

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