



Annual Report &
Accounts 2020


Welcome to First Property Group plc

- › Eprop is an award winning property fund manager and investor with operations in the United Kingdom, Poland and Romania.
- › Its focus is on higher yielding commercial property with sustainable cash flows.
- › It benefits from a high degree of earnings visibility, underpinned by a strong Balance Sheet.

The Group operates via two divisions with shared overheads from offices in London, Warsaw and Bucharest. The Company is flexible and takes an active approach to asset management. Its earnings are derived from:


Division 1

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

 Read more on **pages 12 to 13**

Division 2

Group Properties – principal investments by the Group to earn a return on its own capital, usually in partnership with third parties. Investments comprise eight directly owned properties in Poland and Romania and non-controlling interests in ten of the twelve funds managed by FPAM.

 Read more on **pages 14 to 15**

Highlights for the year ended 31 March 2020

Adjusted Net Assets per Share 55.00p 2019: 57.48p	Third Party AUM £567m 2019: £611m
Diluted Earnings per Share 4.29p 2019: 4.85p	Annualised Fund Management Fee Income (excluding performance fee income) £3.13m 2019: £3.34m
Total Dividend per Share 1.67p 2019: 1.66p	Weighted Average Unexpired Fund Management Contract Term 5yrs, 0mths 2019: 5yrs, 9mths

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.

Some of our clients

**Willis
Towers
Watson**



Christ Church,
Oxford



Christ's College,
Cambridge



St. Catherine's College,
Oxford

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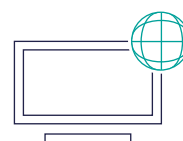
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**For the latest online**

Listed on AIM the Company has offices in London, Warsaw and Bucharest. Around one third of the shares in the Company are owned by management and their families. Further information about the Company and its products can be found at:

www.fprop.com

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.

Group structure

Fund Management Division

First Property Asset Management (FPAM) earns fees from investing for third parties in property.

- > AUM: £567m
- > 12 funds invested across UK, Poland and Romania
- > Fee income: £3.13m annualised (excluding performance fees and the profit share from Fprop Offices LP) as at 31 March 2020
- > FCA regulated and AIFMD approved (full scope)

 Read more on [pages 12 to 13](#)

Group Properties Division

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

Directly owned properties

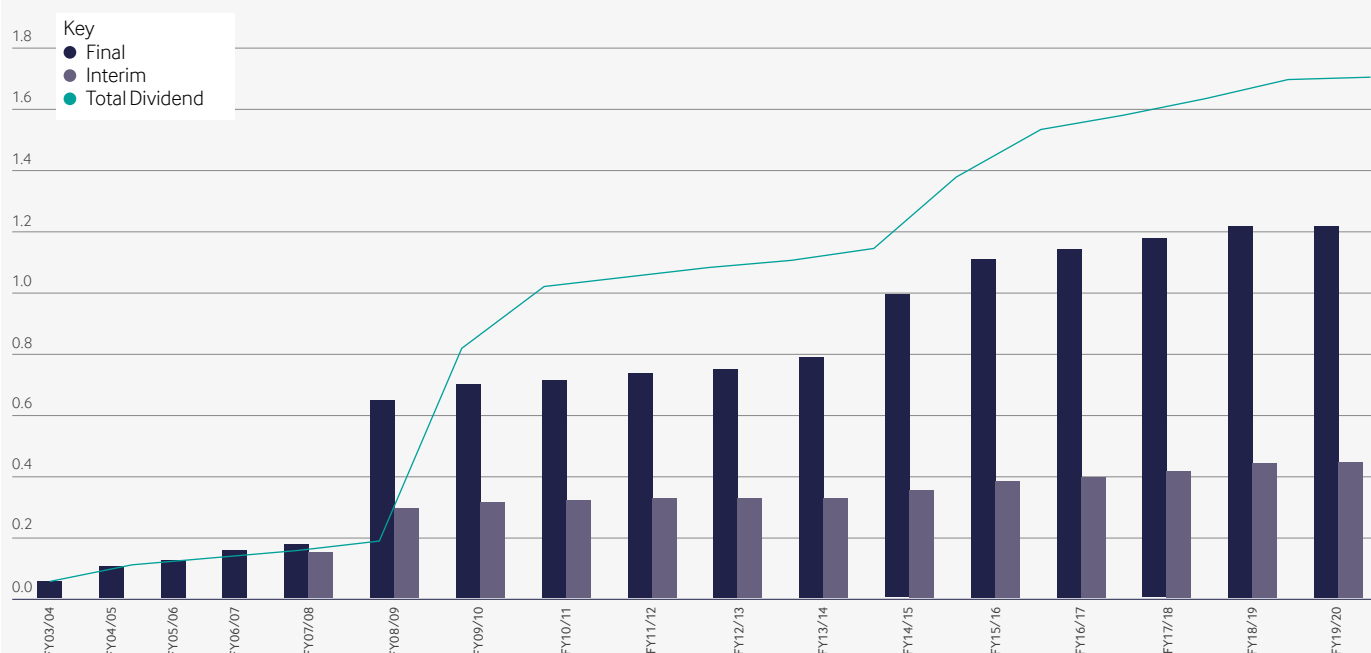
- > 8 properties (6 in Poland, 2 in Romania)
- > Market value £56.3m
- > Debt £42.0m
- > **Net equity £14.3m**

Associates and investments

- > Non-controlling interests in 10 of the 12 funds managed by FPAM
- > **Market value c£27.1m**

 Read more on [pages 14 to 15](#)

Continued growth in dividend



NAV per share

Adjusted to the market value of the various Group Properties (including associates and investments) less any taxes due in the event of their sale.

Adjusted NAV =

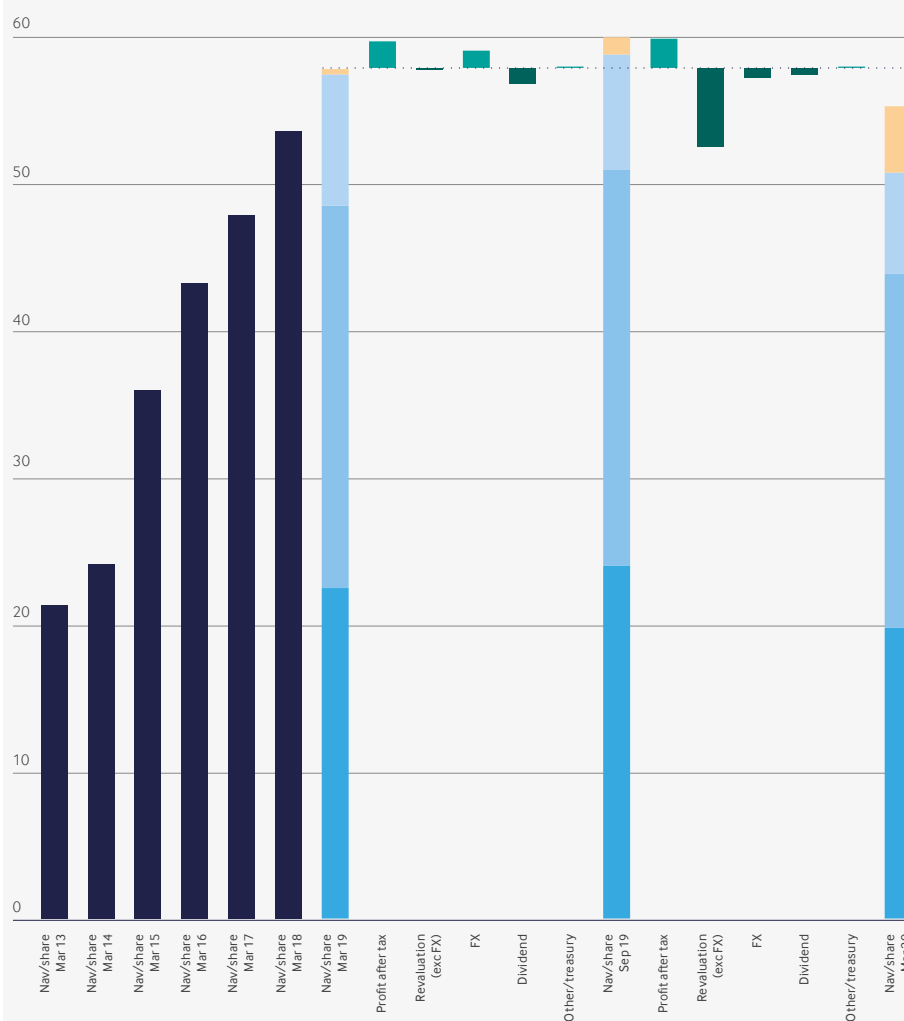
Calculated according to European Public Real Estate Association (EPRA) methodology, which includes fair values of financial instruments, debt and deferred taxes.

External valuers

CBRE, BNP Paribas, Koterski

Key

- Group properties less loans
- Associates and other investments
- Cash
- Other working capital



Investment philosophy

1. When buying for income, sustainability of income is a priority.

2. Property is illiquid:

- › This illiquidity can be mitigated by rental income – liquidity through income.
- › Over the long term it is income and not capital value movements which largely determine total investment property returns (IPD: income contributed some c57% of total returns over 10 years to 31 Dec 2019 and some c65% over the 39 years to 31 Dec 2019).

3. Capital preservation:

- › Capital is better protected if investments yield a high income. Income dampens capital value volatility.

4. A fundamental approach to investing:

- › Consensus may chase a particular investment theme but that does not justify it.

5. Flexibility in the light of market changes:

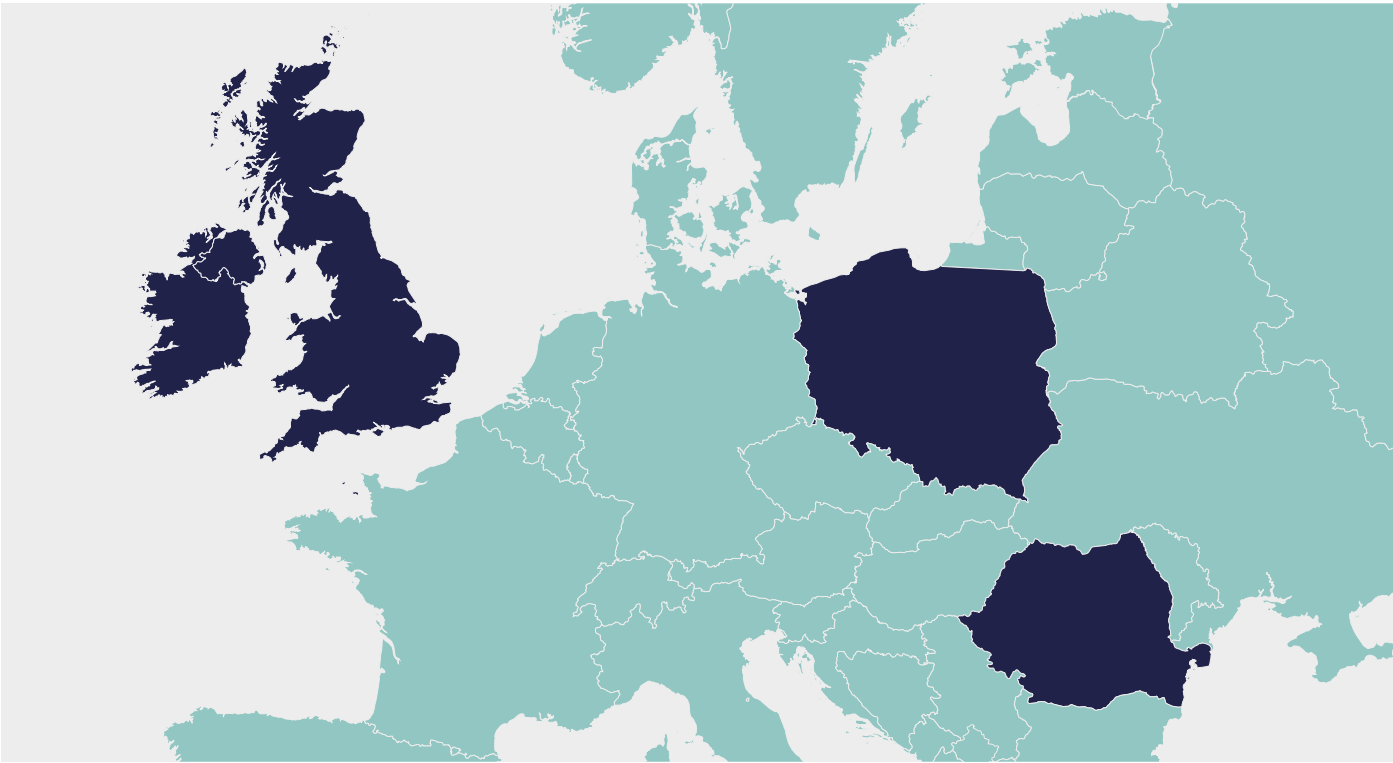
- › 2005: Largely exited the UK commercial property market.
- › 2009: Re-entered – We act dynamically.
- › 2008: Reversed asset management policy of waiting until lease expiry to renew leases following the onset of the credit crunch.
- › May 2013: Recommended development activity in the UK in response to the introduction of Permitted Development Rights (PDR) and the boosting of demand for residential property with the “Help to Buy” scheme – achieved IRR of 98% for clients without leverage.
- › 2016: Varied PDR strategy to invest in offices for rental growth (as opposed to for development) due to PDR resulting in diminishing office supply / rising rents.
- › 2017: Acquired an office park in Krakow, Poland, out of administration. Turnaround situation, including resolution of legacy litigation. Deep expertise required.
- › COVID-19: Entered the crisis with circa £23.6 million of cash following the sale of CH8.

6. An active approach to asset management (where possible):

- › Drive income and in turn capital values by hands-on property management, relying as much as is possible on internal resources.

7. Think from first principles.

Our operations



Overview

A key facet of successful property investment is local knowledge, which is why we maintain investment teams in the three countries in which we invest. This local expertise is what gives us confidence to invest.

Part of this confidence is derived from retaining the performance of most property management functions in-house, in order to stay close to the information flow pertaining to each property in which we invest.

77
Total properties



Local expertise

Our local teams are capable of performing all aspects of property investment, from underwriting investments at purchase, to subsequent asset management (including ancillary development if required), rent collection and service charge reconciliation, fund reporting, etc.

Headcount:
United Kingdom: 19
Poland: 43
Romania: 1

Attention to detail

In our experience, which dates back to the recession of the early 1990's in the UK, those who outsource even some property management functions inevitably have a more distant relationship with the properties under their management and risk missing vital pieces of information. Some of this may appear innocuous at the time, in particular to a third party, but knowledge of it enables us to maintain a complete picture of the properties we manage. Nobody cares about our properties as much as we do.

Our Markets

Images from left to right:

Blue Tower, Warsaw, Poland (Group Property)

Maestro Business Centre, Cluj, Romania (Client Property)

Imperial Place, Borehamwood, UK (Client Property)



Poland

£182.5m **£49.8m**

Third party AUM Group Properties

Overview

GDP in Poland is likely to be one of the least affected in the EU by the coronavirus pandemic and one of just three in the bloc that is expected to return to 2019 levels of economic productivity by the end of 2021, according to the EU Commission. The World Bank concurs. Prior to the crisis the ratio between Polish government debt and GDP was low at around 46%, making their COVID-19 stimulus package (worth some 10% of GDP) easily affordable. Interest rates, meanwhile, sit at 0.5% in Poland and can be cut if needed. Poland was one of the first European countries to exit lockdown.

Until the onset of COVID-19, rents for commercial property had remained broadly stable for several years as increased occupier demand, resulting from continuous economic growth, has broadly been met by increased supply. As a result, the gap between commercial property rents and GDP per capita has been growing ever wider. We suspect that rents will revert (upwards) to the mean at some point. There were some signs of this prior to the onset of COVID-19, due to recent increases in the cost of construction. The cost of new office construction in Poland is currently around €1,000-€1,500 per m² excluding the cost of land. The cost of refurbishment varies but a good rule of thumb is currently around €250-€350 per m².

Transaction volumes for commercial property reached €7.8 billion in 2019, an all-time high. Prior to lockdown the banking market remained healthy and yields for good secondary property, of the sort we favour, were attractive at around 7.5% per annum or more. We suspect there may be a temporary reduction in rents and capital values resulting from COVID-19 but that the attractive dynamics of the Polish economy will soon result in value increases.

Total AUM by asset type:



Total: £232.3m

● Offices: £149.1m

● Shopping centres: £57.5m

● Supermarkets/Supermarket led: £25.7m



Romania

£8.8m **£6.6m**

Third party AUM Group Properties

Overview

Similar to Poland, Romania was quick to respond to the COVID-19 pandemic. It entered lockdown relatively early, and was quick to implement measures to combat the ill effects of it, including a fiscal stimulus package. Romania's economy is expected to recover faster than most EU countries.

The supply and demand dynamics of commercial property in Romania are also similar to Poland, it being a fast growing economy where new commercial property supply is constantly being created to meet demand. As a result, rental growth has not kept pace with GDP growth.

International investment in commercial property has remained steady in recent years with transaction volumes in 2019 broadly unchanged from 2018 at around €1 billion. Yields for good quality commercial property are generally around 8.5%, about 1% wider than in Poland, as a result of less liquidity and higher financing costs.

Total AUM by asset type:



Total: £15.4m

● Offices: £11.7m

● Retail/Retail warehousing: £2.7m

● Supermarkets/Supermarket led: £1.0m



United Kingdom

£375.7m **Nil**

Third party AUM Group Properties

Overview

According to Bank of England forecasts the economy will shrink by around 14% this year. The true extent of this has not yet been broadly felt due to various government measures to combat the effects of lockdown. When the furlough scheme ends in October unemployment is likely to rise further and occupier demand for commercial property is likely to reduce. With government debt set to balloon to levels not seen since World War 2, not just in the UK but globally, interest rates are likely to remain low for a long time. This is likely to buoy asset prices, even in the face of deteriorating economic fundamentals.

Existing trends in the commercial property market have generally accelerated as a result of COVID-19. The pressure on physical retailers is even greater than before, resulting in continued falling rents and capital values for retail property, in particular on the high street and in shopping centres. Conversely demand is growing for logistic and industrial space.

In 2019 the total return from all commercial property was 2.2%. Offices outside London were the top performing submarket with total returns of 8.6% in the year. The next nearest challenger was South East industrials at 8.5%. All Retail total returns were -6.2% for the year, the lowest reported figure since 2008.

Total AUM by asset type:



Total: £375.7m

● Offices: £215.7m

● Retail/Retail warehousing: £100.4m

● Supermarkets/Supermarket led: £51.6m

● Industrial: £8.0m

Chief Executive's Statement



Notwithstanding the major disruption to the economy and markets caused by various government responses to COVID-19, I am pleased to report that the Group is in as strong a position as it has ever been, with Group cash of some £23.6 million at 23 June 2020.

The Group has not accessed any of the government support schemes to ease the effects of the lockdown, nor has it put any staff on furlough or made any redundancies. The Group has honoured contracts with its counterparties, and expects to continue doing so.

Financial performance

Profit before tax decreased by 33.6% to £5.52 million (2019: £8.31 million) and by 23.9% on a proforma basis (2019: £7.25 million), mainly due to performance related fees reducing to £415,000 from £1.54 million in 2019.

Diluted earnings per share decreased by 11.5% to 4.29 pence (2019: 4.85 pence), a smaller decrease than profit before tax due to a lower tax charge.

Profit before tax was largely unaffected by foreign exchange rate movements.

The most significant financial and operational event of the year was the sale announced on 23 December 2019 of the Group's largest directly owned asset, a 50.3% share in Chałubińskiego 8 (CH8), an office building in Warsaw. The sale, which completed after the financial year-end, released some £17 million of cash and reduced debt to some £42 million (all of which is non-recourse to the Group). The cash generated both underpins the Group and provides it with significant resources with which to make new investments in what is likely to become an interesting investment market. It is intended to invest the cash in partnership with clients of the Group, in line with the Group's aim to grow its fund management business.

The Group ended the year with increased net assets, excluding non-controlling interests, of £48.05 million (2019: £46.17 million), equating to 43.53 pence per share (2019: 41.46 pence per share). The net assets of the Group when adjusted to their market value less any deferred tax liabilities decreased by 5.1% to £62.15 million (2019: £65.51 million), equating to 55.00 pence per share (2019: 57.48 pence per share).

The annualised growth in adjusted net assets together with dividends paid to shareholders over the last ten years equates to 22.7% (2019: 22.8%) per annum, a record of which we are immensely proud.

During the year the Group purchased 1,000,000 of its own Ordinary Shares, which are now held in Treasury, for a total consideration of £417,000 (equating to an average price paid of 41.7 pence per share).

Dividend

The Directors have resolved to maintain the final dividend at 1.22 pence per share (2019: 1.22 pence per share), which together with the interim dividend of 0.45 pence per share (2019: 0.44 pence per share), equates to a dividend for the year of 1.67 pence per share (2019: 1.66 pence per share).

The proposed final dividend will be paid on 25 September 2020 to shareholders on the register at 21 August 2020, and is subject to shareholder approval at the forthcoming annual general meeting on 23 September 2020.

The full year's dividend is covered 2.60 times (2019: 2.98 times).

Current trading and prospects

It is a difficult time to be reporting our results against the backdrop of a pandemic and the World in the throes of an economic crisis. Notwithstanding this, I am pleased to report that the Group is in as strong a position as it has ever been, with cash resources amounting to some £23.6 million.

We have had no need to draw on any of the support measures offered by the government in the wake of COVID-19 and are well positioned to take advantage of investment opportunities that will undoubtedly emerge. We shall aim to do so in conjunction with our clients so as to further our aim to grow our fund management business.

I am hopeful that we will emerge from the crisis in an even stronger position to that in which we entered it.

Ben Habib
Chief Executive Officer

25 June 2020

Why invest in Fprop?

1. Expertise

- › Experienced, nimble management team;
- › Excellent investment track record: 22.7% p.a. growth in net assets (incl dividends paid) over past 10 years;
- › Ranked No.1 vs MSCI's Central & Eastern European (CEE) Benchmark.

2. Reliable earnings

- › Diversified income streams from investment returns and fund management fees, much of which is of a contractual nature;
- › Cash generative with a strong balance sheet;
- › Progressive dividend policy. Currently 2.6 times covered by earnings.

3. Growth

- › In-built growth in net assets from high return on equity invested;
- › All fund management clients have had good experiences – should lead to more fund management contracts;
- › >£20 million of cash available for future deals;
- › Operationally geared – can take on new business without material increases in overheads.

4. Geographically diversified

- › Operations in UK, Poland and Romania;
- › All three countries performing well economically and amongst the highest growth areas in Europe;
- › Mix of jurisdictions provides a natural hedge against Brexit volatility.

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Case study: sale of Group property (Poland)

Group Property: Office Tower, CH8, Warsaw



In April 2020, just as the international coronavirus crisis set in, we completed the sale of our largest asset, Chałubińskiego 8 (CH8), an office tower in central Warsaw. The sale was agreed in December 2019 and generated a profit of €1.6 million (c£1.4 million) after costs and after a provision of €2.67 million (£2.3 million) in respect of a rent guarantee provided to the buyer of the property. The net cash received by the Group amounted to some €16.7 million, increasing total Group cash to more than £20 million, representing over half the Company's market value at the time.

The sale came at an excellent time for the Group given the uncertainty created by the economic shutdowns across the Globe prompted by COVID-19. The significant cash generated by the sale underpins the Group and provides it with significant resources with which to make new investments in what is likely to become an interesting investment market. It is intended for the cash to be used in partnership with clients of the Group. This should significantly increase the equity available to make investments to above £100 million which, when coupled with bank debt, should generate buying power of over £300 million.

€44.0m

Sale Price
(c£38.9 million)

€19.6m

Cash Released
(c£17 million)

63%

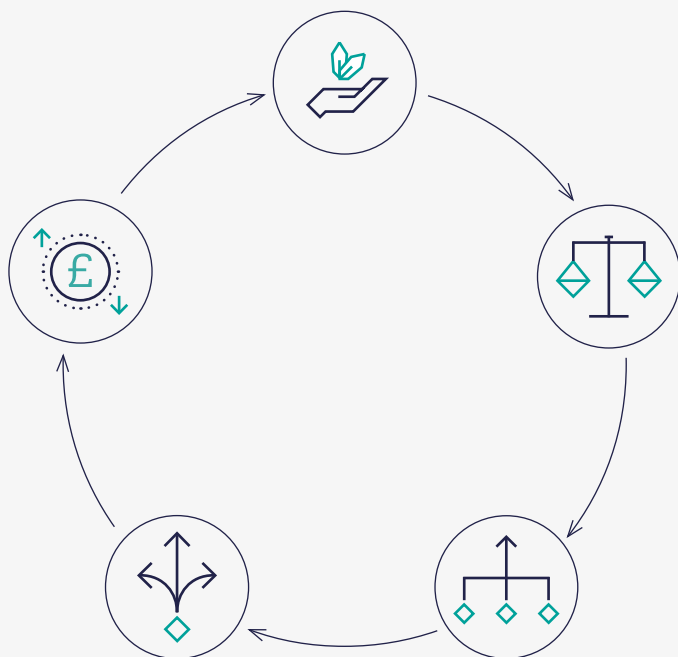
IRR (levered)

5yr 3mnths

Hold Period

Our Strategy

Our strategy



1. Deliver sustainable revenue

Core revenue from both the Group's trading divisions is of a contractual nature.



2. Achieve overall growth

The Group is seeking to achieve a more equal contribution to profits from its Fund Management Division and its Group Properties Division.



3. Active approach to asset management

Utilise in-house expertise to be proactive and dynamic in our chosen markets.



4. Remain flexible

In particular in the light of market changes.



5. Capitalise on market opportunities

Endeavour to achieve first mover advantage after identifying new and changing circumstances in our chosen markets.

Eximius Park, Krakow



Our Stakeholders

Stakeholder engagement

Strategic Response

- › New fund mandates should increase the Group's fund management fee income.
- › Both fund management fee income and rental income from Group Properties is of a contractual nature.

Strategy in Action

- › Weighted average unexpired fund management contract term = 5 years, 0 months (as at 31 March 2020).
- › Weighted Average Unexpired Lease Term (WAULT) of 8 wholly owned Group Properties = 1 year 10 months (as at 31 March 2020).
- › Annualised fee income (excluding performance fee income) £3.13 million as at 31 March 2020.

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.

Shareholders

- › Seek to comply with the QCA code – see page 20 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 constructive dialogue;
- › Be responsive to tenant changing 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

- › Environmental, Social and Governance (ESG) considerations have long been an integral part of the Group's operations, including in its investment processes, because they can affect the investment performance of the properties and funds which we manage. 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.

Strategic Response

- › The establishment of new funds.
- › Possible sale of directly owned Group Properties.

Strategy in Action

- › Sale of CH8, the Group's most valuable property, frees up cash to co-invest in new associates and investments.
- › Ongoing discussions to increase third party funds under management.

Strategic Response

- › Drive income and in turn capital values by hands-on property management, relying as much as possible on internal capabilities.

Strategy in Action

- › Sale of property in Kingston – restructured the lease by incorporating fixed rental uplifts instead of open market reviews. See case study on page 10.
- › Imperial Place, Borehamwood – implemented strategic asset management initiatives including plans to introduce showers, cycle racks, upgraded café, upgrade the M&E, etc.
- › Eximius Park, Krakow – half vacant office at purchase, requiring capital investment and active asset management to turn it around.
- › Galeria Ostrowiec – enlarged by around a third (4,320m²) resulting in a 22% increase in net operating income and 11% increase in overall capital value.

Strategic Response

- › Thinking from first principles.
- › In-house property teams employed in Poland, the UK and Romania.

Strategy in Action

- › 2005: Largely exited the UK commercial property market.
- › 2009: Re-entered – We act dynamically.
- › 2008: Reversed asset management policy of waiting until lease expiry to renew leases following the onset of the credit crunch.
- › May 2013: Recommended development activity in the UK in response to the introduction of Permitted Development Rights (PDR) and the boosting of demand for residential property with the "Help to Buy" scheme – achieved IRR of 98% for clients without leverage.
- › 2016: Varied PDR strategy to invest in offices for rental growth (as opposed to for development) due to PDR resulting in diminishing office supply / rising rents.
- › 2017: Acquired an office park in Krakow, Poland, out of administration. Turnaround required, including resolution of legacy litigation. Deep expertise required.
- › COVID-19: Entered the crisis with circa £23.6 million of cash following the sale of CH8.

Strategic Response

- › Maximise and exploit any new opportunities arising.

Strategy in Action

- › Completion of sale of CH8 in April 2020 boosted the Group's cash to £23.6 million as at 23 June 2020 from £7.34 million as at 31 March 2020.
- › Acquisition of Krakow Business Park (since re-named Eximius Park) at short notice in 2017 for a cash consideration of £1.0 million.

Case study: sale of client property (UK)

Client property: mixed use building, Kingston (principally let to JD Wetherspoons)



We acquired this mixed use building totalling 31,100 ft² in March 2011 on behalf of UK Pension Property Portfolio LP at an initial yield of 7%. Just over half of it was let to pub operator JD Wetherspoon. The upper floors were let on a long lease to a church and a small retail unit on the ground floor was let to a sole trader.

In 2011 we restructured the lease to JD Wetherspoon by incorporating fixed rental uplifts of 7.5% into the 2021 and 2026 rent reviews, instead of open market rent reviews. It was partly this which prompted JD Wetherspoon to offer to buy the property from us before the first rental uplift became effective. The price offered was at a yield of 3.4%, equating to £7.95 million and resulting in a capital gain of £3.9 million, a 97% increase on our purchase price of £4 million.

£7.95m	£6.43m	£2.51m	8yr 7mths
Sale Price	Total Net Profit	Income Profit	Hold Period



Case study: active asset management (Romania)

Group Property: Multi-let, multi-purpose industrial property in Tuerin, Cluj County, Romania



A proactive approach helped to ensure this property remained let through two economic downturns. It was first acquired in July 2007 at a yield of 9% from its sole tenant Aquila, a logistics operator, under a 10-year sale and leaseback transaction. Annual rent increases were indexed to Eurozone CPI.

Aquila traded well from it throughout the credit crunch and extended the lease 7 months beyond its 10 year term, leaving in 2018. We then altered the property to appeal to a broader array of potential tenants but retained the cold storage facilities, the most valuable sections of the warehouse. Within two months of Aquila's departure, the Group secured a new 10-year anchor lease with leading British OEM manufacturer, Teconnex, and further repurposed the property for them. Shortly afterwards, the Group secured a second long-term lease with a leading local logistics operator, SLS, thereby diversifying the rental income from the property and staggering the lease expiry profile.

And recently, in April 2020, at the height of COVID-19 panic, the Group entered into a new long term lease with Teconnex encompassing its existing space and the remaining vacant space in the building, totalling some 6,300 m².

8,500m²

Size

€3.5m

Valuation at
31 March 2020

€3.20

Average rent per m²
per month

9.3%

Yield

Performance Review

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).

First Property Asset Management Ltd (FPAM)

Division Revenue -22%

£3.89m

(2019: £4.96m)

Third Party AUM -7%

£567m

(2019: £611m)

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As at 31 March 2020 third party assets under management amounted to £567 million (2019: £611 million), a reduction of some 7%. Around a third of the reduction from the prior year was due to property sales. The balance was due to downwards revaluations, in particular in the retail sector following the onset of COVID-19.

No new funds were established during the year.

The split of funds managed across different asset classes, including funds in which the Group is a minority shareholder, is shown below.

In Central Europe, FPAM retained its position as the best performing fund manager versus MSCI's Central and Eastern European (CEE) Benchmark, now for the 14 years to 31 December 2019. Rental income was the main driver which contributed to the result. In the recent COVID-19 pandemic, our rent collection rate has thus far been higher than the industry average, according to a survey by Remit Consulting. In the UK, where the majority of rent is due quarterly in advance, we collected some 93% of rent for the March quarter. The collection rates in Poland and Romania were some 84% and 95% respectively of the combined April and May rental income.

On 1 November 2019 First Property Asset Management Ltd became a full scope Alternative Investment Fund Manager (AIFM) enabling it to manage above €500 million in aggregate of third-party funds.

The reconciliation of movement in funds under management during the year is shown opposite.

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

In the case of Fprop Offices LP, the Group is entitled to a share of total profits in lieu of fund management fees and to receive annual payments on account equivalent to 10% of total cumulative income profits and realised capital gains.

Under its accounting policy the Group does not recognise unrealised property revaluations above the properties original cost. These payments are adjusted annually, if necessary, for any overpayments made in previous years up to a maximum of total past cumulative payments received. In the year just ended the Group recognised £415,000 (2019: £961,000), increasing the maximum that could be subject to clawback to £1.38 million. The reduction in the contribution from Fprop Offices LP was due to the value of its properties being marked down at 31 March 2020. Future entitlements to payment in respect of this fund are being earned at an annualised rate of £820,000 per annum, before property revaluations, and thus act as a buffer against possible refund liabilities in the future.

Revenue excluding performance fees earned by this division increased to £3.48 million (2019: £3.42 million) but total revenue decreased by 21% to £3.90 million (2019: £4.96 million), resulting in a profit before unallocated central overheads and tax of £1.34 million (2019: £3.03 million). The decrease in total revenue and profit earned by this division results mainly from a lower contribution from performance fees, with Fprop Offices LP being the only fund from which performance fees were due.

At the year-end FPAM's fund management fee revenue, excluding any profit share from Fprop Offices LP, was being earned at an annualised rate of £3.13 million (2019: £3.34 million).

FPAM continues to manage 12 property investment funds. The weighted average unexpired fund management contract term at the year-end was 5 years, 0 months (2019: 5 years, 9 months).

Looking ahead, we expect that the disruption caused by the COVID-19 pandemic is likely to lead to a temporary reduction in asset prices. We expect to increase our investment activities as a result, including by investing Group cash alongside fund management clients.

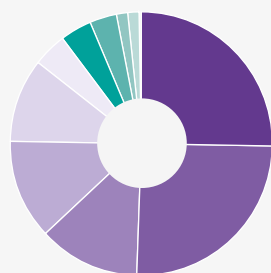
A brief synopsis of the value of assets and maturity of each of the funds managed by FPAM is set out on the opposite page.

Funds managed by asset class

	UK £m	Poland £m	Romania £m	Total £m	% of Total
Offices	215.67	105.36	7.82	328.85	58.0%
Retail warehousing	100.45	—	—	100.45	17.7%
Supermarkets/ Supermarket led schemes	51.58	19.68	0.98	72.24	12.8%
Shopping centres	—	57.45	—	57.45	10.1%
Industrial	8.03	—	—	8.03	1.4%
Total	375.73	182.49	8.80	567.02	100%
% of Total third party AUM	66.3%	32.2%	1.5%	100%	

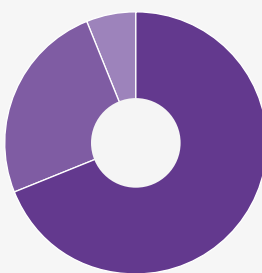
FPAM Funds under management

Analysis by fund



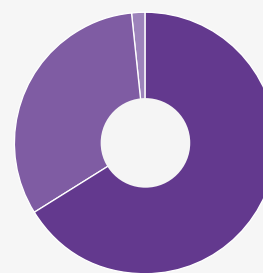
OFFICES: 25.29%	FGC: 3.94%
SIPS: 25.28%	Spec Opps: 3.29%
FOP: 12.58%	SPT: 1.42%
UK PPP: 12.40%	FCL: 1.38%
FPL: 10.19%	FRS: 0.17%
FKR: 4.06%	SAM & DHOW: 0.0%

Analysis by client type



Pension Funds: 69.0%
Private Client: 25.0%
Endowments: 6.0%

Analysis by geography



UK: 66.3%
Poland: 32.2%
Romania: 1.5%

Reconciliation of movement in third party funds under management FY2020

	UK £m	CEE £m	Total £m	Number of properties
As at 31 March 2019	415.95	195.12	611.07	71
Purchases:				
Existing funds	—	—	—	—
New funds	—	—	—	—
Property sales	(13.98)	—	(13.98)	(2)
Capital expenditure	1.17	0.34	1.51	—
Property depreciation and write down	—	(0.48)	(0.48)	—
Property revaluation	(27.41)	(9.09)	(36.50)	—
FX revaluation	—	5.40	5.40	—
As at 31 March 2020	375.73	191.29	567.02	69

Third party funds under management FY2020

Fund	Country of investment	Fund expiry	Assets under management at market value at 31 March 2020 £m	No. of properties	% of total third party AUM	Assets under management at market value at 31 March 2019 £m
SAM & DHOW	UK	Rolling	*	*	*	*
SPT	Poland	Dec 2022	8.0	3	1.42	7.9
UK PPP	UK	Feb 2022	70.3	20	12.40	87.2
OFFICES	UK	Jun 2024	143.4	5	25.29	146.6
SIPS	UK	Jan 2025	143.4	24	25.28	163.1
FOP	Poland	Oct 2025	71.3	5	12.58	71.8
FRS	Romania	Jan 2026	1.0	1	0.17	1.0
FGC	Poland	Mar 2026	22.4	1	3.94	21.6
SPEC OPPS	UK	Jan 2027	18.6	4	3.29	19.0
FKR	Poland	Mar 2027	23.0	1	4.06	23.0
FCL	Romania	Jun 2028	7.8	1	1.38	7.7
FPL	Poland	Jun 2028	57.8	4	10.19	62.1
Total Third Party AUM			567.0	69	100.00	611.0

* Not subject to recent revaluation.

Performance Review continued

Group Properties Division

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

Group Properties Division

Division Revenue -20%

£12.39m

(2019: £15.48m)

Group Properties AUM -40%

£56.30m

(2019: £94.61m including CH8)

For more information

Financial Review	16
Principal Risks and Uncertainties	18

At 31 March 2020 Group Properties comprised eight (2019: nine) directly owned properties in Poland and Romania and non-controlling interests in ten of the twelve funds managed by FPAM.

1. Directly owned Group Properties

The Group's eight (2019: nine) directly owned commercial properties in Poland and Romania are accounted for under the cost model as set out in the table on page 15.

The directly owned Group Properties generated a profit before unallocated central overheads and tax of £4.70 million (2019: £2.70 million). The increase was mainly a result of the profit of £1.53 million earned on the sale of CH8, Warsaw.

Of the Group's remaining eight directly owned properties, two account for 78% by value (£43.70 million). Both are office buildings in Poland of which one is in Warsaw (11,000 m²) and the other in Gdynia (15,500 m²).

The Group continues to depreciate the holding value of its office building in Gdynia at a rate of £1.74 million (£1.97 million) per annum because it is let to a single tenant and the lease expires in October 2020. We have commenced discussions with the tenant and other prospective tenants about leasing space in the building. The balance of 20% by value (£12.60 million) is invested in three mini-supermarkets in Poland, a development site in Warsaw, an office in Bucharest and a logistics warehouse in Romania.

The debt secured against the eight Group Properties reduced by some £22 million to £42 million following the sale of CH8, resulting in a loan to value ratio of some 75% and the ratio of debt to gross assets at market value of some 51%.

Each loan secured against the eight Group Properties is held in a separate non-recourse special purpose vehicle. There are no loan to value covenant breaches.

The finance lease for the office building in Gdynia is technically in default of one of its loan covenants for failure to lease more than 50% of the leasable area one year prior to the expiry of the current sole tenant's lease in October 2020. Negotiations with the lender, the tenant and prospective tenants are in progress.

Interest expense in the year amounted to some £1.34 million (2019: £2.18 million). In order to mitigate potential interest rate increases we have fixed the interest rate on a proportion (47%) of these loans. The current weighted average borrowing cost is 1.83% (2019: 2.15%).

2. Associates and Investments

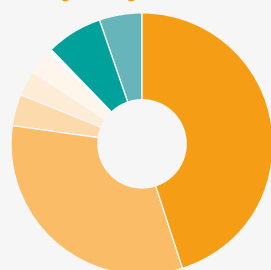
The Group's non-controlling interests in ten of the twelve funds managed by FPAM are accounted for under the cost model as set out in the table opposite.

The contribution to Group profit before tax prior to the deduction of unallocated central overheads from our ten minority shareholdings in funds managed by FPAM was £1.22 million, down from £1.60 million in 2019 (2019 proforma: £2.32 million). The reduction in profit compared to 2019 was mainly due to:

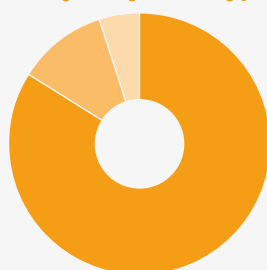
- > a loss of £141,000 in Fprop Phoenix Ltd, which benefitted from a one-off gain in the prior year following the successful conclusion of a legacy dispute with a contractor (2019: £1.05 million);
- > a reduction in the value of £659,000 in the Group's 40% shareholding in FOP after the Polish government closed all shopping centres as part of its response to COVID-19 and the resultant reduction in the value of its two shopping centres.

Analysis of Group Properties Division

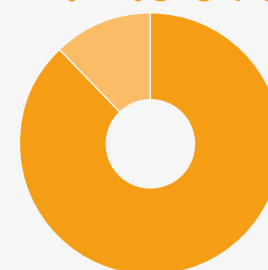
Analysis by value



Analysis by asset type



Analysis by geography



Directly held properties at 31 March 2020

Country	Sector	No. of properties	Book value £m	Market value £m	Contribution to Group profit before tax – year to 31 March 2020 £m	Contribution to Group profit before tax – year to 31 March 2019 £m
Poland	Offices	2	37.68	43.70	5.1	2.3*
Poland	Supermarkets	4	5.31	6.00	0.2	(0.1)
Romania	Office and logistics	2	4.10	6.60	0.4	0.2
Total		8	47.09	56.30	5.7	2.4

* Includes a €3.5 million impairment loss to an investment property.

The reconciliation of movement in directly held Group properties FY2020:

	All CEE £m	No. of properties
As at 31 March 2019	94.61	9
Purchases:		
- Existing funds	–	–
- New funds	–	–
Property sales	(33.19)	(1)
Capital expenditure	1.26	–
Property depreciation and write down	(2.06)	–
Property revaluation	(4.23)	–
FX revaluation	(0.09)	–
As at 31 March 2020	56.30	8

Analysis of borrowings secured against the eight directly held properties:

	31 March 2020	31 March 2019	% change
Book value of Group properties	£47.09m	£82.14m	-42.7%*
Market value of Group properties	£56.30m	£94.61m	-40.5%
Gross debt (all non-recourse to Group)	£41.97m**	£66.68m	-37.1%
LTV at book value %	89.13%**	81.18%	
LTV at market value %	74.55%***	70.43%	

* Reduction due to the sale of the Group's largest directly owned property, CH8.

** Gross debt excludes the bank loan (£22.56 million) in respect of CH8, the investment property sold at the year end. The bank loan was repaid following completion of the sale on 24 April 2020.

*** Calculated by excluding the repaid bank loan relating to CH8.

Associates and investments:

Fund	% owned by First Property Group	Book value of First Property's share in fund £'000	Current market value of holdings £'000	Group's share of post-tax profits/(losses) earned by fund 31 March 2020 £'000	Group's share of post-tax profits/(losses) earned by fund 31 March 2019 £'000
Interest in associates					
SPT	40.6%	1,128	1,209	149	54
RPT/E and S	*	*	*	*	(9)*
FRS	24.1%	168	254	18	116
FGC	28.2%	2,346	2,977	288	302
FKR	18.1%	1,451	1,870	169	156
FCL	17.4%	519	519	79	17
FPL	23.4%	1,908	6,956	(141)	1,051
FOP	40.0%	10,178	10,178	658	(87)
Share of results in associates		17,698	23,963	1,220	1,600
Investments					
UKPPP	0.9%	672	672	134	59
SPEC OPPS	4.0%	536	536	57	45
OFFICES	1.6%	1,966	1,966	133	169
Sub-total		3,174	3,174	324	273
Total		20,872	27,137	1,544	1,873

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

Financial Review



The financial results for the year ended 31 March 2020 bear testimony not only to the Group's business model through the current on-going upheavals but also to the Group's longstanding policy of holding its properties, whether directly held Group Properties or Associates and Investments, at the lower of cost and fair value. This results in smoother earnings because there is no effect on either the Income Statement or reported net assets as stated in the Balance Sheet, in the event of uplifts in value or reversals of such uplifts, providing the revised value is above original cost.

The one exception to the above policy is the Group's 40% interest in Fprop Opportunities plc (FOP) which had to be stated at fair (market) value in October 2018 when it achieved associate status, in accordance with IFRS. This fund holds two shopping centres in Poland, the valuations of which were adversely affected by the Polish government's decision to close shopping centres to combat the COVID-19 pandemic. This resulted in a reduction in fair value of £659,000 charged to the Income Statement.

The income returns were also affected by the closures. Despite this the Group achieved a creditable profit before tax of £5.52 million against £8.31 million in 2019.

The sale of CH8, an office tower in Warsaw, resulted in the value of the directly held Group Properties reducing from £94.6 million to £56.3 million.

The reduction in third party assets under management (AUM) from £611 million to £567 million was the result of two further property disposals and reductions in valuations largely in the final quarter after the onset of the COVID-19 pandemic.

Total Group net assets (excluding the non-controlling interest) increased by 4.07% to £48.05 million (2019: £46.17 million).

The annualised growth in adjusted net assets together with dividends paid to shareholders over the last ten years equates to 22.7% (2019: 22.8%) per annum.

Going concern

As part of the preparation of our Financial Statements, there has been a particular focus on our going concern assessment. Further information on our approach and the result of our assessment is included in Note 1 of the Financial Statements.

Income Statement

Revenue and gross profit

A review of the operating and financial performance of the results of the two trading divisions for the year are included in the Chief Executive's Statement. The main adverse effect of the COVID-19 pandemic was to reduce the contribution from associates due to their exposure to three shopping centres in Poland, which were subject to enforced closure with effect from 14 March 2020.

Operating expenses

Operating expenses decreased by 7.62% to £8.61 million (2019: £9.32 million) mainly due to lower staff and executive incentives across the Group.

Investment property depreciation

The Directors have reviewed the residual value of the Group's directly held property located in Gdynia and have continued to apply depreciation charged within operating expenses of £1.73 million (2019: £1.74 million).

Share of results in associates

The contribution for the year of £1.22 million (2019: £1.60 million) comprised the Group's share of post-tax profits from seven investments. This includes a reduction in the fair value of the Group's interest in FOP of £659,000 (2019: £764,000). All associates performed well but the apparent reduction from last year was mainly because of a one-off benefit in the prior year from a favourable litigation outcome in Fprop Phoenix Ltd.

Investment income (from other financial assets and investments)

The increase from £273,000 to £324,000 from the Group's investment in three of the four UK funds it manages was due to the sale of a property in one fund which realised a gross profit of £6.4 million.

Financing costs

Overall, the Group's finance costs reduced to £1.34 million from £2.18 million in 2019 (£1.39 million on a like for like basis, adjusting for the deconsolidation of FOP in October 2018). All bank loans and finance leases are denominated in Euro and all are used to finance properties valued in Euro.

Current tax

The current tax charge of £974,000 decreased from £1.28 million in 2019 (£1.04 million on a like for like basis, adjusting for the deconsolidation of FOP in October 2018) but also included an under provision of UK corporation tax of £161,000 from 2019.

The charge includes Polish and Romanian corporation tax where the headline rates remain at 19% and 16% respectively. Unused trading tax losses in the UK of £6.96 million are available to be carried forward and will be utilised when / if possible.

Deferred tax

A deferred tax credit of £360,000 (2019: charge of £659,000) has arisen mainly due to the strength of the Euro against the Polish Zloty which reduced the tax liability computed and payable in Polish Zloty.

Diluted earnings per share

Diluted earnings per share decreased by 11.5% from 4.85p to 4.29p per share, a smaller decrease than the 33.6% decrease in the profit before tax for the year due to a lower total effective tax charge of 11.1% (2019: 23.4%).

Balance Sheet

Investment properties and property held as inventory (all held at cost)

The book value of the Group's eight wholly owned properties ended the year at £47.09 million (2019: £82.14 million) compared to fair value of £56.30 million (2019: £94.61 million). The main reason for the reduction was the sale of CH8 in the year.

IFRS 16 – Lease liabilities and right of use assets

The Group has adopted IFRS 16 for the first time in this set of results. Under IFRS certain lease commitments have to be capitalised and treated as finance leases. One such lease qualifies for this treatment and its present value asset and liability amount to £584,000 with a corresponding liability shown within lease liabilities.

Capital expenditure (investment and trade properties)

Capital expenditure of £1.26 million (2019: £1.54 million) mostly comprised office fit-outs for new tenants in CH8.

Borrowings

All bank and finance lease borrowings were denominated in Euro and decreased from €77.38 million (£66.68 million) to €72.93 million (£64.53 million) due to scheduled bank loan repayments of €6.42 million. There was one additional bank loan drawdown by Felix Developments SRL of €2.0 million in May 2019. The ratio of debt to gross assets at market value (the gearing ratio) was 50.94% (2019: 50.44%). After the year-end the bank loan secured against CH8 was repaid, following completion of its sale on 24 April 2020, thereby reducing Group debt to £41.97 million.

The finance lease for Gdynia was the subject of a notice of an event of default in October 2019 for failure to lease more than 50% of the leasable area 12 months prior to the end of the current sole tenant's lease in October 2020. As a result, the lender exercised control over the property's bank account from this date until such time as the requisite letting is secured. Access to these funds amounting to £875,000 at the year-end is restricted. Negotiations with the lender, the tenant and prospective tenants are in progress.

Bank deposits of €1.86 million (2019: €1.83 million) are held in respect of four bank loans to redress potential Debt Service Cover Ratio (DSCR) covenant shortfalls, of which €1.20 million (2019: €1.20 million) are held in prepayments. The largest of these deposits was €1.1 million in relation to CH8 and was returned in April on completion of its sale.

Non-controlling interests (NCI)

There are two non-controlling interests (NCI) represented by a 10% interest in 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. The value of these holdings increased to £157,000 (2019: £114,000) reflecting an improved performance from E and S Estates Ltd.

Foreign exchange translation reserve

As a result of the Polish Zloty weakening against Sterling to PLN/GBP 5.1502 (2019: PLN/GBP 4.9957) there was a £0.53 million reduction in this reserve during the year to a deficit of £1.26 million.

Treasury shares

First Property Group plc purchased 1,000,000 Ordinary Shares in itself during the year, at an average price of 41.7 pence per share including transaction costs, or £417,000. This purchase resulted in a reduction of equal quantum in the Group's net assets.

Cash and cash flow

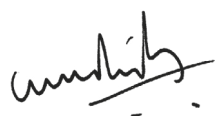
Cash levels decreased from £9.74 million to £7.34 million at the year-end. This reduction arose largely as a result of:

- Scheduled bank loan repayments of £5.61 million;
- Capital expenditure on the Group's properties of £1.26 million;
- Payment of dividend £1.86 million;
- The share buy-back, referred to above, at a cost of £417,000.

Cash was £23.6 million as at 23 June 2020 boosted by the completion of the sale of CH8 on 24 April 2020.

The Strategic Report was approved by the Board of Directors and signed on its behalf below.

By order of the Board.



George RW Digby
Group Finance Director

25 June 2020

Key Performance Indicators

55.00p

Adjusted Net Asset Value (NAV) per share

2020	55.00
2019	57.48
2018	53.07

Link to Strategy

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

Comment

A reduction in the value of some of the Group's Properties and Investments has caused this small reduction.

£567m

Third Party Assets Under Management

2020	567
2019	611
2018	454

Link to Strategy

The measure on which fee income is generally charged.

Comment

Decrease attributed to disposals within funds and lower valuations. Same number of funds as previous year with no new fund mandate and no expiries.

£7.34m

Cash Levels

2020	7.34
2019	9.74
2018	15.32

Link to Strategy

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

Comment

Adversely affected by capital expenditure of £1.26 million and the purchase of treasury shares (£0.42 million) but subsequently boosted to £23.6 million as at 23 June 2020 by the completion of the sale of CH8.

1yr 10mths

Weighted Average Unexpired Lease Term of Group Properties

2020	1yr 10mths
2019	2yrs 12mths
2018	2yrs 9mths

Link to Strategy

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

Comment

All leases refer to Group Properties in Poland and Romania where leases are typically shorter than in the UK.

£15.9m

Contractual Revenue*

2020	15.9
2019	18.9
2018	25.3

Link to Strategy

Contracted revenue from both divisions is calculated on a historic basis.

Comment

Excludes all performance fee related income of £415,000 (2019: £1,541,000).

5yrs 0mths

Weighted Average Unexpired Fund Life

2020	5yrs 0mths
2019	5yrs 9mths
2018	6yrs 5mths

Link to Strategy

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

Comment

No fund life renewals during the year and no new funds have caused this KPI to reduce.












* Contractual revenue in 2019 and 2018 included revenue from consolidated entity FOP.

Risk and Mitigation

Understanding our principal risks

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

Economic Risk	Impact	Mitigation	Link to Strategy
Slowdown in the economies of the UK and Poland	<p>A slowdown in overall economic activity could lead to falls in the value of commercial property and a reduction in overall rent levels.</p> <p>A slowdown may also adversely impact existing occupiers' ability to pay their rental commitments.</p>	<p>The Group closely monitors economic reports of the markets in which it operates and acts pre-emptively in accordance with its proactive property management policy.</p> <p>The Group ensures it and the funds it manages have a well diversified spread of property interests by region, by property type, by lot size and by sector classification (tenant mix).</p>	
National epidemic or global pandemic	<p>Government restrictions on people's movements and closure of shops and business adversely affects all trade in goods with consequent reductions in GDP of the economies affected</p> <p>This may adversely affect tenants' ability to meet their rental commitments for business premises.</p>	<p>The Group closely monitors its debt owed by tenants and aims to mitigate the adverse effect of late or non-payment by maintaining close dialogue with all tenants.</p> <p>Maintaining liquidity in the funds and the group property owning companies is a priority.</p> <p>Distributions to shareholders have been curtailed whilst the pandemic continues.</p>	
Weakening in the Euro and Polish Zloty against Sterling	<p>Nearly all of the Group Properties division revenue is derived in foreign currencies and overseas profits are converted to Sterling (the reporting currency) on remission to the UK. Sterling strength therefore leads to a reduction in reported profits.</p>	<p>The Group closely monitors both movements and forecasts in the pertinent foreign exchange rates against its budgeted rates. Wherever possible, overseas investment is financed and matched in the local currency so that exposure to currency markets is limited.</p> <p>Under the Group's foreign currency risk management policy hedging instruments can be used to hedge a proportion of specific items as specified in IAS 39.</p>	
Extended period of interest rate tightening in the EU	<p>The Group operates a geared (leveraged) strategy for its Group Properties division in order to increase returns on equity. Prolonged interest rate tightening will decrease this return disproportionately due to the leveraged effect.</p> <p>Higher interest payments could reduce the Debt Service Covenant Ratios (DSCR) and could cause a breach of the covenant as set out in the loan agreements, which could require additional funds to remedy.</p>	<p>The Board regularly reviews property market forecasts and where possible adjusts its geared strategy according to these changing market conditions.</p> <p>The Board also regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet its cash requirements.</p> <p>The Board regularly monitors and reports on its DSCRs against its relevant bank covenants so that it can act in a pre-emptive manner.</p> <p>Interest rate fixes and caps are utilised to mitigate this risk on both bank loans and finance leases if they are not a requirement of the borrowing agreement.</p>	
Political risk	<p>Macroeconomic conditions and future political events (whilst uncertain in outcome) bring risks to the property market generally and to our occupiers.</p>	<p>The Board considers economic conditions when setting strategy and making its investment decisions.</p> <p>The Group has a natural 'Brexit' hedge whereby AUM is spread between the UK and the rest of the EU.</p>	

Operational Risk	Impact	Mitigation	Link to Strategy
Rent void periods	Poor asset management could lead to long void periods, high vacancy rates, low occupier retention, high occupier arrears and defaults.	Our asset managers are focused on income generation and maintain close contact with tenants to ensure they fully understand their current business performance and future plans. A proactive approach to asset management is taken to avoid any long void periods targeting a minimum of one annual visit/inspection per property.	 
Credit risk	Could lead to the tenant defaulting on their rental obligations.	Creditworthiness checks of potential occupiers are carried out prior to letting. Payments of rent and service charge are monitored closely which ensures early detection of likely tenant defaults enabling swift remedial action. Our asset managers maintain close contact with tenants.	 
Liquidity risk	Most loans are subject to loan-to-value (LTV) ratio restrictions. If the LTV covenants are breached this could result in financial penalties, additional cash demands to remedy the breach, a forced sale of the property or in some cases foreclosure of the loan.	Long term loans are taken out in the same currency used to value the property asset, thereby ensuring a natural hedge. The Group prepares monthly budgets, cash flow analyses and forecasts, which enable the Directors to assess the levels of borrowings required in future periods. This detail is used to ensure that appropriate facilities are put in place to finance the future planned operations of the Group. The Group is structured whereby 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 employs a full time in-house Chief Technical Officer, part of whose role is to ensure that protections against data theft and corruption are in place and effective, utilising the latest anti viral software and technologies. The Group from time to time commissions an independent IT review to assess the robustness of its security protection and the effectiveness of its Disaster Recovery Plan (DRP). The DRP is tested annually.	 

Reminder of strategy:

Deliver sustainable revenue



Active approach to asset management



Capitalise on market opportunities



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



Remain flexible

Chairman's Introduction to Governance

Great governance and experienced leadership



The Directors are committed to maintaining high standards of corporate governance and, in so far as is practicable and appropriate given First Property Group's size and nature, seek to comply with the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies. First Property Group embraces its core, underlying principle, being to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term. To see how the Company addresses the ten key governance principles defined in the QCA code please refer to the disclosures made below and the Company's website. No key governance matters have arisen since the publication of the last Annual Report.

PRINCIPLE 1: establish a strategy and business model which promote long term value to shareholders
Application

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

First Property Group's business model is explained on the inside front cover of the Group's Report and Accounts for the year ended 31 March 2020.

The strategy is explained fully within our Strategic Report section on page 08 of the Report and Accounts for the year ended 31 March 2020.

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

The key risks and challenges to the business and how these are mitigated are set out on pages 18 and 19 of the Group's Report and Accounts for the year ended 31 March 2020.

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

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

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

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

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

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

The principal risks to First Property Group's business are identified and explained on pages 18 and 19 of our Report and Accounts for the year ended 31 March 2020. We explain how these risks are mitigated and assess the perceived change in the identified risk over the last reporting period.

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

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

- > ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair;
- > board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements;
- > the board and its committees should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight;
- > the board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors – their independence is a judgement for the board;
- > the board should be supported by committees (e.g. audit, remuneration and nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively;
- > directors must commit the time necessary to fulfil their roles.

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

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

There are separate audit and remuneration committees from which the Executive Directors are excluded and a nomination committee comprising all the Directors. There is a separate schedule of matters reserved for the main Board of Directors.

PRINCIPLE 6: Ensure that between them the Directors have the necessary experience skills and capabilities AND PRINCIPLE 7: Evaluate board performance based on clear and relevant objectives seeking continuous improvement.

The Board members' profiles and experience are listed on page 21 of this report with further information on the Company's website: www.fprop.com reference: plc investors AIM rule 26.

PRINCIPLE 8: Promote a corporate culture that is based on ethical values and behaviours

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

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

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

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

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

The Annual General Meeting of the Group will take place on 23 September 2020. The Notice of this meeting and the proposed ordinary and special resolutions to be put to the meeting are included at the end of this Annual Report.

Alasdair J D Locke
Non-Executive Chairman

25 June 2020

Board of Directors

Our leadership team

**Ben Habib
(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

**George Digby ACA BA
(Hons)****Group Finance Director &
Company Secretary****Year appointed:** 2003**Education**

Exeter University

Previous experience

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

External commitments

- › None

**Alasdair Locke, MA
(Oxon)****Non-Executive Chairman****Year appointed:** 2001**Education**

Oxford University

Previous experience

- › 1974: Corporate Finance at Citigroup specialising in shipping and oil
- › 1982: established a Singapore based business providing finance for and investing in shipping and offshore oil service companies, which was subsequently acquired by Henry Ansbacher & Co Ltd
- › 1990: established Abbot Group Plc which he took public in 1995
- › 2008: sold Abbot Group to private equity, at which point the Group was one of the leading oil drilling, engineering and contracting businesses in the world, with approximately 8,000 employees in over 20 countries and an annual turnover of circa US\$1.8 billion
- › 2005-2020: Non-Executive Chairman of Hardy Oil and Gas

External commitments

- › Chairman of Motor Fuel Group
- › Chairman of Well-Safe Solutions Ltd

Awards

- › 1999 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

**Peter Moon, BSc
(Econ, Hons)****Non-Executive Director****Year appointed:** 2010**Education**

University College, London

Previous experience**Executive**

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

Non-Executive

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

External commitments

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

Our People



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

Sectors and experience

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

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



Jeremy Barkes,
BA (Hons)
Director, Business
Development

Sectors and experience

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

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



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

Sectors and experience

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

Jill has a strong financial and regulatory background.



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

Sectors and experience

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

From 1 July 2020 Laura has been appointed Interim Group Finance Director.

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



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

Sectors and experience

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



John Dunkley
BSc MBCS MIET
Chief Technical
Officer

Sectors and experience

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

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


Przemysław Kiszka, CFA

Managing Director,
First Property
Poland Sp. z o.o.

Sectors and experience

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

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

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


Jeremi Slominski, MA, BA

Head of Asset
Management,
First Property
Poland Sp. z o.o.

Sectors and experience

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

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

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


Robert Wozniak

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

Sectors and experience

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

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

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

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


Barbara Komendowska

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

Sectors and experience

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

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


Catalin Ana

General Manager,
First Property Asset
Management
Romania SRL

Sectors and experience

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

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

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

Directors' Report for the year ended 31 March 2020

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

Principal activities and review of the business

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

The Consolidated Income Statement is set out on page 31.

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 £5.52 million (2019: £8.31 million). The retained profit was £2.56 million (2019: £1.56 million) after dividend, non-controlling interest and sale and purchase of treasury shares, but before the increase in fair value through other comprehensive income on financial assets. The Directors recommend the payment of a final dividend of 1.22 pence per share (2019: 1.22 pence) payable on 25 September 2020 to shareholders on the register at 21 August 2020, making a total for the year of 1.67 pence per share (2019: 1.66 pence per share), after including the interim dividend of 0.45 pence per share paid in January 2020.

Diluted earnings per share decreased to 4.29 pence from 4.85 pence on the same basis.

The Group held cash of £7.34 million at 31 March 2020 (2019: £9.74 million) and bank borrowings of £64.53 million (2019: £66.68 million). Net assets increased to £48.20 million (2019: 46.29 million).

COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on the Group and its results is limited. The Directors will continue to follow the UK Government policies and advice and in parallel will do its utmost to continue operations in the best and safest way possible.

Section 172 statement

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.

Please see our Section 172 Statement in more detail in the Strategic Report on page 09.

Employees

First Property Group employed 63 staff on average during the year ended 31 March 2020 (2019: 55); of these, 43 employees were based in Poland (2019: 41) in the Group's Warsaw office providing essential service support to the properties located in Poland which it manages. The Group also employs one member of staff in its office in Bucharest, Romania, with the remainder based in the Group's UK office in London. Of the total average staff across the Group, 25 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 achieved full scope status under AIFMD on 1 November 2019, 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 18 and 19, together with a description of their impact and counter measures to mitigate them.

Share capital

At 31 March 2020, 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.

During the financial year ended 31 March 2020, the following share issues and share transfers from treasury were made:

- On 17 September 2019 the Company purchased 500,000 Ordinary Shares into treasury at a price of 42.71 pence each thereby increasing the number of shares held in treasury to 5,747,114;
- On 22 November 2019 the Company sold 12,635 of its own Ordinary Shares held in treasury at a price of 48.28 pence per ordinary share, thereby reducing the number of shares held in treasury to 5,734,479;
- On 19 December 2019 the Company purchased 500,000 Ordinary Shares into treasury at a price of 40.70 pence each thereby increasing the number of shares held in treasury to 6,234,479; and
- On 8 January 2020 the Company sold 15,696 of its own Ordinary Shares held in treasury at a price of 42.05 pence per ordinary share, thereby reducing the number of shares held in treasury to 6,218,783.

No share options were exercised during the year and none were issued. Details of share options outstanding are set out in Note 29 on page 59.

Directors and their interests

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

The Directors are listed below:

The beneficial interests of the Directors in the share capital of the Company at 1 April 2019, 31 March 2020 and 16 July 2020, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act, were as follows:

	Ordinary Shares of 1 pence			Option over Ordinary Shares of 1 pence		
	16/7/2020	31/3/2020	1/4/2019	16/7/2020	31/3/2020	1/4/2019
A J D Locke	8,571,990	8,571,990	8,571,990	–	–	–
P Moon	496,805	496,805	468,474	–	–	–
B N Habib	14,940,000	14,940,000	14,450,000	–	–	–
G R W Digby	620,000	620,000	620,000	–	–	–

The market price of the Company's Ordinary Shares at the end of the financial year was 32.0 pence and the range of market prices during the year was between 22.5 pence and 52.0 pence.

Substantial shareholdings

At 16 July 2020 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%
J C Kottler	9,664,283	8.8%
A J D Locke	8,571,990	7.8%
New Pistoia Income Ltd	7,507,500	6.8%
Quaero Capital Finds (Lux)	6,353,581	5.8%

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

Health and safety at work

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

Political donations

The Group made no political donations in the year (2019: £nil).

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 Wednesday 23 September 2020, can be found on pages 65 and 66.

In the lead up to the Annual General Meeting, we are closely monitoring the impact of the COVID-19 virus in the United Kingdom.

As shareholders may know, the Government's guidance (at the date this statement was prepared) includes a prohibition on large indoor gatherings and, to ensure that general meetings of companies can be held safely, the new Corporate Insolvency and Governance Act 2020 permits general meetings held before 30 September 2020 to be held as a closed meeting. With this in mind, the Annual General Meeting will be a closed meeting and shareholders will not be permitted to attend in person, but will have a right to appoint a proxy to exercise their right to vote at the meeting.

Shareholder engagement and participation remains important to us and, of course, we would still like shareholders to participate in the Annual General Meeting. Shareholders still have a right, and are encouraged, to vote through a proxy on the resolutions to be proposed. Accordingly:

- › we have made arrangements to stream the meeting via a live presentation and invite shareholders to submit questions at any time in advance of the meeting or during the meeting using the online facility that will be provided; and
- › shareholders are strongly encouraged to submit a proxy form in accordance with the instructions in the Notes to the Notice of Annual General Meeting at page 67 and shareholders are specifically requested not to appoint a named individual as their proxy but instead to appoint the Chairman of the Meeting. We no longer provide a hard copy proxy form. If you would like to request a paper form of proxy, please contact the Company's registrars, Link Asset Services.

Details of how to access the live presentation and to ask questions will be published on the Company's website (www.fprop.com). Please note that shareholders will be required to register for free to access the live presentation via www.investormetcompany.com and follow First Property Group plc.

Please bear in mind that the Government's response to COVID-19 is evolving and the Company may be required to make further announcements if further developments impact on the current arrangements for the Annual General Meeting.

Directors' Report continued for the year ended 31 March 2020

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 £367,904 (representing 33.33% of the issued Ordinary Share capital of the Company, less the number of Ordinary Shares held in treasury) outside the pre-emption provisions contained in the Companies Act 2006 and the Articles, provided that such securities shall only be:

(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 £220,764 (representing 20% of the issued Ordinary Share capital of the Company, less the number of Ordinary Shares held in treasury) (Resolution 8(b)).

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

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 11,038,233 Ordinary Shares of 1 pence each (representing just under 10% of the Company's issued Ordinary Share capital as at 16 July 2020, 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 International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

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

The Directors confirm that suitable accounting policies have been used and applied consistently, except as discussed in Note 2 on page 36 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 2020. The Directors also confirm that applicable accounting standards have been followed, that the financial statements have been prepared on a going concern basis and that the integrity of the Group's website has been maintained.

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

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

Statement of disclosure to the auditor

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

Approved and signed on behalf of the Board



George RW Digby
Group Finance Director

17 August 2020

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 2020 which comprise:

- › the Consolidated Income Statement;
- › the Consolidated Statement of Comprehensive Income;
- › the Consolidated Balance Sheet;
- › the Consolidated Statement of Changes in Equity;
- › the Consolidated Cash Flow Statement;
- › the Company Balance Sheet;
- › 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 International Financial Reporting Standards as adopted by the European Union ('IFRSs').

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 2020 and of the Group's profit for the year then ended;
- › the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- › the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- › the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- › the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

Valuation of Investment Property including investment properties and trading properties:

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

The valuation of the property portfolio is a significant 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'.

The valuers included a 'material valuation uncertainty' clause in their valuation reports as at 31 March 2020. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the fair values disclosed in the accounts as a result of the COVID-19 pandemic.

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

- › 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.
- › We considered the adequacy of the disclosures made in Note 3 (Critical accounting judgements and key sources of estimation uncertainty) and Note 18 (Investment Properties) to the financial statements. These notes explain that the valuers reported on the basis of a material valuation uncertainty as at 31 March 2020. We discussed this clause with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment that no impairment of the Group's investment properties was necessary.

Independent Auditor's Report continued to the Members of First Property Group plc

Key audit matters continued

Key audit matter

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

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

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

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.

There are certain transactions within revenue that warrant additional audit focus because of an increased inherent risk of error due to their non-standard nature.

These include spreading of tenant incentives, guaranteed rent increases and performance related fee income.

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.

How our audit addressed the key audit matter

- › 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.
- › For a sample of performance related fee income we agreed the fee terms used in the calculation to investment management agreements ('IMAs'), fee letters or fund prospectuses and verified management's interpretation of the calculation methodology as set out in the agreement. In addition, for long-term performance related fees, including the Office Fund profit share agreement, we challenged management over the judgements and estimates used in the valuation of the fee calculations, and traced the results of the calculations to the revenue recorded.
- › We assessed whether the revenue recognition adopted complied with IFRSs as adopted by the European Union.

Assessment of control over Gdynia property

The finance lease for the Group Property at Gdynia was the subject of a notice of an event of default in October 2019 for failure to lease more than 50% of the leasable area 12 months prior to the end of the current sole tenant's lease in October 2020.

As a result, the lender exercised control over the property's bank account from this date until such time as the requisite letting is secured. Access to these funds amounting to £875,000 at the year-end was restricted.

Following a review by the Directors it was judged that the exercise of these rights by the lender did not affect the ability of the Group to meet the requirements of IFRS 10 to control the company which is the lessee to the lease agreement.

Refer to the Financial Risk Management section within Note 32 for further details.

- › We obtained and reviewed the finance lease agreement over the Gdynia property and the associated share pledge agreement between the UK parent company of the lessee, and the lessor.
- › We also obtained and reviewed the correspondence between the lessor and the Group.
- › We agreed with the assessment of the Directors that the rights granted to the lessor were protective in nature, and that up to 31 March 2020 the requirements of IFRS 10 relating to control over the Gdynia property were met.

Going concern

The outbreak of the novel coronavirus (known as COVID 19) in many countries is rapidly evolving and the socio-economic impact is unprecedented. It has been declared as a global pandemic and is having a major impact on economies and financial markets.

In order to assess the impact of COVID-19 on the business, management have updated their risk assessment and 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.

At the balance sheet date, the Group had available cash resources of £7.3m. Post the year end the Group received net cash proceeds of £16.7m from the sale of its investment property Chałubinskiego 8 (CH8).

After considering all of these factors, management have 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 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 obtained evidence of the agreements with lenders setting out terms and conditions.
- › 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 £1.25m (2019: £1.325m) based on 1.0% of gross asset values. We determined materiality for the Parent Company to be £0.43m (2019: £1m) based on 1.0% of gross asset values. This provided a basis for determining the nature, timing and extent of risk assessment procedures. We determined that gross assets would be the most appropriate basis for determining overall materiality given that the key users of the Group financial statements are likely to be primarily focussed on the valuation of Group assets and the related financing.

For each component we allocated a materiality threshold ranging between 3% and 60% of the overall Group materiality.

Based on our risk assessment, including the Group's overall control environment, we determined a performance materiality of 80% 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 £49,000 for the Group, and of £19,000 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 12 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 12 legal entities was audited, either by the group audit team or by component auditors, representing 96% of the Group's revenue, 97.5% 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 Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts on pages 1 to 26, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- 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.

Independent Auditor's Report continued
to the Members of First Property Group plc**Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 26, 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.

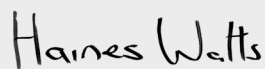
Auditor's responsibilities for the audit of the financial statements

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.

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'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 2020

**Consolidated Income Statement
for the year ended 31 March 2020**

	Notes	Year ended 31 March 2020 Total results £'000	Year ended 31 March 2019 Total results £'000
Revenue	4	16,287	20,437
Cost of sales		(3,969)	(4,491)
Gross profit		12,318	15,946
Profit on the sale of 'FOP' shares		–	64
Profit on sale of an investment property	6	1,527	–
Gain on loss of control of subsidiary	16	–	4,827
Impairment of goodwill on acquisition of subsidiary		–	(27)
Loss on disposal of subsidiary		–	(5)
Write down/impairment loss to an investment property	18	–	(2,984)
Operating expenses		(8,612)	(9,320)
Operating profit		5,233	8,501
Share of associates' profit after tax	23a)	1,879	2,364
Share of associates' revaluation losses	23a)	(659)	(764)
Investment income		324	273
Interest income	5	80	114
Interest expense	5	(1,338)	(2,180)
Profit before tax		5,519	8,308
Tax charge	11	(614)	(1,943)
Profit for the year		4,905	6,365
Attributable to:			
Owners of the parent		4,859	5,514
Non-controlling interests		46	851
		4,905	6,365
Earnings per share:			
Basic	17	4.38p	4.95p
Diluted	17	4.29p	4.85p

All operations are continuing.

**Consolidated Statement of Comprehensive Income
for the year ended 31 March 2020**

	Year ended 31 March 2020 Total results £'000	Year ended 31 March 2019 Total results £'000
Profit for the year	4,905	6,365
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Exchange differences on retranslation of foreign subsidiaries	(502)	(1,784)
Foreign exchange profit recycled to the Income Statement	–	(721)
Net gain/(loss) on financial assets at fair value through other comprehensive income	(195)	29
Taxation	–	–
Total comprehensive income for the year	4,208	3,889
Total comprehensive income for the year attributable to:		
Owners of the parent	4,135	3,414
Non-controlling interests	73	475
	4,208	3,889

All operations are continuing.

Company income statement

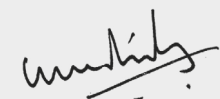
The Company is taking advantage of the exemption in s.408 of The Companies Act 2006 not to present its individual Income Statement and related notes that form a part of these approved financial statements.

**Consolidated Balance Sheets
as at 31 March 2020**

	Notes	2020 Group £'000	2020 Company £'000	2019 Group £'000	2019 Company £'000
Non-current assets					
Goodwill	20	153	–	153	–
Investment properties	18	32,537	–	67,348	–
Property, plant and equipment	21	64	–	58	–
Investment in Group undertakings	22	–	3,213	–	3,213
Investment in associates	23 a)	17,698	13,460	17,054	14,036
Other financial assets at fair value through OCI	23 b)	3,174	3,174	3,539	3,539
Other receivables	25 b)	922	18,967	1,312	12,923
Right of use assets	12	584	–	–	–
Deferred tax assets	28	2,659	–	2,779	–
Total non-current assets		57,791	38,814	92,243	33,711
Current assets					
Inventories – land and buildings	24	14,558	–	14,817	–
Current tax assets		122	–	28	–
Trade and other receivables	25 a)	44,845	536	5,918	198
Cash and cash equivalents		7,337	3,395	9,738	5,433
Total current assets		66,862	3,931	30,501	5,631
Current liabilities					
Trade and other payables	26	(9,158)	(6,100)	(7,078)	(4,723)
Financial liabilities	27	(49,073)	–	(6,329)	–
Current tax liabilities		(71)	(40)	(80)	(39)
Total current liabilities		(58,302)	(6,140)	(13,487)	(4,762)
Net current assets		8,560	(2,209)	17,014	869
Total assets less current liabilities		66,351	36,605	109,257	34,580
Non-current liabilities					
Financial liabilities	27	(15,461)	–	(60,348)	–
Lease liabilities	12	(584)	–	–	–
Deferred tax liabilities	28	(2,102)	–	(2,623)	–
Net assets		48,204	36,605	46,286	34,580
Equity					
Called up share capital	29	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		(1,260)	–	(731)	–
Purchase of own shares reserve		(2,653)	(2,653)	(2,248)	(2,248)
Investment revaluation reserve		(236)	(236)	(41)	(41)
Retained earnings		45,060	32,358	42,056	29,733
Equity attributable to the owners of the parent		48,047	36,605	46,172	34,580
Non-controlling interests		157	–	114	–
Total equity		48,204	36,605	46,286	34,580
Net assets per share					
	17	43.53p		41.46p	

The Company's profit for the year was £4.48 million (2019: £11.98 million).

The financial statements were approved and authorised for issue by the Board of Directors on 17 August 2020 and were signed on its behalf by:



George RW Digby
Finance Director

First Property Group plc
Registered No. 02967020

**Consolidated Statement of Changes in Equity
for the year ended 31 March 2020**

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 2019	1,166	5,791	179	(731)	(2,248)	(41)	42,056	114	46,286
Profit for the year	—	—	—	—	—	—	4,905	—	4,905
Net gain/(loss) on financial assets at fair value through other comprehensive income	—	—	—	—	—	(195)	—	—	(195)
Exchange differences on retranslation of foreign subsidiaries	—	—	—	(529)	—	—	—	27	(502)
Total comprehensive income	—	—	—	(529)	—	(195)	4,905	27	4,208
Sale of treasury shares	—	—	—	—	12	—	—	—	12
Purchase of treasury shares	—	—	—	—	(417)	—	—	—	(417)
Exercise of share options	—	—	—	—	—	—	—	—	—
Non-controlling interests	—	—	—	—	—	—	(46)	46	—
Dividends paid	—	—	—	—	—	—	(1,855)	(30)	(1,885)
At 31 March 2020	1,166	5,791	179	(1,260)	(2,653)	(236)	45,060	157	48,204
At 1 April 2018	1,166	5,789	203	1,398	(95)	(70)	38,344	6,187	52,922
Profit for the year	—	—	—	—	—	—	6,365	—	6,365
Net gain/(loss) on financial assets at fair value through other comprehensive income	—	—	—	—	—	29	—	—	29
Exchange differences on retranslation of foreign subsidiaries	—	—	—	(1,408)	—	—	—	(376)	(1,784)
Foreign exchange profit recycled to the Income Statement	—	—	—	(721)	—	—	—	—	(721)
Total comprehensive income	—	—	—	(2,129)	—	29	6,365	(376)	3,889
Change in proportion held by NCI (FOP)	—	—	—	—	—	—	—	978	978
Change in proportion held by NCI (E and S)	—	—	—	—	—	—	—	95	95
Deconsolidation of FOP	—	—	—	—	—	—	—	(7,598)	(7,598)
Sale of treasury shares	—	2	—	—	10	—	—	—	12
Purchase of treasury shares	—	—	—	—	(2,201)	—	—	—	(2,201)
Exercise of share options	—	—	(24)	—	38	—	—	—	14
Non-controlling interests	—	—	—	—	—	—	(851)	851	—
Dividends paid	—	—	—	—	—	—	(1,802)	(23)	(1,825)
At 31 March 2019	1,166	5,791	179	(731)	(2,248)	(41)	42,056	114	46,286

**Company Statement of Changes in Equity
for the year ended 31 March 2020**

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 2019	1,166	5,791	179	(2,248)	(41)	29,733	34,580
Profit for the year	—	—	—	—	—	4,480	4,480
Net gain/(loss) on financial assets at fair value through other comprehensive income	—	—	—	—	(195)	—	(195)
Total comprehensive income	—	—	—	—	(195)	4,480	4,285
Sale of treasury shares	—	—	—	12	—	—	12
Purchase of treasury shares	—	—	—	(417)	—	—	(417)
Exercise of share options	—	—	—	—	—	—	—
Dividend paid	—	—	—	—	—	(1,855)	(1,855)
At 31 March 2020	1,166	5,791	179	(2,653)	(236)	32,358	36,605
At 1 April 2018	1,166	5,789	203	(95)	(70)	19,555	26,548
Profit for the year	—	—	—	—	—	11,980	11,980
Net gain/(loss) on financial assets at fair value through other comprehensive income	—	—	—	—	29	—	29
Total comprehensive income	—	—	—	—	29	11,980	12,009
Sale of treasury shares	—	2	—	10	—	—	12
Purchase of treasury shares	—	—	—	(2,201)	—	—	(2,201)
Exercise of share options	—	—	(24)	38	—	—	14
Dividend paid	—	—	—	—	—	(1,802)	(1,802)
At 31 March 2019	1,166	5,791	179	(2,248)	(41)	29,733	34,580

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.

**Consolidated Cash Flow Statements
for the year ended 31 March 2020**

	Notes	2020 Group £'000	2020 Company £'000	2019 Group £'000	2019 Company £'000
Cash flows from operating activities					
Operating profit		5,233	(2,322)	8,501	8,507
Adjustments for:					
Depreciation/write down of investment property and property, plant & equipment		2,178	—	5,167	—
Profit on the sale of investment property		(1,527)	—	—	—
Profit on the sale of FOP shares		—	—	(64)	(1,583)
Gain on loss of control of subsidiary		—	—	(4,827)	(9,756)
Impairment loss to an investment property		—	—	(32)	—
Impairment of goodwill on acquisition of subsidiary		—	—	27	—
Loss on disposal of subsidiary		—	—	5	—
(Increase)/decrease in inventories		(258)	—	96	—
Decrease/(increase) in trade and other receivables		1,040	(251)	(1,285)	(1,854)
(Decrease)/increase in trade and other payables		(483)	183	(187)	(958)
Other non-cash adjustments		168	—	599	—
Cash generated from operations		6,351	(2,390)	8,000	(5,644)
Taxes paid		(1,013)	(109)	(1,268)	(133)
Net cash flow from operating activities		5,338	(2,499)	6,732	(5,777)
Cash flow (used in)/from investing activities					
Capital expenditure on investment properties	18	(1,258)	—	(1,531)	—
Proceeds from partial disposal of financial assets held at fair value through other comprehensive income	23 a)	576	576	549	549
Purchase of property, plant & equipment	21	(42)	—	(36)	—
Proceeds from the sale of 'FOP' shares		—	—	2,630	2,630
Cash paid on acquisition of new subsidiaries		—	—	(527)	(527)
Cash received for the sale of SCAUP		—	—	—	19
Cash and cash equivalent received on acquisitions of new subsidiaries		—	—	421	—
Cash disposed following deconsolidation of subsidiaries		—	—	(2,046)	—
Investment in shares of new associates		—	—	(527)	(460)
Payment of Rights Issue in SPT		—	—	(138)	(138)
Investment in funds	23 b)	(48)	(48)	(468)	(468)
Proceeds from funds	23 b)	218	218	569	569
Interest received	5	80	188	114	188
Dividends from associates	23 a)	—	—	590	590
Distributions received		276	1,791	273	1,974
Net cash flow (used in)/from investing activities		(198)	2,725	(127)	4,926
Cash flow (used in)/from financing activities					
Net repayment of shareholder loan in subsidiary		—	—	(121)	128
Proceeds from bank loan		1,769	—	—	—
Repayment of bank loans		(3,054)	—	(3,179)	—
Repayment from the sale of FOP shareholder loan		—	—	326	326
Repayment of finance lease		(2,562)	—	(3,065)	—
Sale of shares held in treasury		12	12	12	12
Purchase of new treasury shares		(417)	(417)	(2,201)	(2,201)
Exercise of share options		—	—	47	47
Interest paid		(1,338)	—	(2,180)	—
Dividends paid	15	(1,855)	(1,855)	(1,802)	(1,802)
Dividends paid to non-controlling interests		(30)	—	(23)	—
Net cash flow (used in)/from financing activities		(7,475)	(2,260)	(12,186)	(3,490)
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		9,738	5,433	15,315	9,774
Currency translation gains on cash and cash equivalents		(66)	(4)	4	—
Cash and cash equivalents at the year end		7,337	3,395	9,738	5,433

Notes to the Financial Statements for the year ended 31 March 2020

1. Basis of preparation and presentation of financial statements

The financial statements for both the Group and Parent Company have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRIC) Interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for items carried at fair value in accordance with IFRS 9. These financial statements are presented in Sterling since that is the currency in which the Group and Parent Company transact a substantial part of their business and it is the currency considered most convenient for its shareholders. The functional currencies adopted by the Group's foreign operations are set out in Note 32 on page 60.

Going concern

In the shadow of the COVID-19 pandemic and the increased uncertainty that it brings, 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.

Underlying their conclusion was the sale of the Group's most valuable property, CH8, for a consideration of €44.0 million. The sale completed on 24 April 2020 and increased the Group's cash balances by €19.6 million after repaying the bank loan secured against the property. The Board therefore believes it is well placed to navigate a prolonged period of uncertainty if necessary.

The health and safety of all its employees and key service providers continues to remain a priority and the Group continues to monitor recommendations issued by the relevant authorities, and is complying with these where appropriate across the properties that it either owns or manages. The Group has put into action its Disaster Recovery (DR) plan which includes travel restrictions and remote working policies. These have been in effect since 23 March 2020 and are operating well.

Analysis and scenario testing, which includes the impact from the COVID-19 pandemic, was carried out on the Group's main divisional income streams, being asset management fees from the asset management division, rental income from its eight 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 (58%), three of which are limited partnerships whose limited partners are mostly UK pension funds.

With one exception, fees are invoiced monthly and are calculated based on a percentage of the latest valuation, which for the UK funds are performed quarterly. This income was tested for percentage falls in property values and the fund's ability to pay.

Income collected by the UK funds has to fall by over 85% before the funds turn cash negative. In the one fund from which fees are not levied by reference to the property's valuation (Fprop Offices LP) no income was forecast for the purposes of this test, although a 9% decrease in property values in this fund would trigger a clawback of the fee recognised in the year to 31 March 2020. A 15% decrease would trigger the maximum clawback of fees recognised to date of £1.38 million.

In the two UK funds with borrowing there is headroom of 20% 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 collectability of all asset management fees is in little doubt. Their longevity 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 5 years, 0 months.

b) Rental income from Group Properties

All eight Group Properties are located in Poland or Romania. These properties consist of three office blocks, a logistics warehouse and four mini-supermarkets. All were independently valued on 31 March 2020 after the COVID-19 outbreak at £56.30 million (2019: £94.61 million).

Whilst uncertainty in these valuations exist and short-term fluctuations can be expected there are reasons to be optimistic. Exposure to non-food retailers is very limited and with Poland exiting lockdown on 4 May 2020 the economic recovery there is forecast to be amongst the leaders in Europe.

The rental income has been reviewed and tested 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 period. Any renegotiation of rental payment terms that have been agreed are reflected in the analysis.

The weighted average applicable LTV ratio for these Group Properties where applicable is 49.36% against a combined weighted average covenant of 67.38%. Of the Group Properties which are subject to an LTV bank covenant, current values are 26.74% higher. In the case of Gdynia whose borrowing is not subject to an LTV covenant the test assumes that the current finance lease will be renegotiated on competitive terms.

The Directors have considered the consequences of failing to refinance the Gdynia property in this going concern assessment when the final finance lease repayment of €25.2 million falls due in February 2021. They are confident that, since the debt is non-recourse to the Group and that its equity in the property is valued in these financial statements at only €0.55 million, a failure to refinance would have no bearing on the going concern assessment.

c) Income from associates and investments

Analysis was also carried out on the returns from the Group's investment in 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. For the purposes of this test a 50% fall was factored in for the full year. Average rent collection within the funds invested was 93% for the March quarter.

Statement of going concern

Based on the results of the analysis carried out as outlined above the Board believes that the Group has the ability to continue its business for at least 12 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.

1. Basis of preparation and presentation of financial statements continued**Standards and interpretations effective in the current period**

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

IFRS 16 – Leases

The Group has changed its accounting policy for leases.

Until 31 March 2019 the Group held a small number of leases as lessee which were classified as operating leases, under which the significant portion of the risks and rewards of ownership were not transferred to the Group. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, 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.

The impact of this change in accounting policy is included in the transition Note 13.

New standards and interpretations

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

- › Amendments to IFRS 3 Definition of a business (effective p/c on or after 1 January 2020);
- › Amendments to IAS 1 and IAS 8 on the definition of material (effective p/c on or after 1 January 2020);
- › Amendments to IFRS 9, IAS 30 and IFRS 7 – Interest rate benchmark reform (effective p/c on or after 1 January 2020);
- › IFRS 17 Insurance Contracts (effective p/c on or after 1 January 2021);
- › Amendments to IAS 1, presentation of financial statements on classification of liabilities (effective p/c on or after 1 January 2022).

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

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

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 2020. Intra-Group balances, sales and profits are eliminated fully on consolidation.

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

Investments in subsidiaries

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

Investments in associates

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

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

Other financial investments

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

Impairment

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

Notes to the Financial Statements continued for the year ended 31 March 2020

2. Significant accounting policies continued

Property, plant and equipment

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

The principal annual rates used for this purpose are:

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

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

Investment properties

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

Inventories – land and buildings

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

Leases

The Company has changed its accounting policy for leases.

Until 31 March 2019 the Group held a small number of leases as lessee which were classified as operating leases, under which the significant portion of the risks and rewards of ownership were not transferred to the Company. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, 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.

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.

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.

Lessors accounting

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

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

Operating profit

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

Defined contribution schemes

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

Share-based payments

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

Notes to the Financial Statements continued
for the year ended 31 March 2020**2. Significant accounting policies** continued**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.

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 25).

Investments

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowing

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

Trade payables

Trade payables are initially measured at fair value.

Equity instruments

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

Business combinations

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

Goodwill

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

Judgements

- Revenue for performance related fees under long term agreements is recognised when the relevant service has been provided and there is a low probability that a significant reversal will occur. The Group applies judgement to determine the expected future performance of funds managed under these agreements, and the likelihood of meeting the performance criteria at the date the agreement crystallises (Note 4).

The Directors are satisfied that it is highly probable that the recognition of the Office Fund revenue in the year ended 31 March 2020 or in previous accounting periods will not be reversed in a subsequent accounting period. See full assessment of this revenue recognition on page 12 of the Strategic Report.

- The determination of control and significant influence over the Group's investments are dependent on judgements, including the degree of loss of control of Gdynia Podolska following receipt of a notice of an event of default from its lender. Following a review by the Directors it was judged that the exercise of these rights by the lender did not affect the ability of the Group to meet the requirements of IFRS 10 to control the company which is the lessee to the lease agreement. See further details within the Financial Risk Management section within Note 32.

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 18);

The valuer's report for the year ended 31 March 2020 contained a 'material uncertainty' clause due to the disruption to the market at that date caused by COVID-19. The inclusion of this clause indicates that there is substantially more uncertainty than normal and therefore a higher likelihood that the assumptions upon which the external valuer has based its valuations prove to be inaccurate. It is important to note however that First Property Group holds its directly held properties at cost which therefore reduces that uncertainty.

- 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 23 b);
- 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 28).
- As a condition of the sale of CH8, the Group has guaranteed the rental and service charge income and fitout costs on the residual vacant space, this has been estimated up to a maximum of some €1.2 million per annum for five years and €1.5 million respectively (Note 6).

4. Segmental reporting

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

The Property Fund Management segment is organised into separate funds operating across all the Group's chosen geographic areas. It enjoys recurring income from managing commercial property on behalf of its various fund investors in the form of asset management fees and performance related fees when earned. It includes such fees from associates, but not Group Properties whose fees therefrom are eliminated at the Group level. A table of funds managed is listed in this report on page 13.

The Group Properties segment comprises the revenues and profits from the Group's trading in its own properties. Rental and service charge income from the properties owned by the Group is included in this segment. The profits and losses of trading in these properties can be volatile and, depending on the frequency and size of sale and by its nature, unpredictable. At the year end this division owned eight properties, of which seven were held within investment properties under non-current assets and one property held at cost in inventories under current assets. This segment for this year excludes the results from the Group's investments treated as an associate and the investment income received from its other investments.

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

In 2016/17, the Directors decided to sell down its interest in FOP, with the intention of reducing its stake to that of a non-controlling interest. At the current year end the Group's interest was 40.0% (2019: 40.0%) and has been deconsolidated from the Group's financial statements with effect from 12 October 2018 and treated as an associate because, in the judgement of the Directors, the Group could no longer demonstrate a controlling interest. For these accounts FOP no longer continues to be reported under a separate segment and its contribution as an associate to the Group's profit before tax is included in the new segment entitled Associates and Investments. Other contributions from associates and dividend income from the Group's investments have been transferred from the Group Properties segment where they were included in previous years to this new segment. The segment analysis for 2019 has been restated for this new segment.

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 2020

4. Segmental reporting continued
Segment reporting 2020

	Fund Management Division	Group Properties Division		Unallocated central overheads	Total £'000
	Property fund management £'000	Group properties £'000	Associates and investments (new segment) £'000	£'000	
Rental income	—	10,403	—	—	10,403
Service charge income	—	1,986	—	—	1,986
Asset management fees	3,483	—	—	—	3,483
Performance related fee income	415	—	—	—	415
Total revenue	3,898	12,389	—	—	16,287
Depreciation and amortisation	(35)	(2,443)	—	—	(2,478)
Operating profit	1,335	5,962	—	(2,064)	5,233
Share of results in associates	—	—	1,879	—	1,879
Fair value adjustment on associates	—	—	(659)	—	(659)
Investment income	—	—	324	—	324
Interest income	—	74	—	6	80
Interest payable	—	(1,338)	—	—	(1,338)
Profit/(loss) before tax	1,335	4,698	1,544	(2,058)	5,519
Analysed as:					
Underlying profit/(loss) before tax before adjusting for the following items:	1,344	6,549	2,203	(1,023)	9,073
Profit on the sale of investment property	—	1,527	—	—	1,527
Fair value adjustment on associates	—	—	(659)	—	(659)
Depreciation	(35)	(2,443)	—	—	(2,478)
Performance related fee income	415	—	—	—	415
Staff incentives	(383)	(325)	—	(1,101)	(1,809)
Realised foreign currency (losses)/gains	(6)	(610)	—	66	(550)
Total	1,335	4,698	1,544	(2,058)	5,519
Assets – Group	1,078	98,591	3,174	4,032	106,875
Share of net assets of associates	—	—	18,006	(308)	17,698
Liabilities	(338)	(74,793)	—	(1,238)	(76,369)
Net assets	740	23,798	21,180	2,486	48,204
Additions to non-current assets					
Property, plant and equipment	—	43	—	—	43
Investment properties	—	1,258	—	—	1,258
Trading stock	—	346	—	—	346
Investment in associates	—	—	—	—	—

Segment reporting 2019

	Fund Management Division	Group Properties Division		Group fund properties 'FOP'	Unallocated central overheads	Total
	Property fund management £'000	Group properties Restated* £'000	Associates and investments Restated* £'000	£'000	£'000	£'000
Rental income	—	9,658	—	3,272	—	12,930
Service charge income	—	1,748	—	798	—	2,546
Asset management fees	3,420	—	—	—	—	3,420
Performance related fee income	1,541	—	—	—	—	1,541
Total revenue	4,961	11,406	—	4,070	—	20,437
Depreciation and amortisation	(37)	(1,991)	—	(200)	—	(2,228)
Operating profit	3,031	2,048	—	6,136	(2,714)	8,501
Share of results in associates	—	—	1,600	—	—	1,600
Investment income	—	—	273	—	—	273
Interest income	—	78	—	31	5	114
Interest payable	—	(1,387)	—	(793)	—	(2,180)
Profit/(loss) before tax	3,031	739	1,873	5,374	(2,709)	8,308
Analysed as:						
Underlying profit/(loss) before tax before adjusting for the following items:	1,981	5,507	2,637	1,381	(1,012)	10,494
Write down, impairment (losses)/reversals	—	(3,043)	—	32	—	(3,011)
Group's share of revaluation losses on associates	—	—	(764)	—	—	(764)
Profit on the sale of FOP shares	—	64	—	—	—	64
Gain on loss of control of subsidiary	—	606	—	4,221	—	4,827
Depreciation on investment property	—	(1,740)	—	—	—	(1,740)
Performance related fee income	1,541	—	—	—	—	1,541
Staff incentives	(476)	(190)	—	(212)	(1,669)	(2,547)
Realised foreign currency (losses)/gains	(15)	(465)	—	(48)	(28)	(556)
Total	3,031	739	1,873	5,374	(2,709)	8,308
Assets – Group	1,630	94,579	3,539	—	5,942	105,690
Share of net assets of associates	—	—	17,362	—	(308)	17,054
Liabilities	(398)	(74,254)	—	—	(1,806)	(76,458)
Net assets	1,232	20,325	20,901	—	3,828	46,286
Additions to non-current assets						
Property, plant and equipment	—	35	—	—	—	35
Investment properties	—	1,116	—	415	—	1,531
Trading stock	—	11	—	—	—	11
Interest in associates	—	—	13,172	—	—	13,172

* The Group redefined its segments following the de-consolidation of the FOP Group in October 2018. Consequently the 2019 segments have been restated for comparability.

Notes to the Financial Statements continued
for the year ended 31 March 2020

5. Interest income/(expense)

	2020 Group £'000	2019 Group £'000
Interest income – bank deposits	26	18
Interest income – other	54	96
Total interest income	80	114
	2020 Group £'000	2019 Group £'000
Interest expense – property loans	(1,009)	(1,571)
Interest expense – bank and other	(53)	(49)
Finance charges on finance leases	(276)	(560)
Total interest expense	(1,338)	(2,180)

6. Profit on the sale of an investment property

During the year, the Group's largest property, Chalubinskiego 8 (CH8) in Warsaw, Poland was sold for €44 million. The sale completed on 24 April 2020 with its financial liabilities being discharged.

Sale proceeds	€44,000
Less: Cost to sell	
Cost of property	(€39,614)
Cost of sale guarantees	(€2,612)
Other transactional costs	(€314)
Release of property provision	€266
Profit on the sale of an investment property	€1,726

The profit on sale of the property recognised in the Consolidated Income Statement is €1,527,083 which represents the profit above of €1,725,757 converted at a rate of 1.1301 €/£.

As a condition of the sale the Group has guaranteed the rental and service charge income and fitout costs on the residual vacant space, up to some €1.2 million per annum for five years and €1.5 million respectively. As at 31 March 2020 a provision of €1.16 million for the potential cost of this guarantee has been included within other payables and accruals.

7. Employee information

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

	2020 Number	2019 Number
Management	13	13
Property operations	12	10
Technical operations	38	32
	63	55

An analysis of staff costs is set out below:

	2020 £'000	2019 £'000
Wages and salaries	4,859	5,095
Social security costs	571	639
Defined contribution pension costs	39	25
Share-based payments	12	12
	5,481	5,771

The Company employs two Directors and two Non-Executive Directors only. Analysis of these costs can be found in Note 8.

8. Directors' remuneration and emoluments

The remuneration of the Directors was as follows:

	2020 £'000	2019 £'000
Basic pay	587	574
Pension	17	11
Fees	66	60
Benefits	20	22
Annual bonus	967	1,466
	1,657	2,133

	Salary and benefits £'000	Annual bonus £'000	Fees £'000	2020 £'000	2019 £'000
A J D Locke	—	—	33	33	30
P Moon	—	—	33	33	30
B N Habib	383	814	—	1,197	1,596
G R W Digby	241	153	—	394	477
	624	967	66	1,657	2,133

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 (2019: £nil) under money purchase pension schemes run by the Company.

9. Profit on ordinary activities before taxation

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment	35	40
– Depreciation on investment properties	2,055	2,111
– Net foreign exchange losses	550	556
– Staff costs (see Note 7)	5,481	5,771
– Operating lease rentals	94	94
– Rental income from investment properties	7,773	10,615
– Direct operating expenses arising from investment property that generated rental income during the period	2,583	3,595
– Direct operating expenses arising from investment property that did not generate rental income	3,310	6,742
– Depreciation on inventories	88	77

10. Audit fees

	2020		2019	
	Group auditor £'000	Other auditors £'000	Group auditor £'000	Other auditors £'000
Audit fees				
– Audit of parent company and consolidated financial statements	44	—	44	—
– Audit of subsidiary undertakings	18	35	23	44
Non-audit fees				
– Other services	37	26	10	34
	99	61	77	78

Notes to the Financial Statements continued
for the year ended 31 March 2020

11. Tax expense

	2020 £'000	2019 £'000
Analysis of tax charge for the year		
Current tax		
Current period profits	813	1,149
Prior period adjustments	161	135
Total current tax	974	1,284
Deferred tax (see Note 28)	(360)	659
Total tax charge for the year	614	1,943

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

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

Factors affecting the tax charge for the period

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

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	5,519	8,308
Profit in ordinary activities multiplied by the standard rate of 19% (2019: 19%)	1,049	1,579
Effect of:		
Expenses not deductible for tax purposes	—	2
Depreciation in excess of capital allowances on plant and equipment	2	2
Prior year adjustments	161	135
Movement on deferred tax unprovided	316	1
Effect of overseas mainstream tax rates	3	(69)
Other adjustments including overseas tax allowable depreciation on property	(557)	(366)
Total tax charge for the period	974	1,284

Unrecognised deferred tax

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	(1)	—	3	—
Tax losses carried forward	1,520	1,321	1,206	1,206
Unrecognised deferred tax asset	1,519	1,321	1,209	1,206

The Directors have concluded that there is insufficient evidence to support the recoverability of this asset from future taxable profits and therefore have not recognised this asset in the Balance Sheet. UK deferred tax has been calculated at a rate of 19% for 2020 and 2019.

12. Lease liabilities and right of use assets

The Group has reviewed the lease terms of its leases in force at the date of transition (1 April 2019) and has identified two leases.

The first lease which is the lease of the UK office at St James's Street, London terminates 1 July 2020 therefore within 12 months of the transition date. The Group has taken the exemption under IFRS 16 for short term leases and continued to recognise the cost of this lease as an expense in the income statement.

The second lease within the Group is 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). This lease terminates on 31 March 2024. A discount rate of 2.75% has been applied representing its incremental borrowing rate.

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

i. Amounts recognised in the balance sheet:

	31 March 2020 £'000	1 April 2019 £'000
Right of use assets		
Buildings	584	719
	584	719
	31 March 2020 £'000	1 April 2019 £'000
Lease liabilities		
Current	139	136
Non-current	445	583
	584	719

There were no additions to the right of use assets and lease liability during the financial year.

ii. Amounts recognised in the income statement:

	2020 £'000	2019 £'000
Depreciation charge of right of use assets		
Buildings	135	–
	135	–
	2020 £'000	2019 £'000
Interest expense		
Buildings	18	–
	18	–

From 1 April 2019 the Group has recognised right of use assets for its leases. The comparative disclosures required under IAS 17 can be found in Note 31.

The total cash outflow for leases in 2020 was £154,000 (2019: £94,000).

Notes to the Financial Statements continued for the year ended 31 March 2020

13. Transition to IFRS 16

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. As indicated in Note 1 above, the Group has adopted IFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in Note 2.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.75%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- › applying a single discount rate to a portfolio of leases with reasonably similar characteristics, and
- › relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17.

(ii) Measurement of lease liabilities

	1 April 2019 £'000
Operating lease commitments disclosed as at 31 March 2019	117
Operating lease commitments under a short lease	(117)
Discounted using the lessee's incremental borrowing rate at the date of initial application	–
Recognition of building leases not previously disclosed within operating lease commitments at 31 March 2019	719
Lease liability recognised as at 1 April 2019	719

(iii) Measurement of right of use assets

All right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 31 March 2019.

(iv) Adjustments recognised in the balance sheet on 1 April 2019

The change in accounting policy affected the following balance sheet items on 1 April 2019:

- › right of use assets at 1 April 2019 increased by £719,000.
- › lease liability as 1 April 2019 increased by £719,000.
- › The net impact on retained earnings on 1 April 2019 was nil.

14. 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 profit for the year was £4.48 million (2019: £11.98 million).

15. Dividend on Ordinary Shares

	2020 £'000	2019 £'000
Interim dividend paid during the year 2020: 0.45 pence (2019: 0.44 pence)	497	489
Final dividend paid for the year ended 31 March 2019: 1.22 pence per share (2018: 1.18 pence per share)	1,358	1,313
	1,855	1,802

The total dividend for the current year ended 31 March 2020 of 1.67 pence (2019: 1.66 pence) will be subject to shareholder approval at the Annual General Meeting to be held on 23 September 2020.

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

With effect from 12 October 2018, and following disposals of its shareholding in Fprop Opportunities plc (FOP), a fund which it manages and which is fully invested in five commercial properties in Poland, the Group's share in FOP reduced to 44.3%. The Directors judged that, in their opinion and after considering all the relevant facts and circumstances, the Group could no longer exercise control over FOP and therefore required that FOP be deconsolidated from the Group's accounts. The Group is now accounting for its remaining investment in FOP and its share of its profits as an associate undertaking. The Group has continued to sell down its shareholding in FOP and as at 31 March 2020 owns 40.0%.

Summary of net assets disposed of following the deconsolidation of FOP from the Group accounts:

	Total FOP Group £'000
Investment property (at cost)	63,907
Trade and other debtors	839
Deferred tax asset	1,309
Bank	2,030
Total current assets	68,085
Trade and other payables	(975)
Bank loans and finance leases	(49,119)
Shareholder loans	(2,829)
Deferred tax liability	(1,496)
Provision	(33)
Total current liabilities	(54,452)
Total net assets	13,633
Non-controlling interest disposed	(7,598)
Uplift to fair value	3,500
Accumulated foreign exchange profits	721
Gain following the loss of control recognised in the Income Statement	4,221
Fair value of shares in FOP retained by the Group at 12 October 2018	10,256
Value of the shareholder loan due from FOP retained by the Group	1,253
Cost of shares subsequently sold following deconsolidation	(982)
Shareholder loan subsequently sold following deconsolidation	(110)
Shareholder loan repayments received following deconsolidation	(310)
Share of post-tax profit to 31 March 2019 following deconsolidation	677
Group's share of the associate's revaluation losses	(764)
Cost of associate as at 31 March 2019 (see Note 23)	10,020
Gain on loss of control of subsidiary	
Sale proceeds	1,487
Fair value of shares retained	10,256
Less:	
Net assets of subsidiary	13,633
NCI prior to loss of control	(6,717)
	(6,916)
Gain on loss of control of subsidiary	4,827
Represented by:	
Profit on sale of shares	606
Uplift to fair value	3,500
Accumulated foreign exchange profits	721
	4,221
Gain on loss of control of subsidiary	4,827

Notes to the Financial Statements continued
for the year ended 31 March 2020

17. Earnings/NAV per share

	2020	2019
Basic earnings per share	4.38p	4.95p
Diluted earnings per share	4.29p	4.85p

	£'000	£'000
Basic earnings	4,859	5,514
Diluted earnings assuming full dilution	4,867	5,522

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

	2020 Number	2019 Number
Weighted average number of Ordinary Shares in issue (used for basic earnings per share calculation)	110,953,578	111,353,468
Number of share options	2,610,000	2,610,000
Total number of Ordinary Shares used in the diluted earnings per share calculation	113,563,578	113,963,468

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

	2020 £'000	2019 £'000
Basic earnings per share		
Basic earnings	4,859	5,514
Diluted earnings per share		
Basic earnings	4,859	5,514
Notional interest on share options assumed to be exercised	8	8
Diluted earnings	4,867	5,522

	2020	2019
Net assets per share	43.53p	41.46p
Adjusted net assets per share	55.00p	57.48p

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

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

	2020 £'000	2019 £'000
For net assets per share		
Net assets excluding non-controlling interest	48,047	46,172

	2020 £'000	2019 £'000
For adjusted net assets per share		
Net assets excluding non-controlling interests	48,047	46,172
Investment properties at fair value net of deferred tax	4,520	4,664
Inventories at fair value net of deferred tax	2,939	5,416
Investments in associates and other financial investments	6,260	8,875
Other items	381	381
Total	62,147	65,508

	2020 Number	2019 Number
Number of shares in issue at year end	110,382,332	111,354,001
Number of share options assumed to be exercised	2,610,000	2,610,000
Total	112,992,332	113,964,001

18. Investment properties

	2020 Group £'000	2019 Group £'000
Investment properties		
At 1 April	67,348	132,180
Capital expenditure	1,258	1,531
Disposals	(33,192)	(63,907)
Additions through acquisitions	–	5,406
Depreciation	(2,055)	(2,111)
Impairment loss to an investment property	–	(2,984)
Foreign exchange translation	(822)	(2,767)
At 31 March	32,537	67,348

Investment properties owned by the Group, are stated at cost less depreciation and accumulated impairment losses. The properties were valued at the Group's financial year end at €43.08 million (2019: €84.84 million), the Sterling equivalent at closing foreign exchange rates being £38.12 million (2019: £73.18 million). The Group considers all of its investment properties to fall within Level 3 as defined by IFRS 13.

The gross cost of investment properties is €45.61 million (2019: £78.35 million) which is before cumulative depreciation of £10.05 million (2019: £7.99 million) and cumulative impairment write downs of £3.02 million (2019: £3.02 million).

On acquisition of the Gdynia property the Directors took the decision to depreciate the property over the lease term which expires in 2020. In the Directors' opinion the property's estimated residual value at the end of the period of ownership will be lower than the carrying value. In the year ended 31 March 2019 the Directors resolved to make an additional write down to the property of €3.50 million to reflect the expected local market conditions as the termination of the current lease nears. The current recoverable amount of the property is €28.81 million which reflects its value in use. Its residual value has been calculated based on the expected net operating income when the current lease expires applying a gross yield of 8%. It is expected that the original rate of depreciation will continue until October 2020 when the lease expires. No other property has been depreciated as the estimated residual value is expected to be higher than the carrying value.

The property disposals in the year to 31 March 2020 represent the sale of CH8 for €44.00 million. The disposal of £33.19 million represents the cost of the property up to the point of sale. See Note 6 for detail of the sale of the property.

19. Leases

	2020 Group £'000	2019 Group £'000
Minimum lease receipts under non-cancellable operating leases to be received:		
Not later than one year	5,340	10,748
Later than one year and not later than five years	6,470	18,659
Later than five years	2,996	3,010
	14,806	32,417

Investment properties and property held within stock are comprised of commercial properties that are leased to third parties. The Group has approximately 40 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 1 year and 10 months (2019: 2 years and 9 months including CH8). No contingent rents are charged.

20. Goodwill

	2020 Group £'000	2019 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 the 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.

Notes to the Financial Statements continued
for the year ended 31 March 2020

21. Property, plant and equipment

	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Group 2020					
Cost					
At 1 April 2019	219	67	24	37	347
Foreign currency translation	(3)	(3)	—	—	(6)
Additions	29	13	—	—	42
Disposals/transfers	(7)	(2)	—	—	(9)
At 31 March 2020	238	75	24	37	374
Depreciation					
At 1 April 2019	178	52	24	35	289
Foreign currency translation	(5)	—	—	—	(5)
Charge for year	21	12	—	2	35
Disposals/transfers	(7)	(2)	—	—	(9)
At 31 March 2020	187	62	24	37	310
Net book value at 31 March 2020	51	13	—	—	64
	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Group 2019					
Cost					
At 1 April 2018	195	68	25	37	325
Foreign currency translation	(6)	(3)	(1)	—	(10)
Additions	34	2	—	—	36
Disposals/transfers	(4)	—	—	—	(4)
At 31 March 2019	219	67	24	37	347
Depreciation					
At 1 April 2018	163	41	25	30	259
Foreign currency translation	(3)	(2)	(1)	—	(6)
Charge for year	22	13	—	5	40
Disposals/transfers	(4)	—	—	—	(4)
At 31 March 2019	178	52	24	35	289
Net book value at 31 March 2019	41	15	—	2	58

The Company had no property, plant or equipment (2019: Enil). The Group holds no property, plant and equipment under a finance lease.

22. Investment in Group undertakings

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Investment in consolidated subsidiaries				
Shares at cost	—	3,213	—	3,213
At 31 March	—	3,213	—	3,213

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

23. Investments in associates and other financial investments

The Group has the following investments:

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Associates				
At 1 April	17,054	14,036	4,725	2,756
Additions	—	—	13,172	13,172
Disposals	—	—	(1,304)	(1,256)
Repayment of shareholder loan	(576)	(576)	(549)	(549)
Share of associates' profit after tax	1,879	—	2,364	—
Share of associates' revaluation losses	(659)	—	(764)	(87)
Dividends received	—	—	(590)	—
At 31 March	17,698	13,460	17,054	14,036

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:

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in associates				
5th Property Trading Ltd	1,436	258	1,288	258
Fprop Romanian Supermarkets Ltd	168	7	150	7
Fprop Galeria Corso Ltd	2,346	1,250	2,089	1,281
Fprop Krakow Ltd	1,451	1,006	1,308	1,031
Fprop Cluj Ltd	519	422	458	441
Fprop Phoenix Ltd	1,908	998	2,049	998
Fprop Opportunities plc	10,178	9,519	10,020	10,020
	18,006	13,460	17,362	14,036
Less: Share of profit after tax withheld on sale of property to 5th Property Trading Ltd in 2007 (an associated company)	(308)	—	(308)	—
At 31 March	17,698	13,460	17,054	14,036

If the Group had adopted the alternative fair value model for accounting for investment properties, the carrying value of the investment in associates would have increased to £23.96 million (2019: £25.97 million).

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' Street, London, SW1A 1HD. The Group's ownership interest in the associate is 40.0% and the Group's investment in the associate is measured using the equity method. There were no dividends received in the period to 31 March 2020 and a financial summary of Fprop Opportunities plc in the year to 31 March 2020 is as follows:

	Year ended 31 March 2020 £'000
Current assets	4,001
Non-current assets	73,720
Current liabilities	(17,276)
Non-current liabilities	(35,849)
Revenue	8,477
Profit from continuing operations	4,812

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for the year ended 31 March 2020

23. Investments in associates and other financial investments continued

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Other financial investments				
At 1 April	3,539	3,539	4,517	3,617
Additions	48	48	468	468
Disposal	—	—	(900)	—
Repayments	(218)	(218)	(569)	(569)
Decrease in fair value during the year	(195)	(195)	23	23
At 31 March	3,174	3,174	3,539	3,539

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

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

The principal investments of the Group at 31 March 2020 are as follows:

	Principal activities	% of ordinary shares held by	
		Company %	Subsidiary %
Group undertakings			
UK			
First Property Asset Management Limited	Property asset management	100	—
Fprop Corktree Limited	Property holding company	100	—
FPGP Limited	Property holding company	100	—
Regional Property Trading Limited	Property holding company	100	—
E and S Estates Poland Sp. z o.o.	Property holding company	77	—
Fprop Szczecin Limited	None, newly established	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	—
First Property General Partner Limited	General partner of property fund	51	—
SIPS Property Nominee Limited	Nominee	100	—
Poland			
First Property Poland Sp. z o.o.	Property investment and management	100	—
Ross Sp. z o.o.	Property investment and management	100	—
Corp Sp. z o.o.	Property services management	—	90
Ross 2 Sp. z o.o.	Property holding company	100	—
Ross 3 Sp. z o.o.	Property holding company	100	—
Corktree Sp. z o.o.	Property holding company	—	100
Corktree Fprop Sp. z o.o.	Property holding company	—	100
Gdynia Podolska Sp. z o.o.	Property holding company	—	100
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 Szczecin Sp. z o.o.	Newly acquired 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	–
UK Pension Property Portfolio LP	Property fund	1	–
Fprop Galeria Corso Limited	Property fund	28	–
Fprop Romanian Supermarkets Limited	Property fund	24	–
Fprop Krakow Limited	Property fund	18	–
Fprop UK Special Opportunities LP	Property fund	4	–
Fprop Offices LP	Property fund	2	–
Fprop Cluj Limited	Property fund	17	–
Fprop Phoenix Limited	Property fund	23	–
Fprop Opportunities plc	Property fund	40	–
Fprop Opportunity Lodz Limited	Property holding company	–	40
Fprop Opportunity Krasnystaw Limited	Property holding company	–	40
Fprop Opportunities Lodz II Limited	Property holding company	–	40
Fprop Opportunity Lublin Limited	Property holding company	–	40
Fprop Opportunity Ostrowiec Limited	Property holding company	–	40
Fprop Zinga Limited	Property holding company	–	40
Poland			
5th Property 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	–	40
Fprop Krasnystaw Sp. z o.o.	Property holding company	–	40
Lublin Zana Sp. z o.o.	Property holding company	–	40
Galeria Ostrowiec Sp. z o.o.	Property holding company	–	40
Fprop Ostrowiec Sp. z o.o.	Property holding company	–	40
Zinga Fprop Sp. z o.o.	Property holding company	–	40
Zinga Poland Sp. z o.o.	Property holding company	–	40
Zinga Fprop Poland Sp. z o.o.	Property holding company	–	40
KBP – 2 Sp. z o.o.	Property holding company	–	23
KBP – 3 Sp. z o.o.	Property holding company	–	23
KBP – 4 Sp. z o.o.	Property holding company	–	23
KBP – 5 Sp. z o.o.	Property holding company	–	23
KBP – 6 Sp. z o.o.	Property holding company	–	23
KBP – 8 Sp. z o.o.	Property holding company	–	23
KBP – 9 Sp. z o.o.	Property holding company	–	23
KBP – 10 Sp. z o.o.	Property holding company	–	23
KBP – 11 Sp. z o.o.	Property holding company	–	23
KBP – TT Sp. z o.o.	Property holding company	–	23
Romania			
Fprop Rom Supermarkets SRL	Property holding company	–	24
Fprop CJ SRL	Property holding company	–	17

See Note 23 for contributions from associate and other investments.

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for the year ended 31 March 2020

23. Investments in associates and other financial investments continued

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

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

The registered address for Galeria Ostrowiec Sp. z o.o. and Fprop Ostrowiec Sp. z o.o. is ul. Adama Mickiewicza 30, 27-400 Ostrowiec Swietokrzyski. All other Polish companies are registered at 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, Drumul Intre Tarlale, Nr. 41C, Etaj 2, Romania;

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

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

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

24. Inventories – land and buildings

	2020 Group £'000	2019 Group £'000
Group properties for resale at cost		
At 1 April	14,817	15,586
Capital expenditure	346	11
Disposal/write off	–	(30)
Depreciation	(88)	(77)
Foreign exchange translation	(517)	(673)
At 31 March	14,558	14,817

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 £18.19 million (£20.55 million), down from £21.50 million (£24.95 million) in 2019 but is stated at cost as above.

25. Trade and other receivables

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Current assets				
Trade receivables	1,423	–	1,408	13
Less provision for impairment of receivables	(330)	–	(297)	–
Trade receivables net	1,093	–	1,111	13
Other receivables	42,343	520	2,836	174
Prepayments and accrued income	1,409	16	1,971	11
	44,845	536	5,918	198

Other receivables, under current assets, includes £38.93 million relating to the sale proceeds following the sale of CH8, which were received in full on 24 April 2020. The estimated fair values of receivables are the amount of the estimated future cash flows expected to be received and approximate to their carrying amounts. There is no significant concentration of credit risk with respect of trade receivables as the Group has a large number of tenants and the perceived overall credit quality is considered good.

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

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Accumulated impairment losses as at 1 April	(297)	–	(640)	–
Increase in provision	(93)	–	(510)	–
Provision used	–	–	10	–
Release of provision	51	–	827	–
Effect of translation on presentation currency	9	–	16	–
Accumulated impairment losses as at 31 March	(330)	–	(297)	–

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Non-current assets				
Other receivables	922	–	1,312	–
Amounts owed by subsidiaries and other undertakings	–	18,967	–	12,923

In 2020, other receivables include a balance of £922,000 (2019: £1.31 million) relating to the deferred consideration from the sale of an investment property located in Romania, which is receivable after one year. This has been discounted to reflect its net present value.

Notes to the Financial Statements continued
for the year ended 31 March 2020

26. Trade and other payables

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Current liabilities				
Trade payables	2,591	13	2,798	16
Amounts due to subsidiary undertakings and associates	–	4,692	–	2,956
Other taxation and social security	1,030	–	855	–
Other payables and accruals	5,354	1,395	3,235	1,751
Deferred income	183	–	190	–
At 31 March	9,158	6,100	7,078	4,723

Deferred income £183,000 (2019: £190,000) 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.

27. Financial liabilities

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Current liabilities				
Bank loan	23,829	–	3,780	–
Finance lease	25,244	–	2,549	–
At 31 March	49,073	–	6,329	–
Non-current liabilities				
Bank loans	15,461	–	35,783	–
Finance lease	–	–	24,565	–
At 31 March	15,461	–	60,348	–

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Total obligations under bank loans and finance lease				
Repayable within one year	49,073	–	6,329	–
Repayable within one and five years	8,770	–	54,073	–
Repayable after five years	6,691	–	6,275	–
At 31 March	64,534	–	66,677	–

Six bank loans and one finance lease all denominated in Euros totalling £64.53 million (2019: £66.68 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 finance lease are otherwise non-recourse to the Group's assets.

See financial instruments note on page 63 for information on any covenant breaches in respect of these financial liabilities.

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

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Finance lease liabilities:				
Less than one year	25,244	–	2,796	–
Between two and five years	–	–	24,781	–
Later than five years	–	–	–	–
Future finance charges on future finance lease payments	–	–	(463)	–
	25,244	–	27,114	–

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
The analysed present value of finance lease liabilities is as follows:				
Less than one year	25,244	–	2,549	–
Between two and five years	–	–	24,565	–
Later than five years	–	–	–	–
	25,244	–	27,114	–

28. Deferred tax

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

	2020			2019		
	Group net assets £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
Accrued interest payable	(1,026)	56	(1,082)	(919)	120	(1,039)
Accrued income	(7)	–	(7)	(5)	–	(5)
Foreign bank loan	1,281	1,295	(14)	1,108	1,108	–
Investment properties and inventories	(11)	983	(994)	(146)	1,425	(1,571)
Other temporary differences	320	325	(5)	118	126	(8)
At 31 March	557	2,659	(2,102)	156	2,779	(2,623)

Relevant Group companies are making taxable profits.

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

	2020			2019		
	Group net assets £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
At 1 April	156	2,779	(2,623)	975	4,518	(3,543)
(Charge)/credit in the year	360	(36)	396	(659)	(1,670)	1,011
Foreign exchange translation	41	(84)	125	(160)	(69)	(91)
At 31 March	557	2,659	(2,102)	156	2,779	(2,623)

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.

29. Called-up share capital

	2020 £'000	2019 £'000
Authorised		
240,000,000 (2019: 240,000,000) Ordinary Shares of 1 pence each	2,400	2,400
Issued and fully paid		
116,601,115 (2019: 116,601,115) Ordinary Shares of 1 pence each of issued share capital, of which 6,218,783 Ordinary Shares (2019: 5,247,114) are held in treasury	1,166	1,166

	Ordinary Shares number	Treasury Shares number	Share options number
1 April 2019	111,354,001	5,247,114	2,610,000
Purchase of shares into treasury	(1,000,000)	1,000,000	–
Exercise of share options	–	–	–
Issue of new shares	–	–	–
Issue of shares to Non-Executive Director	28,331	(28,331)	–
Lapse of share options	–	–	–
31 March 2020	110,382,332	6,218,783	2,610,000

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

The Company had 2,610,000 options over Ordinary Shares outstanding at 31 March 2020 (2019: 2,610,000). Once these share options are exercised, the Ordinary Shares issued will rank pari passu with the existing Ordinary Shares. On 20 September 2018 the Directors extended the life of the Company's share option scheme by ten years to 2029.

Notes to the Financial Statements continued for the year ended 31 March 2020

29. Called-up share capital continued

Year of grant	Exercise price (p)	Exercise period	31 March 2020 Numbers	31 March 2019 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 Enil share options were exercised and none granted. The weighted average share price at the date of exercise of these shares was 14.58 pence. At the year-end there are 110,000 share options that have been issued under the HMRC Enterprise Management Incentive Scheme with the remaining 2,500,000 share options issued under the Company's Unapproved Share Option Scheme. The weighted average contractual life of the share options is 112.17 months.

30. Contractual commitments

The Group has contractual commitments relating to the development of investment properties at 31 March 2020 amounting to £1,539,000 (2019: £920,000) which are expected to be expended over the next 12 months.

On 21 November 2019, the lease for the head office in London was extended for a further five years terminating in June 2025.

31. Financial commitments

At 31 March 2020 the Group had total commitments under non-cancellable operating leases payable as follows:

	Land and buildings 2020 £'000	Land and buildings 2019 £'000
Total amounts due		
– within a year	–	94
– between one and five years	–	23
In more than five years	–	–
	–	117

The liability in 2019 relates to a five-year operating lease terminating in June 2020 for the head office in London.

The Group has one finance lease that is described in Note 32.

32. Financial instruments and risk management

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

Objective, policies and strategies

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

Interest rate risk

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

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

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

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

Liquidity risk

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

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

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

Included within cash and cash equivalents is £590,000 deposited as a debt service reserve with the lending banks to secure their debt service cover ratio (DSCR) loan covenants on four bank loans. £1.06 million which is included within prepayments, is also deposited as a debt service reserve in respect of two other bank loans, of which £1.01 million was in respect of CH8 and which was reimbursed following the completion of its sale in April 2020.

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 Balance Sheet date. Foreign exchange differences on translation of these assets and liabilities are taken to the foreign exchange translation reserve in the Balance Sheet.

	Net foreign currency monetary assets/liabilities			
	Euro Poland & Romania £'000	Polish Zloty Poland £'000	Romanian Leu Romania £'000	Total £'000
2020				
Sterling equivalent	(49,802)	1,152	21	(48,629)
2019				
Sterling equivalent	(45,147)	95	582	(44,470)

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.

	2020 Income statement £'000	2019 Income statement £'000	2020 Equity £'000	2019 Equity £'000
Interest rate sensitivity analysis				
UK interest rate +1%	35	62	35	62
EURO interest rate +1%	(312)	(358)	(312)	(358)
RON interest rate +1%	1	6	1	6
PLN interest rate +1%	7	7	7	7
	(269)	(283)	(269)	(283)
Foreign currency sensitivity analysis				
EURO exchange rate +5%	29	58	255	498
RON exchange rate +5%	(1)	30	1	29
PLN exchange rate +5%	12	(46)	450	444
	40	42	706	971

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

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

Credit risk

The Group and Company's principal financial assets are bank deposits, bank current account balances, and trade and other receivables which represent the Group and Company's maximum exposure to credit risk in relation to financial assets. It is the policy of the Group and Company to present the amount for trade and other receivables net of allowances for doubtful debts, estimated by the Group's management based on prior experience and making due allowance for the prevailing economic environment. See Note 25 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.

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32. Financial instruments and risk management continued

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2020 and 31 March 2019 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	2,727	–	–	2,727
Short-term deposits	–	4,009	601	4,610
At 31 March 2020	2,727	4,009	601	7,337
Other receivables due after one year	–	–	–	–
Cash	3,622	–	–	3,622
Short-term deposits	–	5,576	540	6,116
At 31 March 2019	3,622	5,576	540	9,738

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

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

Fixed rate short term deposits at 31 March 2020 were £4.00 million (31 March 2019: £5.58 million).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2020 and 31 March 2019 was as follows:

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Non-interest bearing £'000	Total £'000
Bank loans	11,956	27,334	–	39,290
Finance lease obligations	25,244	–	–	25,244
Other financial liabilities	–	–	–	–
At 31 March 2020	37,200	27,334	–	64,534
Bank loans	10,855	28,708	–	39,563
Finance lease obligations	27,114	–	–	27,114
Other financial liabilities	–	–	–	–
At 31 March 2019	37,969	28,708	–	66,677

The Group's debt maturity other than short-term trade creditors and accruals at 31 March 2020 and 31 March 2019 was as follows:

	Bank loans £'000	Finance lease £'000	Other financial liabilities £'000	Total £'000
In one year or less	23,829	25,244	–	49,073
Between one and five years	8,770	–	–	8,770
Over five years	6,691	–	–	6,691
Total at 31 March 2020	39,290	25,244	–	64,534
In one year or less	3,780	2,549	–	6,329
Between one and five years	29,508	24,565	–	54,073
Over five years	6,275	–	–	6,275
Total at 31 March 2019	39,563	27,114	–	66,677

Six bank loans and one finance lease all denominated in Euros totalling €64.53 million (2019: €66.68 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.

The finance lease for the office building in Gdynia is technically in default of one of its loan covenants for failure to lease more than 50% of the lettable area one year prior to the expiry of the current sole tenant's lease in October 2020. Negotiations with the lender, the tenant and prospective tenants are in progress.

In the period to 31 March 2020 there were no other defaults in respect of any of the Group's other borrowings.

Bank loans				Capital repayments	Interest repayments	Secured
£'000	Matures	Denominated				
841	2022	Euro	Non-recourse	€7,600 per month	Annualised rate of one month EURIBOR plus an all in margin of 2.40%	Office building in central business district of Warsaw
22,563	2023	Euro	Non-recourse	€500,000 per quarter	Payable quarterly fixed at 2.323%	Chalubinskiego 8 (formally known as Oxford Tower)
4,110	2023	Euro	Non-recourse	€25,250 per month	Annualised rate of one month EURIBOR plus an all in margin of 2.40%	Four retail properties in Poland, of which three are in Warsaw and one in Lodz
3,333	2029	Euro	Non-recourse	€127,000 per quarter	Annualised rate of three month EURIBOR plus an all in margin of 3.70%	Two Romanian properties located in Bucharest and Tureni
6,591	2025	Euro	Non-recourse	€34,000 per month	50% of the loan fixed at 0.58% and other 50% floating at margin 2.4% plus six month EURIBOR	28% share of Blue Tower office building
1,852	2033	Euro	Non-recourse	€14,000 per month	50% of the loan 2.60% over three month EURIBOR and other 50% of the loan 0.00% minus three month EURIBOR	20% share of Blue Tower office building

Total bank loans €39,290

Finance leases				Capital repayments	Interest repayments	Secured
£'000	Matures	Denominated				
25,244	2021	Euro	Non-recourse	€249,000 per month	Payable monthly on a floating rate based on an annualised rate of one month EURIBOR plus a margin of 1.30%	Office building in Gdynia

Total finance lease €25,244

Total bank loans and finance lease €64,534

Borrowing facilities

At 31 March 2020 the Group had £nil committed borrowing facilities available (31 March 2019: £nil undrawn).

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33. 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.

	2020 £'000	2019 £'000
Related party transactions for the Group		
Property management fees to associates	1,408	1,795
Amounts owed by associates at year end	116	161
Related party transactions for the Company	£'000	£'000
Management charge to subsidiaries	360	360
Management charge paid to subsidiaries	—	—
Profit share charged to subsidiaries	—	—
Dividends received from subsidiaries during the year	2,541	2,505
Net funding transactions with subsidiaries & associates	1,178	(1,566)
Shareholder loan interest receivable from subsidiaries during the year	174	179
Shareholder loan interest payable to subsidiaries during the year	—	—
Amounts owed by subsidiaries at year end	18,967	12,923
Amounts owed to subsidiaries at year end	4,692	2,956
Amounts owed by associates at year end	3,008	3,746
Purchase of shares in E and S Estates Ltd from Jennifer Habib (Mother of Ben Habib)	—	202
Purchase of shares in E and S Estates Ltd from Sarah Habib (Wife of Ben Habib at the date of the transaction)	—	22
Purchase of shares in Regional Property Trading Ltd from Frances Digby (Wife of George Digby)	—	15
Key management compensation		
Short-term employee benefits (see Note 7)	1,690	2,133

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 £4,858,000 (2019: £3,270,000) are unsecured and are interest free. All loans made by UK subsidiary companies to the Company totalling £3,498,000 (2019: £2,955,000) are unsecured and are interest free.

All loans made by the Company to non-UK subsidiaries totalling £4,512,000 (2019: £2,728,000) are unsecured but interest bearing at commercial rates of interest.

All loans made by non-UK subsidiaries to the Company totalling £1,194,000 (2019: £225,000) are unsecured but interest bearing at commercial rates of interest.

34. Five year financial summary

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Continuing operations					
Profit before tax	5,519	8,308	9,233	9,137	7,346
Performance related fee income	415	1,541	189	—	1,131
Net (borrowings)/cash	(57,197)	(56,939)	(102,308)	(101,590)	(105,844)
Net cash flow from operating activities	5,338	6,732	9,787	13,622	10,794
Net assets (excluding non-controlling interest)	48,047	46,172	46,735	40,413	32,184
Total assets under management	£623m	£706m	£626m	£477m	£353m
Basic earnings per share	4.38p	4.95p	5.82p	6.75p	4.37p
Dividend per share	1.67p	1.66p	1.60p	1.55p	1.50p
Dividend cover	2.6x	3.0x	3.6x	4.4x	2.9x
Adjusted net asset value per share	55.00p	57.48p	53.07p	47.64p	43.01p

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 23 September 2020 at noon for the following purposes:

Ordinary business

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

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2020.
2. To declare and approve a final dividend of 1.22 pence per ordinary share of 1 pence each ("**Ordinary Share**") which makes a total dividend of 1.67 pence per Ordinary Share for the year.
3. To appoint Laura James as a Director in accordance with Article 97 of the Company's Articles of Association ("**Articles**").
4. To re-appoint Alasdair Locke as a Director who retires in accordance with Article 97 of the Articles and is entitled to be re-appointed in accordance with Article 97 of the Articles.
5. To re-appoint Haines Watts as Auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next General Meeting of the Company at which accounts are laid.
6. To authorise the Directors to determine the remuneration of the Auditors.

Special business

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

7. That the Directors be and are hereby generally and unconditionally authorised and empowered pursuant to and in accordance with Section 551 of the Companies Act 2006 ("**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 £367,904 (being 33.33 per cent of the issued share capital of the Company as at 16 July 2020, less shares in treasury), such authority to expire on the earlier of the next Annual General Meeting of the Company held after the date on which this resolution is passed and the date fifteen months after the passing of this resolution, save that the Company may at any time before such expiry make an offer or enter into an agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

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

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

8. That the Directors be and are hereby generally authorised in accordance with Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company pursuant to the authority conferred by Resolution 7 above (including by way of a sale of treasury shares) as if Section 561(1) of the Act did not apply to any such allotment, provided that this authority shall be limited to:
 - a. the allotment of equity securities in connection with an offer by the way of rights in favour of the holders of equity securities in proportion (as nearly as may be possible) to the respective number of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems in respect of overseas holders or otherwise; and
 - b. the allotment of equity securities for cash or sale by the Company of treasury shares (otherwise than pursuant to Resolution 8 (a)) up to a maximum aggregate nominal amount of £220,764,

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 fifteen months after the passing of this resolution save that the Company may make an offer or enter into an agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

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

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 11,038,233 (representing just under 10 per cent of the Company's issued ordinary share capital as at 16 July 2020 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;
 - e. this authority will (unless renewed, varied or revoked) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, on the date twelve months from the date of passing this resolution.

By Order of the Board

Jill Aubrey
Company Secretary

17 August 2020

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

Notes to the Notice of Annual General Meeting

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

1. In order to protect its shareholders and employees from COVID-19, the Company has chosen to hold its Annual General Meeting in accordance with the provisions in Schedule 14 of the Corporate Insolvency and Governance Act 2020 ("**2020 Act**"). Under the 2020 Act, a member of the Company does not have a right (a) to attend the Annual General Meeting in person, (b) to participate in the Annual General Meeting other than by voting, or (c) to vote by particular means (such as by show of hands). Due to COVID-19, members are strongly encouraged to join the Annual General Meeting electronically via the live presentation platform and vote on all resolutions by completing an online proxy appointment form appointing the Chairman of the Meeting as your proxy.
2. 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. Although shareholders are encouraged to appoint the Chairman of the meeting as their proxy, 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. It should be noted that if a shareholder appoints a proxy other than the Chairman of the Meeting, in compliance with the measures set out above, such proxy shall not be permitted to attend the meeting and therefore will not be able to vote on the resolutions proposed at the Annual General Meeting on behalf of the appointing shareholder.
3. 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.

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

4. 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 12 noon on 21 September 2020 (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. **Due to COVID-19, members may not attend the Annual General Meeting in person but are encouraged to join electronically via the live presentation platform and vote on all resolutions by completing an online proxy appointment form to appoint the Chairman of the Meeting as your proxy.** 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.
5. 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.
6. 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 4 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.
7. 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).

Notes to the Notice of Annual General Meeting continued

8. 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).
9. 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.
10. 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.
11. If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Asset Services by email at enquiries@linkgroup.co.uk, or you may call Link on 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 – 17:30, Monday to Friday excluding public holidays in England and Wales.
12. As at midday on 16 July 2020, the Company's issued share capital comprised 110,382,332 Ordinary Shares of one pence each and 6,218,783 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 16 July 2020 is 110,382,332.
13. 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 £220,764, which corresponds to 20% of the issued share capital of the Company (less the number of Ordinary Shares held in treasury) at 16 July 2020.

Communication

14. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
 - › calling the Link Asset Services shareholder helpline on 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 - 17:30, Monday to Friday excluding public holidays in England and Wales;
 - or
 - › First Property Group plc on 0207 340 0270 available 24 hours a day, seven days a week.
 You may not use any electronic address provided either:
 - › in this notice of Annual General Meeting; or
 - › any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

Directors and Advisers**Directors**

Alasdair J D Locke
(Non-Executive Chairman)

Peter G Moon
(Non-Executive Director)

Benjamin N Habib
(Group Chief Executive)

George R W Digby
(Group Financial Director)

Company Secretary

Jill Aubrey

Registered Office

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Registered No. 02967020
Incorporated in England

Website: www.fprop.com

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SW1Y 6JD

Nominated Adviser & Broker

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Edgbaston
Birmingham
B15 1NP

Legal Advisers

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Public Relations

Newgate Communications Ltd
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