Current tax	(172)	(179)
Deferred tax (see Note 27)	(73)	(2,133)
Total tax charge for the year	**(245)**	(2,312)

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

The deferred tax charge in 2021 arose mainly as a result of the reversal of a previously recognised deferred tax asset following the repayment of the bank loan secured against the property CH8 in April 2020.

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 income being earned in the UK.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

11. Tax Expense continued

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:

	2022 £'000	2021 £'000
Profit/(loss) on ordinary activities before tax	**7,080**	(5,089)
Profit/(loss) in ordinary activities multiplied by the standard rate of 19% (2021: 19%)	**1,345**	(967)
Effect of:		
Expenses not deductible for tax purposes	**–**	–
Income not taxable	**(51)**	–
Depreciation in excess of capital allowances on plant and equipment	**7**	(21)
Fair value adjustments	**(1,650)**	–
Prior year adjustments	**–**	(83)
Movement on deferred tax unprovided	**(109)**	211
Effect of overseas mainstream tax rates	**2**	(7)
Other adjustments including overseas tax allowable deprecation on property	**628**	1,046
Total tax charge for the period	**172**	179

Unrecognised deferred tax

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	**14**	**–**	21	–
Tax losses carried forward	**1,620**	**1,233**	1,709	1,369
Unrecognised deferred tax asset	**1,634**	**1,233**	1,730	1,369

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 Statement of Financial Position. UK deferred tax has been calculated at a rate of 19% for 2022 and 2021.

12. Earnings/NAV per Share

	2022	2021
Basic earnings per share	**6.14p**	(6.75p)
Diluted earnings per share	**6.01p**	(6.59p)

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

	£'000	£'000
Basic earnings	**6,779**	(7,449)
Notional interest on share options assumed to be exercised	**7**	7
Diluted earnings assuming full dilution	**6,786**	(7,442)

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

	2022 Number	2021 Number
Weighted average number of Ordinary Shares in issue (used for basic earnings per share calculation)	**110,382,332**	110,382,332
Number of share options	**2,610,000**	2,610,000
Total number of Ordinary Shares used in the diluted earnings per share calculation	**112,992,332**	112,992,332

	2022	2021
Net assets per share	**40.00p**	33.33p
Adjusted net assets per share	**47.28p**	42.80p

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

	2022 £'000	2021 £'000
For net assets per share		
Net assets excluding non-controlling interests	**44,141**	36,788

	£'000	£'000
For adjusted net assets per share		
Net assets excluding non-controlling interests	**44,141**	36,788
Investment properties at fair value net of deferred tax	**2,486**	2,663
Inventories at fair value net of deferred tax	**2,403**	2,701
Investments in associates and other financial investments	**4,016**	5,827
Other items	**381**	381
Total	**53,427**	48,360

13. Parent Company Result for the Year

As permitted by section 408 of the Companies Act 2006, the Company's Income Statement has not been included in these financial statements. The Company's loss for the year was £6.71 million (2021: profit £3.49 million).

14. Dividend on Ordinary Shares

	2022 £'000	2021 £'000
Interim dividend paid during the year ended 31 March 2022: 0.25 pence per share (2021: 0.45 pence per share)	**276**	497
Final dividend paid for the year ended 31 March 2021: £nil pence per share (2020: 1.22 pence per share)	**–**	1,346
Total	**276**	1,843

The final dividend for the current year ended 31 March 2022 of 0.25 pence per share (2021: nil pence) will be subject to shareholder approval at the Annual General Meeting to be held on 27 September 2022.

15. Investment Properties

i. Investment Properties:

	2022 Group £'000	2021 Group £'000
Investment properties		
At 1 April	**22,456**	32,537
Capital expenditure	**1,642**	160
Disposals	**–**	(241)
Depreciation	**(30)**	(1,327)
Impairment loss to an investment property	**–**	(7,023)
Foreign exchange translation	**(219)**	(1,650)
At 31 March	**23,849**	22,456

Investment properties owned by the Group are stated at cost less depreciation and any accumulated impairment in value. The properties were valued at the Group's financial year end at €31.85 million (31 March 2021: €30.22 million), the Sterling equivalent at closing foreign exchange rates being £26.92 million (31 March 2021: £25.74 million).

In 2015 the Directors resolved to depreciate the value of the property in Gdynia over the remaining term of the lease (which expired in February 2021) to reflect its residual value. No other property has been depreciated as their respective estimated residual values are expected to be higher than their carrying value.

An impairment in value of £7.02 million was recognised in 2021 in respect of the property in Gdynia.

ii. Amounts recognised in the income statement:

	2022 Group £'000	2021 Group £'000
Rental income from operating leases	**2,926**	6,087

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

15. Investment Properties continued

iii. Leasing arrangements where the Group is a lessor:

	2022 Group £'000	2021 Group £'000
Minimum lease receipts under non-cancellable operating leases to be received:		
Not later than one year	2,043	1,898
Later than one year and not later than five years	6,790	5,366
Later than five years	3,758	3,866
Total	**12,591**	11,130

Investment properties and property held within stock are comprised of commercial properties that are leased to third parties. The Group has approximately 38 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 5 years and 7 months (2021: 4 years and 9 months). No contingent rents are charged.

16. Leases and Right of Use Assets

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see Note 15.

The amounts recognised in the financial statements in relation to the leases are as follows:

i. Amounts recognised in the balance sheet:

	31 March 2022 £'000	31 March 2021 £'000
Right of use assets		
Current	446	–
Non-current	1,018	686

	31 March 2022 £'000	31 March 2021 £'000
Lease liabilities		
Current	410	–
Non-current	1,098	686

There was one addition of £754,000 (2021: £nil) to the right-of-use assets and one addition to the lease liability of £767,999 (2021: £nil) during the financial year.

ii. Amounts recognised in the Income Statement:

	2022 £'000	2021 £'000
Depreciation/Rent charge of right of use assets		
Buildings	446	197
Total	**446**	197

	2022 £'000	2021 £'000
Interest expense		
Buildings	186	20
Total	**186**	20

iii. Summary of the Group's leasing activity:

The Group has reviewed the terms of its leases and has identified:

The lease of the UK office on St James's Street, London, SW1A 1HD which commenced on 2 July 2020. A discount rate of 2.00% has been applied.

The lease by First Property Poland Sp. z o. o. (FPP), a subsidiary entity leasing office space from 5th Property Trading Poland Sp. z o. o. (a related party to the Group) which terminates on 31 March 2025. A discount rate of 2.75% has been applied representing its incremental borrowing rate.

The lease by First Property Poland Sp. z o. o. (FPP), a subsidiary entity leasing office space from Lublin Zana (a related party to the Group) which terminates on 31 December 2024.

As at 31 March 2022 the Group has recognised a lease liability under IFRS 16 of £1.51 million (31 March 2021: £0.69 million) and a right of use asset of £1.46 million (2021: £0.69 million). The net credit to the Income Statement was £44,000. Rental contracts are typically made for fixed periods of six months to four years but may have extension options.

17. Property, Plant and Equipment

Group 2022	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 April 2021	328	63	22	37	450
Foreign currency translation	(3)	–	–	–	(3)
Additions	14	–	19	–	33
Disposals	(12)	–	–	–	(12)
At 31 March 2022	**327**	**63**	**41**	**37**	**468**
Depreciation					
At 1 April 2021	178	56	22	37	293
Foreign currency translation	(1)	–	–	–	(1)
Charge for year	58	2	–	–	60
Disposals	(12)	–	–	–	(12)
At 31 March 2022	**223**	**58**	**22**	**37**	**340**
Net book value at 31 March 2022	**104**	**5**	**19**	**–**	**128**

Group 2021	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 April 2020	238	75	24	37	374
Foreign currency translation	(10)	(3)	(2)	–	(15)
Additions	135	2	–	–	137
Disposals	(35)	(11)	–	–	(46)
At 31 March 2021	**328**	**63**	**22**	**37**	**450**
Depreciation					
At 1 April 2020	187	62	24	37	310
Foreign currency translation	(7)	(3)	(2)	–	(12)
Charge for year	30	5	–	–	35
Disposals	(32)	(8)	–	–	(40)
At 31 March 2021	**178**	**56**	**22**	**37**	**293**
Net book value at 31 March 2021	**150**	**7**	**–**	**–**	**157**

The Company had no property, plant or equipment (2021: £nil). The Group holds no property, plant and equipment under a finance lease.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

18. Investment in Group Undertakings

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Investment in consolidated subsidiaries				
At 1 April	–	3,418	–	3,213
Additions	–	–	–	205
Impairment	–	–	–	–
At 31 March	–	3,418	–	3,418

During the year ended 31 March 2022 the Company increased its investment in Felix Development SRL by £nil (31 March 2021: £205,000).

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

19. Investments in Associates and Other Financial Investments

The Group has the following investments:

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Associates				
At 1 April	18,577	13,893	17,698	13,460
Additions	–	–	605	605
Disposals	–	–	–	–
Shareholder loan repayments	(48)	(48)	(172)	(172)
Share of associates' profit/(loss) after tax	(29)	–	3,467	–
Share of associates' revaluation gains/(losses)	876	(7)	(2,997)	–
Dividends received	(241)	–	(24)	–
At 31 March	19,135	13,838	18,577	13,893

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:

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in associates				
5th Property Trading Ltd	1,652	258	1,555	258
Fprop Romanian Supermarkets Ltd	–	–	194	7
Fprop Galeria Corso Ltd	2,700	1,204	2,479	1,204
Fprop Krakow Ltd	1,580	980	1,592	980
Fprop Cluj Ltd	615	374	596	422
Fprop Phoenix Ltd	913	998	1,530	998
Fprop Opportunities plc	11,983	10,024	10,939	10,024
	19,443	13,838	18,885	13,893
Less: Share of profit after tax withheld on sale of property to 5th Property Trading Ltd in 2007 (an associated company)	(308)	–	(308)	–
	19,135	13,838	18,577	13,893

If the Group had adopted the alternative "fair value" model for accounting for investment properties, the carrying value of the investments in associates would have increased to £23.15 million (31 March 2021: £24.41 million).

The withheld profit figure of £0.31 million (2021: £0.31 million) represents the removal of the percentage of intercompany profit resulting from the sale of the property in 2007 to 5th Property Trading Ltd (an associate). The figure will reduce when there is a reduction in First Property Group's stake in 5th Property Trading Ltd.

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 Poland. Its principal place of business is 32 St James's Street, London, SW1A 1HD. The Group's ownership interest in the associate is 43.79% and the Group's investment in the associate is measured using the equity method. There were no dividends received in the year to 31 March 2022 and a financial summary of Fprop Opportunities plc in the year to 31 March 2022 is as follows;

	Year ended 31 March 2022 £'000
Current assets	**5,114**
Non-current assets	**64,457**
Current liabilities	**(6,303)**
Non-current liabilities	**(36,479)**
Net assets	**26,784**
Revenue	**6,996**
Profit after tax from continuing operations	**1,760**

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
b) Other financial investments				
At 1 April	**3,061**	**3,061**	3,174	3,174
Additions	**3,633**	**3,633**	6	6
Disposal	**–**	**–**	–	–
Repayments	**(290)**	**(290)**	–	–
Decrease in fair value during the year	**1,041**	**1,041**	(119)	(119)
At 31 March	**7,445**	**7,445**	3,061	3,061

The Group holds four (2021: three) unlisted investments in funds managed by it. Each is designated at fair value through "Other Comprehensive Income" (OCI) as per IFRS 9. The Directors consider their fair value to be not materially different from their carrying value. Fair value has been calculated by applying the Group's percentage holding in the investments to the fair value of their net assets.

During the year the Group invested £0.25 million in a new fund that was established in association with Fulcrum Asset Management (Fprop Fulcrum Property LP) and also increased its investment by £3.38 million in the Group managed fund – Fprop UK Special Opportunities LP, increasing the Group's equity stake to 11.1%.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

19. Investments in Associates and Other Financial Investments continued

The principal investments of the Group at 31 March 2022 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	–
Fprop Gdynia Podolska Limited (formerly FPGP Limited)	Property holding Company	100	–
Regional Property Trading Limited	Property holding company	100	–
E and S Estates Limited	Property holding company	77	–
Fprop Gdynia Limited (formerly Fprop Szczecin Limited)	Property holding company	100	–
Fprop UK General Partner 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	–
Fprop Fulcrum 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	–
Fprop Company 1 Limited	Property holding company	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
First Property Services Sp. z o.o.	Service management company	–	100
E and S Estates Poland Sp. z o. o.	Property holding company	–	88
Fprop Gdynia Sp. z o. o. (formerly Fprop Szczecin Sp. z o.o.)	Property holding company	–	100
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	–
The UK Pension Property Portfolio LP	Property fund	1	–
Fprop Galeria Corso Limited	Property fund	28	–
Fprop Romanian Supermarkets Limited (in liquidation)	Property fund	24	–
Fprop Krakow Limited	Property fund	18	–
Fprop UK Special Opportunities LP	Property fund	11	–
Fprop Offices LP	Property fund	2	–
Fprop Fulcrum Property LP	Property fund	3	–
Fprop Cluj Limited	Property fund	17	–
Fprop Phoenix Limited	Property fund	23	–
Fprop Opportunities plc	Property fund	44	–
Fprop Opportunity Lodz Limited	Property holding company	–	44
Fprop Opportunity Krasnystaw Limited	Property holding company	–	44
Fprop Opportunities Lodz II Limited	Property holding company	–	44
Fprop Opportunity Lublin Limited	Property holding company	–	44
Fprop Opportunity Ostrowiec Limited	Property holding company	–	44
Fprop Zinga Limited	Property holding company	–	44
Poland			
5th Property Trading 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	–	44
Fprop Krasnystaw Sp. z o.o.	Property holding company	–	44
Lublin Zana Sp. z o.o.	Property holding company	–	44
Galeria Ostrowiec Sp. z o.o.	Property holding company	–	44
Fprop Ostrowiec Sp. z o.o.	Property holding company	–	44
Zinga Fprop Sp. z o.o.	Property holding company	–	44
Zinga Poland Sp. z o.o.	Property holding company	–	44
Zinga Fprop Poland Sp. z o. o.	Property holding company	–	44
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 CJ SRL	Property holding company	–	17

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

19. 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 (in liquidation)	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 UK GP (Nominee) 8 Limited	Nominee	–	100
Fprop UK GP (Nominee) 9 Limited	Nominee	–	100
Fprop UK GP (Nominee) 10 Limited	Nominee	–	100
Fprop UK GP (Nominee) 11 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
Fprop Offices (Nominee) 10 Limited	Nominee	–	100
Fprop Fulcrum GP Nominee 1 Limited	Nominee	–	100
Fprop Fulcrum GP Nominee 2 Limited	Nominee	–	100
Fprop Fulcrum GP Nominee 3 Limited	Nominee	–	100
Fprop Fulcrum GP Nominee 4 Limited	Nominee	–	100
Fprop Fulcrum GP Nominee 5 Limited	Nominee	–	100
Fprop Fulcrum GP Nominee 6 Limited	Nominee	–	100
Fprop Fulcrum GP Nominee 7 Limited	Nominee	–	100
Fprop Fulcrum GP Nominee 8 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 Plac Bankowy 2, Warsaw 00-095, 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, sector 3, Drumui Intre Tarlale, Nr. 41C, Etaj 2, Romania;
Fprop CJ SRL – Centru logistic Tureni, Localitatea Tureni Strada Principala numarul 4i, parter, camera 3, judetul Cluj, Romania.

First Property Sterling General Partner Limited, First Property General Partner Limited, SIPS Property Nominee Limited, Fprop UK General Partner Limited and Fprop Fulcrum General Partner Limited have not been consolidated for the reason that they are not material to the Group.

20. Goodwill

	2022 Group £'000	2021 Group £'000
At 1 April	**153**	153
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.

21. Inventories – Land and Buildings

	2022 Group £'000	2021 Group £'000
Group properties for resale at cost		
At 1 April	**12,494**	14,558
Capital expenditure	**119**	213
Disposal	**–**	(1,320)
Depreciation	**(157)**	(84)
Foreign exchange translation	**(104)**	(873)
At 31 March	**12,352**	12,494

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 €18.13 million (£15.32 million), down from €18.58 million (£15.83 million) at 31 March 2021 but is stated at cost as above.

The disposal in 2021 relates to the sale of another property related to Blue Tower. Consideration of £1.10 million was received in respect of this sale resulting in a loss on disposal of £0.22 million.

22. Trade and Other Receivables

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
a) Current assets				
Trade receivables	**1,003**	**83**	1,325	92
Less provision for impairment of receivables	**(73)**	**–**	(281)	–
Trade receivables net	**930**	**83**	1,044	92
Other receivables	**2,299**	**1,211**	3,408	1,609
Prepayments and accrued income	**1,100**	**34**	697	28
At 31 March	**4,329**	**1,328**	5,149	1,729

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

22. Trade and Other Receivables continued

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:

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Accumulated impairment losses as at 1 April	**(281)**	**–**	(330)	–
Increase in provision	**(61)**	**–**	(244)	–
Provision used	**11**	**–**	80	–
Release of provision	**259**	**–**	197	–
Effect of translation on presentation currency	**(1)**	**–**	16	–
Accumulated impairment losses as at 31 March	**(73)**	**–**	(281)	–

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
b) Non-current assets				
Other receivables	**95**	**–**	487	–
Amounts owed by subsidiaries and other undertakings	**–**	**13,826**	–	13,610

In 2022, other receivables include a balance of £95,000 (2021: £487,000) 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.

Other receivables of £13.83 million held by the Company comprise loan and dividend balances due from subsidiaries and associates (2021: £13.61 million). Loans and dividends in subsidiaries and associates are stated at cost less an expected credit loss on the balance in accordance with IFRS 9. An impairment loss of £6.01 million was recognised in the Company in the year in respect of these loans (31 March 2021: £nil).

23. Trade and Other Payables

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Current liabilities				
Trade payables	**1,105**	**15**	2,052	52
Amounts due to subsidiary undertakings and associates	**–**	**10,608**	–	10,612
Other taxation and social security	**313**	**–**	557	–
Other payables and accruals	**1,917**	**493**	691	92
Deferred income	**53**	**–**	147	–
At 31 March	**3,388**	**11,116**	3,447	10,756

Deferred income £53,000 (2021: £147,000) 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.

24. Provisions

	2022 Group £'000	2021 Group £'000
Current liabilities		
At 31 March	**922**	2,076

The provision at 31 March 2022 represents a rent guarantee of £0.52 million (31 March 2021: £0.79 million) and fit-out costs of £0.40 million (31 March 2021: £1.29 million). These provisions are in respect of the rent guarantee given as part of the sale of CH8 which completed in April 2020.

As a condition of the sale the Group guaranteed the rental and service charge income and fit-out costs on the residual vacant space, up to some €1.20 million per annum for five years and €1.50 million respectively.

Movements in the provisions were as follows:

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Provisions as at 1 April	**2,076**	–	2,311	–
Increase in provision	**529**	–	1,030	–
Provision used	**(1,667)**	–	(1,177)	–
Release of provision	**(29)**	–	–	–
Effect of translation on presentation currency	**13**	–	(88)	–
At 31 March	**922**	–	2,076	–

25. Financial Liabilities

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Current liabilities				
Bank loan	**4,212**	–	1,194	–
Finance lease	–	–	21,443	–
At 31 March	**4,212**	–	22,637	–
Non-current liabilities				
Bank loans	**9,309**	–	12,457	–
Finance lease	–	–	–	–
At 31 March	**9,309**	–	12,457	–

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Total obligations under bank loans and finance lease				
Repayable within one year	**4,212**	–	22,637	–
Repayable within one and five years	**7,364**	–	11,116	–
Repayable after five years	**1,945**	–	1,341	–
At 31 March	**13,521**	–	35,094	–

Four bank loans all denominated in Euros and totalling £13.52 million (31 March 2021: £35.09 million), included within financial liabilities, are secured against investment properties owned by the Group and one property owned by the Group shown under inventories. These bank loans and the finance lease are otherwise non-recourse to the Group's assets.

During the year to 31 March 2022, terms were agreed with the bank to restructure the financing of Gdynia for a final repayment of €16.00 million, of which €4.00 million was paid with the balance of €12.00 million due in June 2024. The finance lease secured on this property at 31 March 2021 is now reflected as deferred consideration in Other Financial Liabilities in note 26.

See financial instruments Note 31 on page 72 for information on any covenant breaches in respect of these financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

25. Financial Liabilities continued

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

Finance lease liabilities:	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
Less than one year	–	–	21,443	–
Between two and five years	–	–	–	–
Later than five years	–	–	–	–
Future finance charges on future finance lease payments	–	–	–	–
	–	–	21,443	–

The analysed present value of finance lease liabilities is as follows:	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
Less than one year	–	–	21,443	–
Between two and five years	–	–	–	–
Later than five years	–	–	–	–
	–	–	21,443	–

26. Other Financial Liabilities

	2022 Group £'000	2021 Group £'000
Non-current liabilities	10,141	–

This non-current liability represents the balance of €12.00 million which was a result of the restructuring of a finance lease secured against the office tower in Gdynia. The restructuring resulted in the amount owed to ING bank in final settlement reducing by €9.00 million (£7.81 million). As part of the deal, the Group acquired the freehold of the property for €16.00 million of which €4.00 million has been paid and €12.00 million is repayable by June 2024. No interest is payable on this non-current liability. The deferred consideration is reflected as an Other Financial Liability in the Statement of Financial Position.

27. Deferred Tax

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

	2022 Group net assets £'000	2022 Group assets £'000	2022 Group liabilities £'000	2021 Group net assets £'000	2021 Group assets £'000	2021 Group liabilities £'000
Accrued interest payable	117	117	–	(1,021)	118	(1,139)
Accrued income	(4)	–	(4)	(13)	–	(13)
Foreign bank loan	(212)	203	(415)	899	902	(3)
Investment properties and inventories	(1,476)	1,119	(2,595)	(1,331)	427	(1,758)
Other temporary differences	62	160	(98)	10	71	(61)
At 31 March	(1,513)	1,599	(3,112)	(1,456)	1,518	(2,974)

Relevant Group companies are making taxable profits.

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

	2022 Group net assets £'000	2022 Group assets £'000	2022 Group liabilities £'000	2021 Group net assets £'000	2021 Group assets £'000	2021 Group liabilities £'000
At 1 April	(1,456)	1,518	(2,974)	557	2,659	(2,102)
(Charge)/credit in the year	(73)	92	(165)	(2,133)	(996)	(1,137)
Foreign exchange translation	16	(11)	27	120	(145)	265
At 31 March	(1,513)	1,599	(3,112)	(1,456)	1,518	(2,974)

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

	2022 £'000	2021 £'000
Authorised		
240,000,000 (2021: 240,000,000) Ordinary Shares of 1 pence each	**2,400**	2,400
Issued and fully paid		
116,601,115 (2021: 116,601,115) Ordinary Shares of 1 pence each of issued share capital, of which 6,218,783 Ordinary Shares (2021: 6,218,783) are held in treasury	**1,166**	1,166

	Ordinary Shares number	Treasury Shares number	Share options number
1 April 2021	110,382,332	6,218,783	2,610,000
Purchase of shares into treasury	–	–	–
Exercise of share options	–	–	–
Issue of new shares	–	–	–
Issue of shares to Non-Executive Director	–	–	–
Lapse of share options	–	–	–
31 March 2022	**110,382,332**	**6,218,783**	**2,610,000**

	Ordinary Shares number	Treasury Shares number	Share options number
1 April 2020	110,382,332	6,218,783	2,610,000
Purchase of shares into treasury	–	–	–
Exercise of share options	–	–	–
Issue of new shares	–	–	–
Issue of shares to Non-Executive Director	–	–	–
Lapse of share options	–	–	–
31 March 2021	**110,382,332**	**6,218,783**	**2,610,000**

The Company had 2,610,000 options over Ordinary Shares outstanding at 31 March 2022 (2021: 2,610,000). Once these share options are exercised, the Ordinary Shares issued will rank pari passu with the existing Ordinary Shares.

Year of grant	Exercise price (p)	Exercise period	31 March 2022 Numbers	31 March 2021 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**	1,610,000

All outstanding options have fully vested and qualify to be exercisable. During the year no share options were exercised or granted. The weighted average share price at the date of exercise of these shares was 14.58 pence. All share options are issued under the Company's Unapproved Share Option Scheme. The weighted average contractual life of the share options is 88.17 months.

29. Contractual Commitments

The Group has contractual commitments relating to the development of investment properties at 31 March 2022 amounting to £1,750,000 (2021: £5,751,000) which are expected to be expended over the next 12 months.

30. Financial Commitments

The Group had total commitments under non-cancellable operating leases payable as follows:

	Land and buildings 2022 £'000	Land and buildings 2021 £'000
Total amounts due		
– within a year	**–**	90
– between one and five years	**–**	294
In more than five years	**–**	–
	–	384

The liability relates to a five-year operating lease terminating in June 2025 for the head office in London.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

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 24 and 25 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.

Deposits of €0.65 million (31 March 2021: €0.75 million) are held by lending banks in respect of four bank loans (31 March 2021: five) as security for Debt Service Cover Ratio (DSCR) covenants, of which €62,000 (31 March 2021: €98,000) are accounted for as prepayments.

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.

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 year end date. Foreign exchange differences on translation of these assets and liabilities are taken to the foreign exchange translation reserve in the Statement of Financial Position.

	Net foreign currency monetary assets/liabilities			
	Euro Poland & Romania £'000	Polish Zloty Poland £'000	Romanian Leu Romania £'000	Total £'000
2022				
Sterling Equivalent	**(12,330)**	**315**	**98**	**(11,917)**
2021				
Sterling Equivalent	(23,762)	589	66	(23,107)

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 New 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.

	2022 Income Statement £'000	2021 Income Statement £'000	**2022 Equity £'000**	2021 Equity £'000
Interest rate sensitivity analysis				
UK interest rate +1%	**41**	136	**41**	136
EURO interest rate +1%	**(85)**	(293)	**(85)**	(293)
RON interest rate +1%	**1**	1	**1**	1
PLN interest rate +1%	**7**	7	**7**	7
	(36)	(149)	**(36)**	(149)
Foreign currency sensitivity analysis				
EURO exchange rate +5%	**9**	65	**(307)**	(379)
RON exchange rate +5%	**2**	4	**5**	3
PLN exchange rate +5%	**(69)**	4	**541**	36
	(58)	73	**239**	(340)

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 Statement of Financial Position date were outstanding for the whole year.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

31. Financial Instruments and Risk Management continued

Market risk cont.

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 22 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 2022 and 31 March 2021 was as follows:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Non-interest bearing £'000	Total £'000
Other receivables due after one year	–	–	–	–
Cash	6,419	–	–	6,419
Short-term deposits	–	–	550	550
At 31 March 2022	**6,419**	**–**	**550**	**6,969**
Other receivables due after one year	–	–	–	–
Cash	16,244	–	–	16,244
Short-term deposits	–	–	555	555
At 31 March 2021	**16,244**	**–**	**555**	**16,799**

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 the central bank rate in the country where the assets are held.

Fixed rate short-term deposits at 31 March 2022 were £nil (31 March 2021: £nil).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2022 and 31 March 2021 was as follows:

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Non-interest bearing £'000	Total £'000
Bank loans	10,109	3,412	–	13,521
Finance lease obligations	–	–	–	–
Other financial liabilities	–	–	10,141	10,141
At 31 March 2022	**10,109**	**3,412**	**10,141**	**23,662**
Bank loans	9,903	3,748	–	13,651
Finance lease obligations	21,443	–	–	21,443
Other financial liabilities	–	–	–	–
At 31 March 2021	**31,346**	**3,748**	**–**	**35,094**

The Group's debt maturity other than short-term trade creditors and accruals at 31 March 2022 and 31 March 2021 was as follows:

	Bank loans £'000	Finance lease £'000	Other financial liabilities £'000	Total £'000
In one year or less	4,212	–	–	4,212
Between one and five years	7,364	–	10,141	17,505
Over five years	1,945	–	–	1,945
Total at 31 March 2022	**13,521**	**–**	**10,141**	**23,662**
In one year or less	1,194	21,443	–	22,637
Between one and five years	11,116	–	–	11,116
Over five years	1,341	–	–	1,341
Total at 31 March 2021	**13,651**	**21,443**	**–**	**35,094**

Four bank loans and one finance lease all denominated in Euros totalling £23.66 million (2021: £35.09 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.

There are no loan to value covenant breaches based on the current market values.

In the period to 31 March 2022 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
3,150	2023	Euro	Non-recourse	€27,000 per month	Annualised rate of one month EURIBOR plus an all in margin of 2.40%	Three retail properties in Poland, of which two are in Warsaw and one in Lodz
2,306	2029	Euro	Non-recourse	€135,000 per quarter	Annualised rate of three month EURIBOR plus an all in margin of 3.0%	Two Romanian properties located in Bucharest and Tureni
1,241	2031	Euro	Non-recourse	€21,000 per quarter	Annualised rate of three month EURIBOR plus an all in margin of 3.0%	Two Romanian properties located in Bucharest and Tureni
5,588	2025	Euro	Non-recourse	€35,400 per month	Annualised rate of six month EURIBOR plus a margin 2.4%.	28% share of Blue Tower office building
1,236	2033	Euro	Non-recourse	€15,000 per month	2.60% over three month EURIBOR and 100% of the loan secured with an IRS rate of 0.00%.	20% share of Blue Tower office building
Total bank loans £13,521						

Borrowing facilities

At 31 March 2022 the Group had £nil committed borrowing facilities available (31 March 2021: £nil undrawn).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2022

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.

Related party transactions for the Group	2022 £'000	2021 £'000
Property management fees to associates	1,304	1,399
Amounts owed by associates at year end	1,370	1,713
Related party transactions for the Company		
Management charge to subsidiaries	300	360
Management charge paid to subsidiaries	–	–
Profit share charged to subsidiaries	–	–
Dividends received from subsidiaries during the year	46	3,696
Net funding transactions with subsidiaries and associates	(5,874)	(10,394)
Shareholder loan interest receivable from subsidiaries during the year	194	175
Shareholder loan interest payable to subsidiaries during the year	–	–
Amounts owed by subsidiaries at year end	13,826	13,610
Amounts owed to subsidiaries at year end	10,608	10,407
Amounts owed by associates at year end	4,009	2,837
Key management compensation		
Short-term employee benefits (see Note 9)	2,156	633

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 £3.7 million (2021: £0.24 million) are unsecured and are interest free apart from a £0.87 million loan to E and S Estates Ltd on which interest of £14,000 was charged in the year. All loans made by UK subsidiary companies to the Company totalling £7.62 million (2021: £9.07 million) are unsecured and are interest free.

All loans made by the Company to non-UK subsidiaries totalling £2.97 million (2021: £4.69 million) are unsecured but interest bearing at commercial rates of interest. All loans made by non-UK subsidiaries to the Company totalling £2.99 million (2021: £1.54 million) are unsecured but interest bearing at commercial rates of interest.

33. Five Year Financial Summary

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Continuing operations					
Profit/(loss) before tax	7,080	(5,089)	5,519	8,308	9,233
Performance related fee income	578	40	415	1,541	189
Net (borrowings)/cash	(17,243)	(18,850)	(57,197)	(56,939)	(102,308)
Net cash flow from operating activities	(1,441)	38,726	5,338	6,732	9,787
Net assets (excluding non-controlling interest)	44,141	36,788	48,047	46,172	46,735
Total assets under management	£559m	£569m	£623m	£706m	£626m
Earnings/(loss) per share	6.14p	(6.75p)	4.38p	4.95p	5.82p
Dividend per share	0.50p	0.45p	1.67p	1.66p	1.60p
Dividend cover	12.3x	(15x)	2.6x	3.0x	3.6x
Adjusted net asset value per share	47.28	42.80p	55.00p	57.48p	53.07p

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 Company's Registered office of 32 St James's Street, London, SW1A 1HD on 27 September 2022 at noon for the following purposes:

ORDINARY RESOLUTIONS

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 2022.
2. To declare and approve a total final dividend of 0.25 pence per Ordinary Share of 1 pence each ("Ordinary Share") for the year.
3. To re-appoint Peter Moon as a Director who retires in accordance with Article 97 of the Articles and is eligible for re-appointment in accordance with Article 97 of the Articles.
4. To re-appoint Benyamin Habib as a Director who retires in accordance with Article 97 of the Articles and is eligible for re-appointment 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.
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 ("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 £369,570 (being 33.33 per cent of the issued share capital of the Company as at 4 July 2022, 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.

SPECIAL RESOLUTIONS

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 £221,764,

   and this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed and the date 15 months after the passing of this resolution save that the Company may make an offer or enter into an agreement before such expiry which would or might 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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 11,088,233 (representing just under 10 per cent of the Company's issued ordinary share capital as at 4 July 2022 less shares in treasury);

   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;

   this authority will (unless renewed, varied or revoked) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, on the date 12 months from the date of passing this resolution.

By Order of the Board

JILL AUBREY
COMPANY SECRETARY

17 August 2022

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 below for instructions on how to lodge your vote.

1. We continue to monitor the impact of the COVID-19 virus in the United Kingdom. The health and wellbeing of our colleagues, shareholders and the wider community in which our Company operates is a priority for us. Shareholders are advised to check the Company's website for any updates to the arrangements for the AGM. Shareholders are asked not to attend the AGM in person if they are displaying any symptoms of COVID-19 or have recently been in contact with anyone who has tested positive. To facilitate shareholder engagement, the Company will be providing a facility to enable shareholders to join remotely via a live presentation and invites shareholders to submit questions at any time in advance of the meeting or during the meeting using the online facility that will be provided. Details of how to access the live presentation and to ask questions will be published on the Company's website. Please note that shareholders will be required to register for free to access the live presentation via www.investormeetcompany.com and follow First Property Group plc. Please note that joining remotely will not constitute attendance and shareholders will not be able to vote at the meeting. Shareholders are therefore asked to submit their votes by proxy.
2. To the extent shareholders wish to attend in person and can do so safely, the Board kindly requests that shareholders pre-register their intentions to attend by emailing the Company Secretary, Jill Aubrey at jill.aubrey@fprop.com.
3. 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. However, they must attend the meeting in person 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.
4. 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
   - select your communication preference.

   Alternatively, Link Group, the Company's registrar, has launched a shareholder app: LinkVote+. It is free to download and use and gives shareholders the ability to access their records at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on the Apple App Store and Google Play.

   Any power of attorney or other authority under which the proxy is submitted must be returned to the Company's Registrars, Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. If a paper form of proxy is requested from the registrar, it should be completed and returned to Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL to be received not less than 48 hours before the time of the meeting.
5. 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 23 September 2022 (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.
6. 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.
7. 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 5 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.

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

8. 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).
9. 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).
10. 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.
11. 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.
12. If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Group by email at enquiries@linkgroup.co.uk, or you may call Link on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Link are open between 09:00 and 17:30, Monday to Friday excluding public holidays in England and Wales.
13. As at midday on 4 July 2022, the Company's issued share capital comprised 110,882,332 Ordinary Shares of 1 pence each and 5,718,783 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 4 July 2022 is 110,882,332.
14. 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 £221,764, which corresponds to 20% of the issued share capital of the Company (less the number of Ordinary Shares held in treasury) at 4 July 2022.

COMMUNICATION

15. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

    - calling the Link Group shareholder helpline on 0371 664 0300. From overseas, +44 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 and 17:30, Monday to Friday excluding public holidays in England and Wales.

    or

    - First Property Group plc on 020 7340 0270.

    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 J D Locke
(Non-Executive Chairman)

Peter G Moon
(Non-Executive Director)

Benyamin N Habib
(Group Chief Executive)

Laura James
(Group Finance Director)

COMPANY SECRETARY
Jill Aubrey

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Incorporated in England

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E14 5HP

NOMINATED ADVISER & BROKER
Allenby Capital Limited
5 St. Helen's Place
London
EC3A 6AB

LEGAL ADVISERS
Mills & Reeve LLP
24 King William Street
London
EC4R 9AT

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

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