Fprop plc

First Property Group plc

Annual Report & Accounts 2021

Welcome to First Property Group plc

Our operations

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:

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 08 to 11

Group Properties

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

Read more on pages 12 to 15

Fprop 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 strong Balance Sheet.

Front cover image – Imperial Place, Borehamwood

Highlights for the year ended 31 March 2021

Adjusted Net Assets per share
42.80p
2020: 55.00p

Third Party Assets Under Management (AUM)
£527m
2020: £567m

Cash per share
14.71p
2020: 6.65p

Annualised Fund Management Fee Income (excluding performance fee income)
£2.90m
2020: £3.13m

Total Dividend per share
0.45p
2020: 1.67p

Weighted Average Unexpired Fund Management Contract Term
3yrs 11mths
2020: 5yrs 0mths

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

MSCI

Some of our clients

Willis Towers Watson

Christ Church, Oxford

Christ's College, Cambridge

St. Catherine's College, Oxford

Brasenose College, Oxford

Robinson College, Cambridge

seekventures

Contents

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

View the annual report online:
www.fprop.com/plc-investors/financial-reports

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.

Third party assets under management (AUM)

£527m

Annualised fee income

£2.90m

- 12 funds invested across UK, Poland and Romania
- Fee income: £2.90m annualised (excluding performance fees) as at 31 March 2021 FCA regulated and AIFMD approved (full scope)

Read more on pages 08 to11

Group Properties Division

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

Directly owned properties

Net equity

£6.48m

- 7 properties (5 in Poland, 2 in Romania)
- Market value £41.57m
- Debt £35.09m

Associates and investments

Market value

£27.47m

- Non-controlling interests in 10 of the 12 funds managed by FPAM

Read more on pages 12 to 15

Dividend history

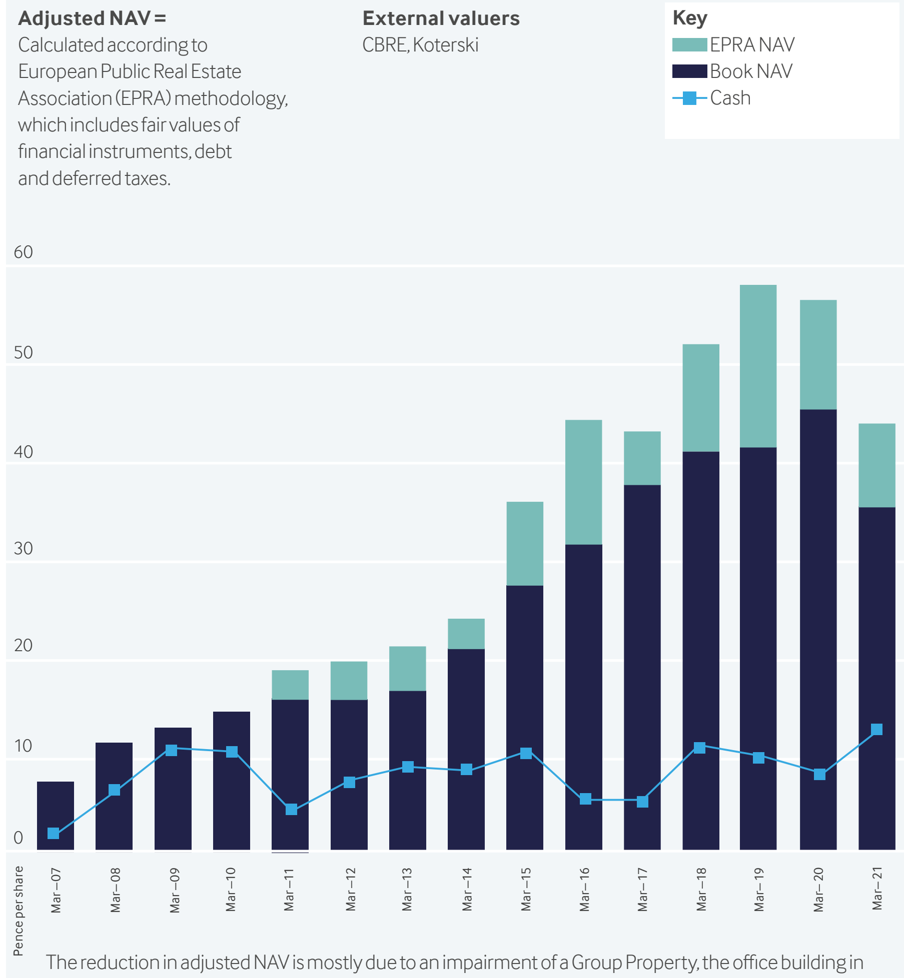
In view of the loss in the year, the Directors resolved not to pay a final dividend. The Directors intend to reinstate payment of the dividend at an appropriate juncture.

Adjusted 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.

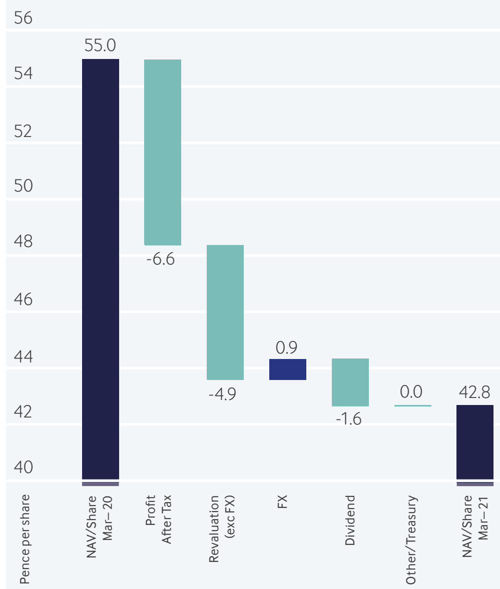
Adjusted NAV =
Calculated according to European Public Real Estate Association (EPRA) methodology, which includes fair values of financial instruments, debt and deferred taxes.

External valuers
CBRE, Koterski



The reduction in adjusted NAV is mostly due to an impairment of a Group Property, the office building in Gdynia, Poland by £7.02 million. After the financial year end, we restructured the financing of this property which reduced the total amount of debt from €25 million to €16 million. Of this amount €4 million has been repaid with the balance of €12 million due in June 2024.

Adjusted NAV per share bridge from 31 March 2020 to 31 March 2021



Adjusted NAV breakdown 31 March 2020

Associates and Investments	24.0p	£27.1m
Cash	6.8p	£7.7m
Group Properties less loans	19.7p	£22.2m
FPAM	–	–
Other working capital	4.5p	£5.1m
Total	**55.0p**	**£62.1m**

Adjusted NAV breakdown 31 March 2021

Associates and Investments	24.3p	£27.5m
Cash	14.7p	£16.6m
Group Properties less loans	4.6p	£5.2m
FPAM	–	–
Other working capital	-0.8p	-£0.9m
Total	**42.8p**	**£48.4m**

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.

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.
- **2008:** Reversed asset management policy of waiting until lease expiry to renew leases following the onset of the credit crunch.
- **2009:** Re-entered the UK commercial property market – we act dynamically.
- **2016:** Varied investment strategy in the UK with respect to offices, to invest for rental growth as opposed to for development due to the effects of permitted development rights (PDR) legislation resulting in diminishing office supply/rising rents.
- **2017:** Acquired an office park in Krakow, Poland, out of administration. Turnaround situation, including resolution of legacy litigation. Deep expertise required.
- **2020:** Entered the COVID pandemic with £23.6 million of cash following the sale of an office building (CH8) in Warsaw, Poland.

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.

Chief Executive's Statement

Financial performance

The Group reports a loss before tax of £5.09 million (2020: profit before tax of £5.52 million).

The loss is mainly due to an impairment in value of a Group Property, the office building in Gdynia, Poland, by £7.02 million to £13.63 million (€16 million).

After the financial year-end we restructured the financing of this property. The result of that restructuring has been to reduce the total amount of debt from €25 million to €16 million. Of this amount, €4 million has been paid with the balance of €12 million due in June 2024.

Terms for a new lease had been agreed with the previous tenant of this building but the letting failed significantly due to the lockdowns. We are leasing up the property but it is likely to be a couple of years before it yields a significant return.

The diluted net loss per share was 6.59 pence (2020: a diluted net profit of 4.29 pence).

The sale last year of the office property in Warsaw, Chałubińskiego 8 (CH8), resulted in the Group's Balance Sheet being underpinned. As part of the sale, the Group had provided a five year income guarantee to April 2025 on the vacant space in the building at the time of the sale. This costs the Group £1.03 million a year. We would have expected to have extinguished this cost by now but for the pandemic. It could be another year or more before we extricate ourselves from this liability.

The Group ended the year with net assets, excluding non-controlling interests, of £36.79 million (2020: £48.05 million), equating to 33.33 pence per share (2020: 43.53 pence per share). The net assets of the Group when adjusted to their market value less any deferred tax liabilities decreased by 22% to £48.36 million (2020: £62.15 million).

Dividend

In view of the loss in the year just ended, the Directors have resolved not to pay a final dividend (2020: 1.22 pence per share).

The Directors intend to reinstate payment of the dividend at an appropriate juncture.

Current trading and prospects

The last year has undoubtedly been the most challenging faced by any business operating anywhere in the physical World. The business of property requires real physical activity and this has been close to non-existent for a year. What we have experienced dwarfs the adversity of the 2008 credit crunch.

Real businesses could perhaps have taken the first full lockdown but we have had varying degrees of lockdown virtually for the entire financial year.

The consequences of this have been manifold. Many tenants have refused to pay rent and our ability to enforce collection, even from those that could afford to pay, has been substantially neutered by government. Some tenants have gone bankrupt. Rents have fallen across virtually all office and retail sub-sectors. Replacing tenants has been extremely demanding in all cases and impossible in some. As a consequence asset values have dropped.

In short it has been a perfect storm.

As it happens we have been as well placed as any property company to withstand the storm. We sold CH8 last year and that generated £17 million in cash which has underpinned the Group. But with all the setbacks of the year we have fallen into a loss.

The outlook is improving but is far from certain. Quantitative easing will no doubt begin to buoy asset values soon; there are signs of it now, even with income under pressure. But the gravitational pull of economic adversity is going to continue for some time yet.

Consequently the Directors have decided not to pay a final dividend. It would be imprudent to do so with the outlook so unclear.

We have a number of interesting developments and investments afoot but it will take at least a year, possibly two, for the benefits of these to come through in the numbers.

Ben Habib
Chief Executive Officer

24 June 2021

Why invest in Fprop plc?

1 Expertise

- Experienced, nimble management team;
- Excellent investment track record: 21.5% annualised growth in net assets (adjusted for dividends paid out) since 2006.

2 Diversified earnings

- From Group Properties and from Fund Management fees;
- From mix of jurisdictions: UK, Poland and Romania.

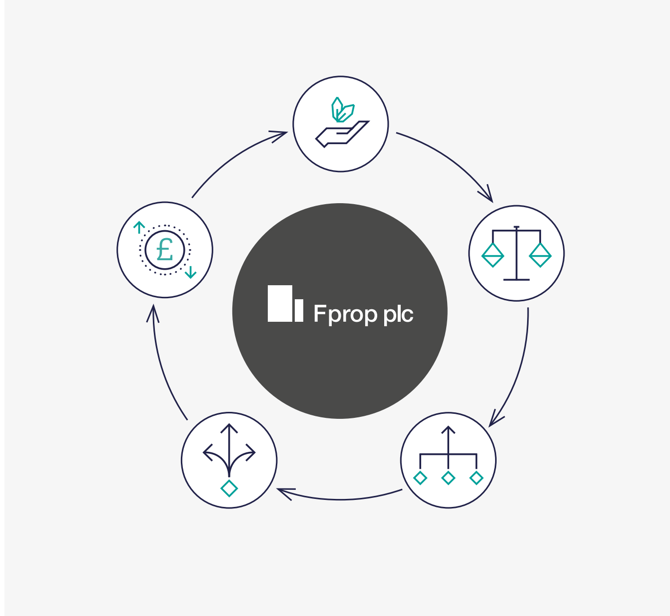
3 Growth

- From letting vacant space in Gdynia;
- From investing Group cash;
- From new fund management mandates (all fund management clients have had good experiences);
- Operationally geared – can take on new business without material increases in overheads.

4 Strength

- Strong Balance Sheet;
- Progressive dividend policy, aligned to the free cash generation of the Group, but subject to it being covered by earnings, targeting a ratio in excess of 2.5x.

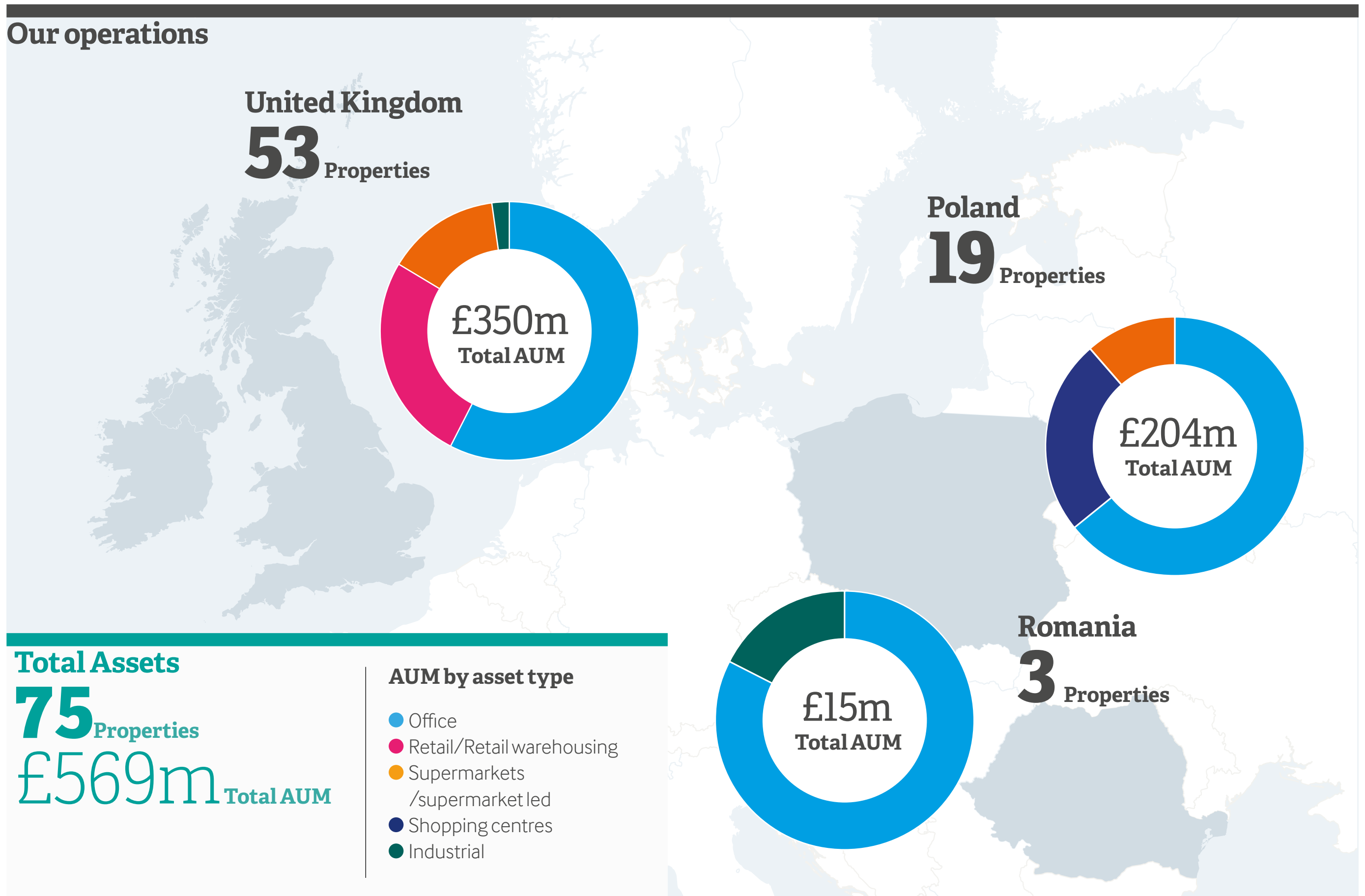
Our Strategy



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

Where We Operate

Our operations



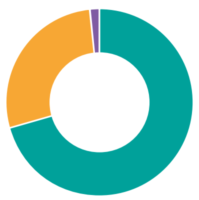
Overview

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.

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.



Our employees
- Poland: **46**
- United Kingdom: **18**
- 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:
Imperial Place, Borehamwood, UK (Client Property)
Blue Tower, Warsaw, Poland (Group Property)
Maestro Business Centre, Cluj, Romania (Client Property)

United Kingdom

£349.8m **Third party AUM**

£Nil **Group Properties**

Commercial property markets outlook

In 2020 GDP contracted by 9.9%, the largest annual fall on record. This was felt more keenly in the physical world and the hospitality, retail and office sectors in particular experienced downward pressure on rents and capital values. In 2021 business confidence is returning and GDP is expected to rebound. This, coupled with unprecedented amounts of quantitative easing, is bound eventually to have a positive effect on capital values. CBRE reported capital growth across all property for a third consecutive month in April and the retail sector experienced its smallest monthly capital value decline in three years.

Poland

£168.7m **Third party AUM**

£35.3m **Group Properties**

Commercial property markets outlook

GDP is forecast to increase to 3.7% in 2021, following a 2.7% contraction in 2020, and to return to pre-pandemic levels by end of 2021. Commercial property investment volumes in Q1 2021 amounted to €1.25 billion, 1.5% below the five-year average for the same period. Capital value reductions have been limited throughout the pandemic. Retail and office yields have remained stable, whilst industrial yields have compressed slightly. Overall, Poland is likely to be one of the least affected countries in the EU by the pandemic, aided by supportive government policies, low interest rates and low government debt as a percentage of GDP (at around 61%).

Romania

£8.7m **Third party AUM**

£6.3m **Group Properties**

Commercial property markets outlook

As in Poland, Romania is expected to return to pre-pandemic levels of economic growth by the end of 2021, also aided by its low government debt as a ratio of GDP (at around 52%). GDP growth forecasts have been revised up to 6.7% for 2021. Investment volumes for commercial property have declined but prime yields for the industrial and office sectors (the two sectors in which we are invested in Romania) both remained stable in Q1 2021 at 7.75% and 7.0% respectively.

Retail Investment:
Nine supermarkets let to Lidl in Romania

The portfolio consisted of nine supermarkets let to Lidl located in regional cities across Romania. Acquired in December 2015 at a net initial yield of 11.0%, the purchase was some 18% below its Oct-2014 valuation and benefitted from an unexpired lease term longer than seven years and a strong tenant covenant.

Rental increases were achieved on all nine units within 18 months of purchase. From 2017 to 2021 the units were all sold for a combined 40% premium to their aggregate apportioned purchase price. The shareholders earned a total return of €7.05 million on an initial investment of €3.01 million, an equity multiple of 2.34x.

Client Fund (FPAM)

€10.3m
Purchase Price (Dec 2015)

€14.4m
Sale Price (2017-2021)

€4.1m
Total Profit

5.1yrs
Hold Period

43%
Annualised IRR (Levered)

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

£3.38m -13%

(2020: £3.89m)

Third Party AUM

£527m -7%

(2020: £567m)

For more information
Finance Director's Review page 16
Risks and Mitigation page 18

Third party assets under management at the year end amounted to £527 million (31 March 2020: £567 million). This 7% decrease was primarily attributable to reductions in the value of properties held by our UK property funds. We sold one client property, the last remaining supermarket held by Fprop Romanian Supermarkets Ltd.

No new funds were raised during the year.

Some 66% of third party assets under management were located in the UK, 32% in Poland, and 2% in Romania.

A further £6 million of committed but as yet un-invested equity remains available to be drawn by funds.

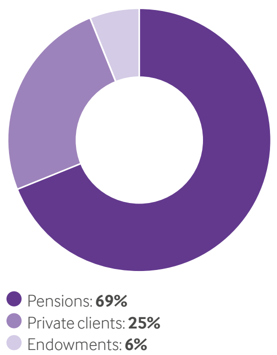
Fund management fees are generally levied monthly by reference to the value of properties. In the case of Fprop Offices LP, the Group is entitled to a share of total profits in lieu of fund management fees and to receive annual payments on account equivalent to 10% of total cumulative income profits and realised capital gains. These payments are adjusted annually, if necessary, for any overpayments made in previous years up to a maximum of total past cumulative payments received (£1.38 million as at 31 March 2021).

Revenue earned by this division decreased by 13% to £3.39 million (2020: £3.90 million), resulting in profit before unallocated central overheads and tax reducing by 2% to £1.30 million (2020: £1.34 million). The decrease was primarily due to a reduction in performance fees to £40,000 (2020: £415,000).

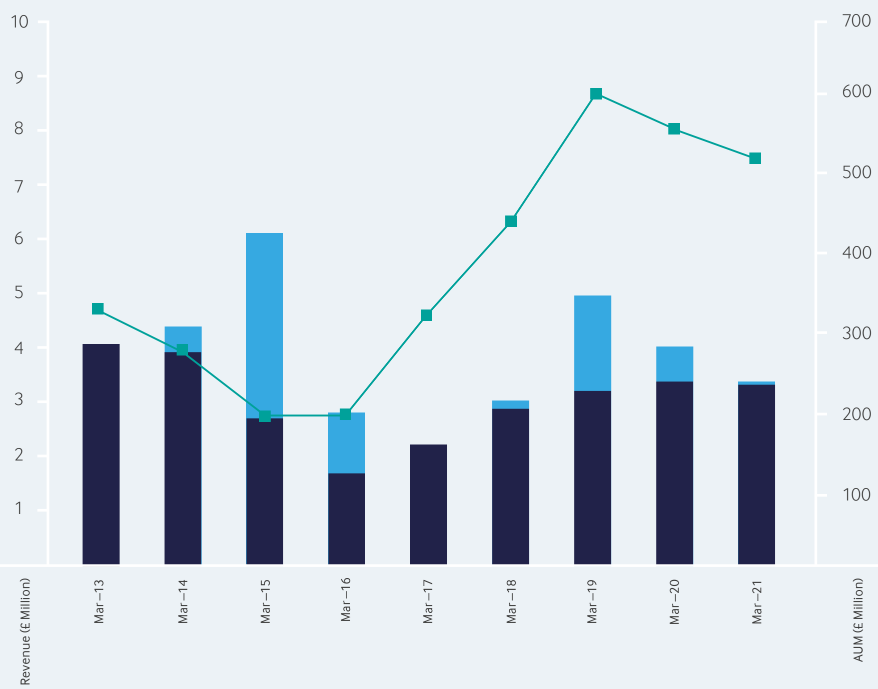
At the period end fund management fee income, excluding performance fees and the profit share from Fprop Offices LP, was being earned at an annualised rate of £2.90 million (31 March 2020: £3.13 million).

The weighted average unexpired fund management contract term at the year end was 3 years, 11 months (31 March 2020: 5 years, 0 months).

Analysis by client type



Segmental Analysis: Fund Management Revenue and AUM



Annualised fee income

£2.90m

(2020: £3.13m)

EXCLUDING performance fees and the profit share from Fprop Offices LP.

Funds managed by asset class

	UK £m	Poland £m	Romania £m	Total £m	% of Total
Offices	201.0	101.8	8.7	311.5	59.1%
Retail warehousing	89.8	–	–	89.8	17.0%
Supermarkets	50.3	17.2	–	67.5	12.8%
Shopping centres	–	49.7	–	49.7	9.4%
Industrial	8.7	–	–	8.7	1.7%
Total	**349.8**	**168.7**	**8.7**	**527.2**	**100.0%**
% of Total third party AUM	66.3%	32.0%	1.7%	100.0%	

Reconciliation of movement in third party funds under management FY2021

	Funds managed for third parties (including funds in which the Group is a minority shareholder)			
	UK £m	CEE £m	Total £m	Number of properties
As at 1 April 2020	**375.7**	**191.3**	**567.0**	**69**
Purchases	–	–	–	–
New fund mandates	–	–	–	–
Property sales	–	(1.0)	(1.0)	(1)
Capital expenditure	1.3	2.0	3.3	–
Property depreciation	–	–	–	–
Property revaluation	(27.2)	(7.7)	(34.9)	–
FX revaluation	–	(7.2)	(7.2)	–
As at 31 March 2021	**349.8**	**177.4**	**527.2**	**68**
% of Total third party AUM	66.3%	33.7%	100%	

Average rent collection rates during COVID

for the year ended 31 March 2021 were as follows:

	UK		Poland		Romania	
Rent collected as a percentage of what would have been invoiced prior to COVID related concessions	92.3%		84.7%		98.3%	
	Offices: 95.9%	Retail: 88.3%	Offices: 96.6%	Retail: 71.7%	Offices: 100.0%	Retail: 83.7%
Rent collected after adjustments for concessions granted due to COVID	95.5%*		96.7%**		99.7%***	
	Offices: 96.3%	Retail: 93.2%	Offices: 99.6%	Retail: 92.7%	Offices: 100.0%	Retail: 97.1%

* After adjusting for rent concessions, payment terms which were varied for some tenants and rent free periods which were granted in exchange for longer leases.

** After adjusting for rent waivers statutorily imposed upon landlords of non-essential retail outlets during the first lockdown and for cash concessions granted to tenants in return for lease extensions.

*** After adjusting for rent concessions and payment terms which were varied for some tenants.

Performance Review continued

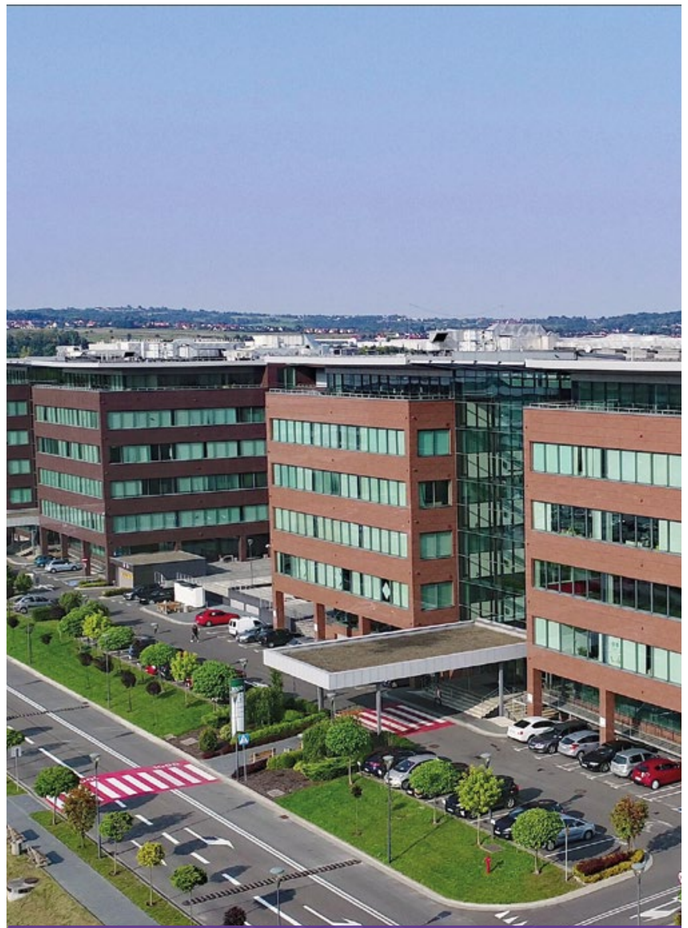
Fund Management Division continued

Third party funds under management FY2021

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

Fund	Country of investment	Fund expiry	Assets under management at market value at 31 March 2021 £m	No. of properties	% of total third party assets under management	Assets under management at market value at 31 March 2020 £m
SAM & DHOW	UK	Rolling	*	*	*	*
UK PPP	UK	Feb 2022	64.8	20	12.3	70.3
5PT	Poland	Dec 2022	7.7	3	1.5	8.0
OFFICES	UK	Jun 2024	133.5	5	25.3	143.4
SIPS	UK	Jan 2025	134.3	24	25.4	143.4
FOP	Poland	Oct 2025	61.6	5	11.7	71.3
FRS	Romania	Jan 2026	–	–	–	1.0
FGC	Poland	Mar 2026	21.1	1	4.0	22.4
SPEC OPPS	UK	Jan 2027	17.2	4	3.3	18.6
FKR	Poland	Mar 2027	20.7	1	3.9	23.0
FCL	Romania	Jun 2028	8.7	1	1.7	7.8
FPL	Poland	Jun 2028	57.6	4	10.9	57.8
Total Third Party AUM			**527.2**	**68**	**100.0**	**567.0**

* Not subject to recent revaluation.


Eximius Park, Poland

Galeria Corso, Poland


Widewater Place, Denham, UK


Oxford Square, Newbury, UK

Performance Review continued

Group Properties Division

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

1. Group Properties

Division Revenue

£8.73m -30%

(2020: £12.39m)

Group Properties AUM

£41.57m -26%

(2020: £56.30m)

For more information
Finance Director's Review page 16
Risks and Mitigation page 18

Group Properties comprised seven directly owned commercial properties in Poland and Romania valued at £41.57 million (31 March 2020: eight valued at £56.30 million) and interests in ten of the twelve funds in which the Group's share is valued at £27.47 million (31 March 2020: £27.14 million).

The contribution to the Group loss before tax and unallocated central overheads from the Group Properties division was a loss of £5.14 million (2020: profit £6.24 million).

1. Directly owned Group Properties (all accounted for at the lower of cost or fair value, the "cost model"):

Two of the Group's seven directly owned properties account for 71% by market value (£29.46 million). Both are office buildings in Poland of which one is in Warsaw (11,000 m²) and the other in Gdynia (13,500 m²). The other five properties, representing 29% by market value (£12.11 million), are two mini-supermarkets in Poland, a mini-supermarket development site in Warsaw, an office block in Bucharest and a warehouse in Tureni, Romania.

The directly owned properties generated a loss before unallocated central overheads and tax of £5.80 million (2020: profit of £4.70 million). The loss was mainly attributable to an impairment in the value of the office building in Gdynia, Poland.

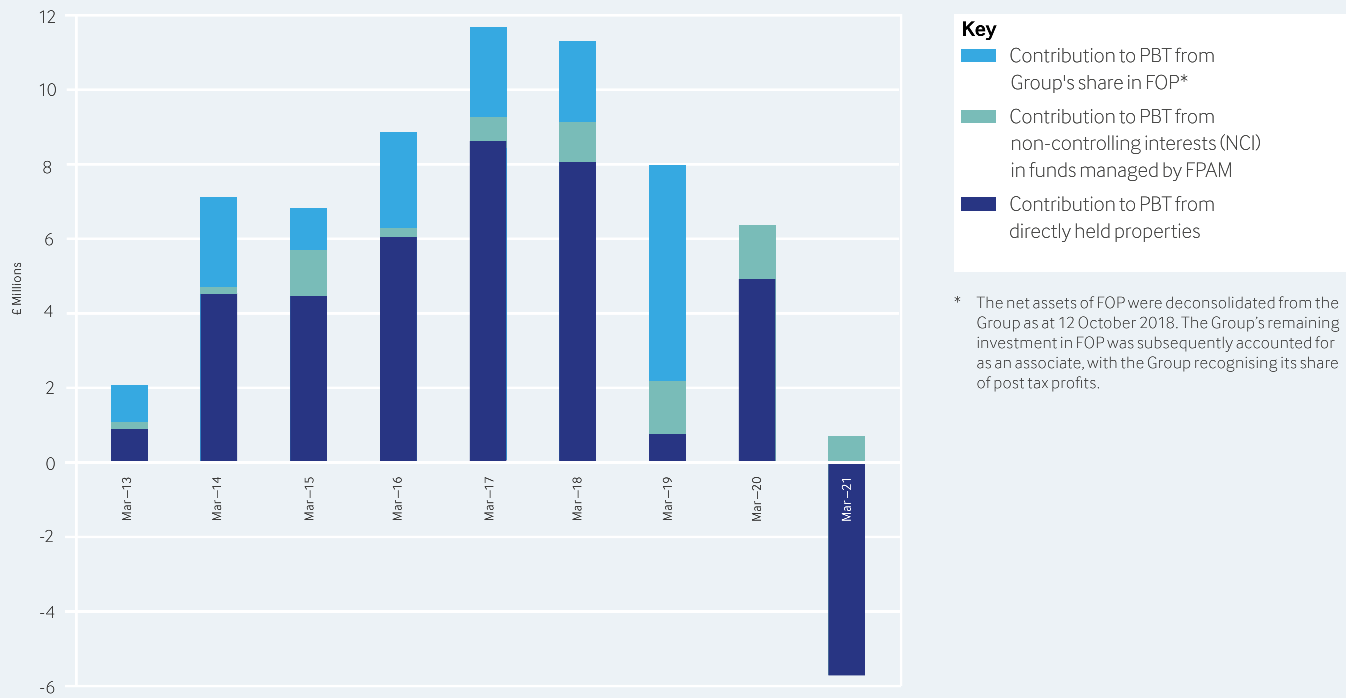
Average rent collection rates across the seven properties in the year to 31 March 2021 are shown in the table opposite. The high collection rate is testament both to the quality of our properties and our asset management capabilities.

Gross debt secured against the directly owned properties reduced to £35.09 million (31 March 2020: £64.53 million), mainly due to the repayment of £22.56 million in debt following the sale of CH8.

The loans secured against the remaining seven properties are held in separate non-recourse special purpose vehicles.

The weighted average vacancy rate across all seven properties is 35% (or 4% if the property in Gdynia is excluded). The weighted average unexpired lease term (WAULT) as at 31 March 2021 was 4 years, 9 months (2020: 1 year, 10 months).

Contribution to PBT (prior to deduction of unallocated central overheads)



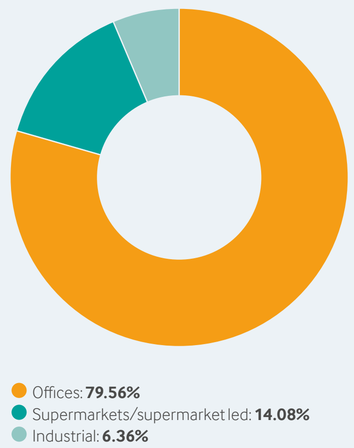
* The net assets of FOP were deconsolidated from the Group as at 12 October 2018. The Group's remaining investment in FOP was subsequently accounted for as an associate, with the Group recognising its share of post tax profits.

Directly owned Group Properties as at 31 March 2021

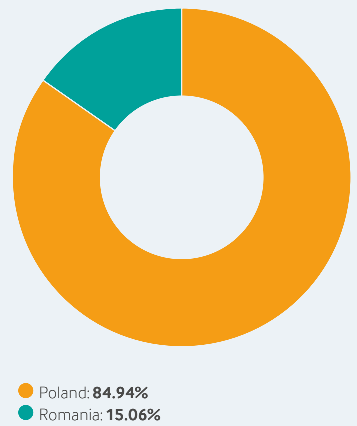
Country	Sector	No. of properties as at 31 March 2021	Book value as at 31 March 2021	Market value as at 31 March 2021	No. of properties as at 31 March 2020	Market value as at 31 March 2020	Contribution to Group profit before tax 31 March 2021*	Contribution to Group profit before tax 31 March 2020*
			£m	£m		£m	£m	£m
Poland	Offices	2	26.12	29.46	2	43.70	(4.59)	5.13
Poland	Supermarkets	3	4.91	5.85	4	6.00	0.12	0.16
Romania	Office and logistics	2	3.92	6.26	2	6.60	0.32	0.37
Total		**7**	**34.95**	**41.57**	**8**	**56.30**	**(4.15)**	**5.66**

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

Analysis by asset class



Analysis by geography



Analysis of loans secured

	31 March 2021	31 March 2020
	£m	£m
Book value of directly owned properties	34.95	47.09
Market value of directly owned properties	41.57	56.30
Gross debt (all non-recourse to Group)	35.09	41.97*
Gross debt adjusted for post year end debt reduction	27.40**	–
LTV at book value	100.41%	89.13%
LTV at book value adjusted for post year end debt reduction	78.40%**	–
LTV at market value	84.41%	74.55%
Weighted average borrowing cost	1.60%	1.83%

* Comparable figure has been adjusted to exclude the property CH8 and the associated bank loan.

** Adjusted for post year end debt reduction in respect of the property at Gdynia.

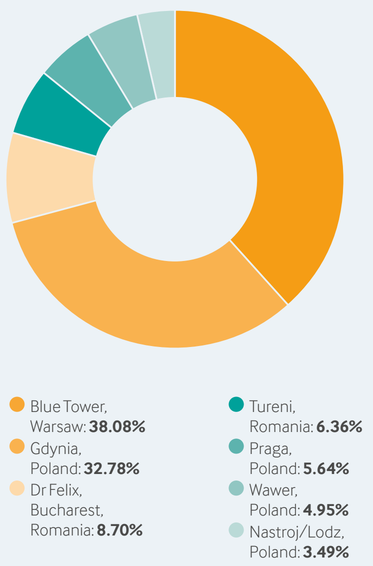
Rent collection rates as at 31 March 2021 during COVID

	Poland	Romania
Rent collected as a percentage of what would have been invoiced prior to COVID related concessions	96.2%	97.9%
Rent collected after adjustments for concessions granted due to COVID	99.3%	99.2%

Performance Review continued

Group Properties Division continued

Group Properties by value



Blue Tower, Warsaw, Poland

Two of the Group's seven directly owned properties, Blue Tower in Warsaw and the office building in Gdynia, account for 71% by market value

Podolska, Gdynia, Poland

2. Associates and investments

Division PBT

£655k -57%

(2020: £1.54m)

Market Value

£27.47m +1%

(2020: £27.14m)

For more information
Finance Director's Review page 16
Risks and Mitigation page 18

2. Associates and investments

These comprise non-controlling interests in ten of the twelve funds and are valued at £27.47 million (31 March 2020: £27.14 million). Of these, seven are accounted for as associates, held at the lower of cost or fair value (the "cost model"), and three are accounted for as investments in funds and held at fair value.

The contribution to Group profit before tax and unallocated central overheads from its seven associates and three investments decreased to £655,000 (31 March 2020: £1.54 million).

Fprop Phoenix Ltd made a loss, of which the Group's 23.4% share amounted to £378,000 (2020: loss £141,000).

An overview of the Group's associates and investments is set out in the table below.

Carrefour Lodz, Poland

Pilot Tower, Poland

Galeria Ostrowiec, Poland

2. Associates and investments

	% owned by First Property Group	Book value of First Property's share in fund	Current market value of holdings	Group's share of post-tax profits earned by fund 31 March 2021	Group's share of post-tax profits earned by fund 31 March 2020
	%	£'000	£'000	£'000	£'000
a) Associates					
5PT	40.6	1,247	1,247	119	149
FRS	24.1	194	268	50	18
FOP	43.8	10,939	10,939	256	658
FGC	28.2	2,479	2,548	179	288
FKR	18.1	1,592	1,685	166	169
FPL	23.4	1,530	6,904	(378)	(141)
FCL	17.4	596	817	78	79
Sub-total		**18,577**	**24,408**	**470**	**1,220**
b) Investments					
UK PPP	0.9	621	621	54	134
SPEC OPPS	4.0	476	476	34	57
OFFICES	1.6	1,964	1,964	97	133
Sub-total		**3,061**	**3,061**	**185**	**324**
Total		**21,638**	**27,469**	**655**	**1,544**

Finance Director's Review

A financial year dominated by COVID and the economic consequences of successive lockdowns.

The financial year ended 31 March 2021 was dominated by COVID and the economic consequences of successive lockdowns. Inevitably this had an adverse impact on the financial results of the Group, which recorded a loss before tax of £5.09 million (2020: profit before tax £5.52 million).

The main reason for the loss is as explained in the CEO's Statement, being the non-cash impairment of £7.02 million in the value of the Group Property in Gdynia, Poland. The post year-end restructuring of the non-recourse finance lease secured against this property resulted in Group debt reducing by €9 million. This will appear as a credit in the Income Statement for the year ending 31 March 2022.

The lockdowns hindered our efforts to lease the vacant space at Chałubińskiego 8 (CH8), over which we gave a rent guarantee as a condition of its sale. In recognition of this we have made an additional provision of £1.03 million which has been charged within operating expenses.

The lockdowns also resulted in a reduced contribution from associates and investments of £655,000 (2020: £1.54 million), see further explanation within the 'Share of results in associates' section below.

Group net assets (excluding the non-controlling interests) decreased by 23% to £36.79 million (31 March 2020: £48.05 million).

Net debt for the Group reduced to £18.85 million (31 March 2020: £57.20 million) mainly due to the repayment of the loan previously secured against CH8.

Going concern

Further information on our approach and the result of our assessment is included in note 1 of the Financial Statements.

Income Statement

A review of the operating and financial performance of the two trading divisions are included on pages 8 to 15.

Revenue and gross profit

Gross profit for the year ended 31 March 2021 was £7.99 million, down 35% compared with the prior year (2020: £12.32 million); this was largely attributable to:

- Reduced contribution to gross profit of £2.85 million from the Group Property in Gdynia, Poland (2020: £4.87 million), following the expiry of the lease to the sole tenant;
- No contribution to gross profit from CH8 following completion of its sale in April 2020 (2020: £1.88 million); and
- No income recognised in respect of Fprop Offices LP (2020: £415,000).

Performance fee income

The Group earned a performance fee of £40,000 in respect of Fprop Romanian Supermarkets Ltd, following the sale of its final property. No income was recognised in respect of Fprop Offices LP in the year (2020: £415,000). To date, accumulated income in respect of this fund amounts to £1.38 million, all of which is subject to clawback.

Operating expenses

Operating expenses decreased by 14.5% to £7.36 million (2020: £8.61 million) mainly due to the absence of staff bonuses (2020: £1.81 million) and a lower depreciation charge of £1.33 million (2020: £1.73 million) in respect of the Group Property in Gdynia.

A provision of £1.03 million has been made in respect of the rent guarantee issued over the vacant space in Chałubińskiego 8 (CH8) at the time of its sale and is charged within operating expenses.

Foreign exchange profit recycled to the Income Statement

Following the sale of CH8, the Group restructured the SPV which held the property by way of a share redemption completed on 21 December 2020. This triggered the recycling of a previously unrealised foreign exchange gain of £1.16 million from the translation reserve to the Income Statement.

Investment property depreciation and write down

In addition to depreciation of £1.33 million in respect of the Group Property in Gdynia (2020: £1.73 million), the Directors resolved to apply a further write down of £7.02 million (2020: £nil). This left the property valued some £7.81 million less than the value of the non-recourse bank loan secured against it. After the financial year end, agreement was reached to restructure the financing of this property. For further information see the CEO's Statement and 'Borrowings' section below.

Share of results in associates

The contribution from the Group's seven associates amounted to £470,000 (2020: £1.22 million). This included the Group's share of a one-off payment (£2.18 million after tax) pertaining to the early termination of a lease at Galeria Ostrowiec, a property owned by FOP, as well as a reduction in the fair value of the Group's interest in FOP of £2.99 million (2020: £659,000).

The Group purchased 4,235 shares and corresponding loan notes in FOP for £605,000, thereby increasing its shareholding from 40.03% to 43.79%.

During the year Fprop Romanian Supermarkets Ltd, in which the Group owns 24.1%, sold its last remaining supermarket for €1.25 million.

Investment income (from other financial assets and investments)

Investment income from the Group's investment in three of the four UK funds it manages decreased from £324,000 to £185,000.

Financing costs

The Group's finance costs nearly halved to £0.74 million (2020: £1.34 million) mainly due to the repayment of the bank loan previously secured against CH8. All bank loans and the one finance lease are denominated in Euros and all are used to finance properties valued in Euros.

Current tax

Current tax reduced to £179,000 (2020: £974,000) largely due to a reduction of £357,000 in taxes due in respect of the Group Property in Gdynia, and also due to the reversal of an overpayment in the UK of £190,000 in the prior year.

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 £7.20 million are available to be carried forward and will be utilised when possible.

Deferred tax

A deferred tax charge of £2.13 million (2020: a credit of £360,000) arose largely due to the reversal of a previously recognised deferred tax asset relating to the bank loan secured against CH8 which was repaid in April 2020.

Balance Sheet

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

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

The book value of the Group's seven directly owned properties ended the year at £34.95 million (31 March 2020: £47.09 million). Their fair market value was £41.57 million (31 March 2020: £56.30 million). The reduction in their book value was mainly due to an impairment of £7.02 million in the value of the Group Property in Gdynia, in addition to depreciation charged against it of £1.33 million. Negative foreign exchange revaluations of £2.52 million and property sales totalling £1.56 million also contributed to the reduction. Capital expenditure totalled £373,000 (2020: £1.26 million).

Borrowings

Bank and finance lease borrowings amounted to €41.19 million (£35.09 million) as at 31 March 2021. This has reduced from €72.93 million (£64.53 million) as at 31 March 2020 following the repayment of two bank loans totalling €26.29 million and scheduled bank loan repayments of €5.45 million. As at 31 March 2021 the ratio of debt to gross assets at market value (the gearing ratio) was 42.05% (31 March 2020: 50.94%). All bank loans and the one finance lease are denominated in Euros and are non-recourse to the Group's assets.

Deposits of €748,000 (31 March 2020: €1.86 million) are held by lending banks in respect of five (31 March 2020: five) bank loans as security for Debt Service Cover Ratio (DSCR) covenants, of which €98,000 (31 March 2020: €1.20 million) is accounted for as prepayments.

The prior year figure of €1.86 million included €1.10 million held in respect of CH8 which was returned to the Group in April 2020 on completion of its sale.

After the financial year-end, terms were agreed with the bank to restructure the financing of the Group Property in Gdynia for a final payment of €16 million, of which €4 million was paid with the balance of €12 million due in June 2024. Consequently, the Group made a gain of €9 million versus the face value of the loan of €25 million. This will be credited to the Income Statement in the year ending 31 March 2022.

Trade and other receivables

Trade and other receivables have decreased from £44.85 million (31 March 2020) to £5.15 million as at 31 March 2021 following the receipt of the cash proceeds of £38.93 million (€44 million) from the sale of CH8 which completed in April 2020.

Trade and other payables

Trade and other payables have decreased from £6.85 million (31 March 2020) to £3.45 million as at 31 March 2021 largely due to the absence of an accrued staff bonus (31 March 2020: £1.81 million).

Non-controlling interests

The value of the Group's two non-controlling interests increased to £201,000 (31 March 2020: £157,000). These are represented by 10% of the share capital of Corp Sp. z o. o. (the property management company to Blue Tower, Warsaw), and 23% of the share capital of E and S Estates Ltd. The increase reflected an improved performance from E and S Estates Ltd.

Foreign exchange translation reserve

This reserve decreased by £1.85 million during the year to a deficit of £3.11 million due to a weakening of the Polish Zloty against Sterling to PLN/ GBP 5.4443 (31 March 2020: PLN/ GBP 5.1502). This reduction included accounting for a foreign exchange profit of £1.16 million which had been recycled to the Income Statement upon completion of a share redemption in December 2020.

Cash and cash flow

The Group's cash balance as at 31 March 2021 amounted to £16.24 million (31 March 2020: £7.34 million). The significant cash movements in the year were:

- Cash proceeds of £38.93 million (€44 million) from the sale of CH8;
- Cash proceeds of £1.10 million from the sale of a Group Property related to Blue Tower (held within "Inventories");
- Cash proceeds of £400,000 from the sale of an investment property held by E and S Estates Poland Sp. z o. o.;
- Full repayment of two bank loans secured against CH8 and the Group Property related to Blue Tower of £23.34 million;
- Scheduled bank loan and finance lease repayments of £4.71 million;
- Short-term loan to Fprop Opportunities plc of £1.50 million;
- Payment of dividend £1.84 million.

Laura James
Group Finance Director

24 June 2021

Key Performance Indicators

42.80p
Adjusted Net Asset Value (NAV) per share

2021	42.80p
2020	55.00p
2019	57.48p

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
Reduction largely attributable to an impairment in value of a Group Property, the office building in Gdynia, Poland.

£527m
Third Party Assets Under Management

2021	£527m
2020	£567m
2019	£611m

Link to Strategy

The measure on which fee income is generally charged.

Comment
Reduced mainly due to reductions in property values as a consequence of COVID and also due to one property sale. No new funds were established during the year and none expired.

£16.24m
Cash Levels

2021	£16.24m
2020	£7.34m
2019	£9.74m

Link to Strategy

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

Comment
The sale of CH8 at the end of the last financial year underpinned the Group's ability to weather COVID and put it in a stronger position to exploit new opportunities.

4yrs9mths
Weighted Average Unexpired Lease Term of Group Properties

2021	4yrs9mths
2020	1yr10mths
2019	2yrs12mths

Link to Strategy

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

Comment
All leases refer to the seven Group Properties in Poland and Romania.

£10.98m
Contractual Revenue

2021	£10.98m
2020	£15.87m
2019	£18.90m

Link to Strategy

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

Comment
Excludes all performance fee related income of £40,000 (2020: £415,000).

3yrs11mths
Weighted Average Unexpired Fund Life

2021	3yrs11mths
2020	5yrs0mths
2019	5yrs9mths

Link to Strategy

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

Comment
Reduced due to the absence of any new funds being established during the year, nor any fund life extensions.

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

Risks and Mitigation

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
Economic risk management			
Slowdown in the economies of the UK and Poland	A slowdown in overall economic activity could lead to falls in the value of commercial property and a reduction in overall rent levels. A slowdown may also adversely impact existing occupiers' ability to pay their rental commitments.	The Group closely monitors economic reports of the markets in which it operates and acts pre-emptively in accordance with its proactive property management policy. The Group ensures it and the funds it manages have a well-diversified spread of property interests classified by region, by property type, by lot size and by sector classification (tenant mix).	
National epidemic or global pandemic	Government restrictions on people's movements and closure of shops and business adversely affects all trade with consequent reductions in GDP of the economies affected. This would adversely affect tenants' ability to meet their rental commitments for business premises.	The Group closely monitors debts owed by tenants by maintaining close dialogue with all tenants. Maintaining liquidity in the funds and the Group Property owning companies is a priority and distributions to shareholders have been curtailed whilst the pandemic continues.	
Weakening in the Euro and Polish Zloty against Sterling	Nearly all revenue from the Group Properties division is earned in foreign currencies and overseas profits are converted to Sterling (the reporting currency) on remission to the UK. Sterling strength therefore leads to a reduction in reported profits.	The Group closely monitors both movements and forecasts in the pertinent foreign exchange rates against its budgeted rates. Wherever possible, overseas investment is financed and matched in the local currency so that exposure to currency markets is limited. Under the Group's foreign currency risk management policy, hedging instruments can be used to hedge a proportion of specific items as specified in IAS 39.	
Extended period of interest rate tightening in the EU	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. 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.	The Board regularly reviews property market forecasts and where possible adjusts its geared strategy according to these changing market conditions. The Board also regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet its cash requirements. The Board regularly monitors and reports on its DSCRs against its relevant Bank covenants so that it can act in a pre-emptive manner. Interest rate fixes and caps are utilised to mitigate this risk on both bank loans and finance leases if they are not a requirement of the borrowing agreement.	
Political risk	Macroeconomic conditions and future political events (whilst uncertain in outcome) bring risks to the property market generally and to our occupiers.	The Board considers economic conditions when setting strategy and making its investment decisions.	

Operational Risk	Impact	Mitigation	Link to Strategy
Operational risk management			
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 with a minimum of one annual visit/inspection per property.	
Credit risk	Could lead to the tenants defaulting on their rental obligations.	Creditworthiness checks of potential occupiers are carried out prior to letting. Payments of rent and service charges are monitored closely. This ensures early detection of likely tenant defaults thereby enabling swift remedial action. Our asset managers maintain close contact with tenants.	
Liquidity risk	Most loans are subject to 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 thus ensuring a natural hedge. The Group prepares monthly budgets, cash flow analyses and forecasts, which enable the Directors to assess the levels of borrowings required in future periods. This detail is used to ensure that appropriate facilities are 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 has recently undergone an IT overhaul following the commissioning of a full Independent IT review to assess the robustness of its security protection and the effectiveness of its Disaster Recovery Plan (DRP). The Group retains the services of Syntax Integration Limited, an IT services specialist, part of whose role is to ensure that protections against data theft and corruption are in place and effective, by utilising the latest software and technologies.	

The Strategic Report was approved by the Board of Directors on 17 August 2021 and signed on its behalf by:

Laura James
Group Finance Director

Sustainable and Responsible

What is our ESG policy?

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

ESG activities include:

- Kindergarten and crèche facilities – developed on an office park in Krakow, Poland;
- Vaccination centre – granted consent for temporary use in an office suite in Borehamwood, UK;
- Electric vehicle charging points – commenced installation programme;
- Heating and cooling plant – ongoing programme to replace with energy efficient modern equipment; and
- Shower facilities – installed to facilitate cycling to work.


Charging points, Antelope Park


Kindergarten and crèche facilities, Eximius Park, Krakow, Poland

Communal seating, Borehamwood


Kindergarten and crèche facilities, Eximius Park, Krakow, Poland


Shower facilities, Oxford Square, Newbury

Section 172

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

Our key stakeholder groups

Shareholders

- Seek to comply with the QCA code – see page 22 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

- 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.

Chairman's Introduction to Governance

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

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 2021.

The strategy is explained fully within our strategic report section on page 5 of the Report and Accounts for the year ended 31 March 2021.

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 2021.

PRINCIPLE 2: Seek to understand and meet shareholder needs and expectations
Refer to the Company's website for further detail: www.fprop.com/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/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 2021. 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 page 18 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 23 of this report with further information on the Company's website: www.fprop.com/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/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/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/plc-investors/aim-rule-26/.

The Annual General Meeting of the Group will take place on 28 September 2021. The Notice of this meeting and the proposed ordinary and special resolutions to be put to the meeting are included at the end of this Annual Report.

Alasdair Locke
Non-Executive Chairman

24 June 2021

Board of Directors

Ben Habib, MA (Cantab)
Group Chief Executive Officer

Year appointed: 2000
Education
Cambridge University

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

External commitments
- Chair of Brexit-Watch

Laura James, ACA, BA (Hons)
Group Finance Director

Year appointed: 2020
Education
University of Kent, Canterbury

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

External commitments
- None

Alasdair Locke, MA (Oxon)
Non-Executive Chairman

Year appointed: 2001
Education
Oxford University

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

External commitments
- Chairman of Motor Fuel Group
- Chairman of Well-Safe Solutions Ltd

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

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

Year appointed: 2010
Education
University College, London

Previous experience

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

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

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

George Digby

After 17 years as Group Finance Director, George Digby retired after the 2020 AGM. George was a thoroughly trustworthy and dependable member of the management team who was well liked across the Group. His wise counsel and good humour will be missed both in the boardroom and more widely. We wish him and Frannie many happy years of retirement.

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.

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).

Angeli Desai, BSc (Hons), ACA

Group Finance Manager

Sectors and experience

Angeli joined Fprop in 2019 and works directly with Laura James in preparing the accounting and financial reporting for First Property Group plc, its subsidiaries and the Polish and Romanian funds. She joined Fprop following three years at Moore Stephens LLP. She qualified as a Chartered Accountant in 2014.

Angeli graduated from the University of Essex with an honours degree in Economics.

John Roberts, MSc, MRICS, IMC

Head of UK Asset Management

Sectors and experience

John joined Fprop in 2017 and works alongside Martin Pryce and Anthony Griffin on the purchase, sale and asset management of FPAM's UK investments. He qualified as a Member of the Royal Institution of Chartered Surveyors in 2016 whilst working at CBRE, where he started his property career on the graduate scheme. John has a Master's degree in Real Estate, a Geography degree from King's College London, and holds the CFA Investment Management Certificate.

Przemyslaw Kiszka, CFA

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

Sectors and experience

Przemek joined Fprop in 2006 to manage its Polish subsidiaries which now employs 46 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.

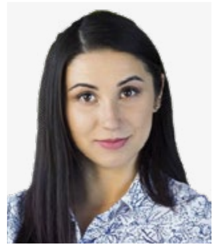
Barbara Komendowska

General Counsel Lawyer, 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.



Martyna Skurska

In-house lawyer, First Property Services Sp. z o.o.

Sectors and experience

Martyna joined Fprop in 2018 as its in-house lawyer for Poland. She 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 and other related matters. Martyna is also a member of the Supervisory Board of Corp Sp. z o.o., a company related to First Property Poland Sp. z o.o..

Martyna graduated from the Faculty of Law and Administration of Cardinal Wyszynski University in Warsaw in 2016. Martyna is also a member of the Warsaw Bar Association since 2018. In 2021 she passed a professional exam for an attorney-at-law. Before joining Fprop, she worked in law firms in Warsaw.

Catalin Ana

Director, 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 2021

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

Principal activities and review of the business

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

The Consolidated Income Statement is set out on page 34.

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 loss before taxation of £5.09 million (2020: profit before taxation of £5.52 million). The retained loss was £9.32 million (2020: retained profit £2.56 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 resolved not to pay a final dividend (2020: £1.22 pence per share). The interim dividend of 0.45 pence per share (2020: 0.45 pence per share) paid in January 2021 represents the total dividend for the year. The Directors intend to reinstate payment of the dividend at an appropriate juncture.

The diluted net loss per share was 6.59p (2020: diluted net profit of 4.29 pence).

The Group held cash of £16.24 million at 31 March 2021 (2020: £7.34 million) and had bank borrowings of £35.09 million (2020: £64.53 million). Net debt decreased to £18.85 million (2020: £57.20 million).

COVID

The financial year ended 31 March 2021 was dominated by COVID and the economic consequences of the measures taken by various governments to contain the virus. The Group continues to adhere to the policies and advice of the UK, Polish and Romanian governments.

Section 172 statement

This section of the Annual Report covers the Board's considerations and activities in discharging 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 21.

Employees

First Property Group employed 65 staff on average during the year ended 31 March 2021 (2020: 63); of these, 46 employees were based in Poland (2020: 43) 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 40 are female.

The Group's policy is to consult and discuss with employees, through regular meetings with subsidiary company management, matters likely to affect employees' interests. The Group operates a discretionary cash bonus incentive scheme for which all employees qualify and is based on a combination of the employee's individual and the Group's overall performance.

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

Compliance and regulations

First Property Group plc is listed on the AIM market of the London Stock Exchange. First Property Asset Management Limited, a wholly owned subsidiary of First Property Group plc, is Authorised and Regulated by the Financial Conduct Authority (FCA) and is full scope under AIFMD, allowing it to manage third party funds with a value in excess of €500 million. First Property Asset Management Limited is a provider of property fund management services to various property funds.

Risk management

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

Share capital

At 31 March 2021, the Company's share capital comprised 116,601,115 Ordinary Shares of 1 pence each, including 6,218,783 shares held in treasury. Each share ranks equally with the others, including the rights to receive dividends and vote (except that no votes are cast or dividends paid in respect of shares held in treasury). Except as set out in the Articles, there are no restrictions on the transfer of the Company's securities.

There were no shares issued or transferred from treasury during the year ended 31 March 2021.

No share options were exercised during the year and none were issued. Details of share options outstanding are set out in Note 28 on page 62.

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 2020, 31 March 2021 and 16 July 2021, 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		
	16/07/2021	31/03/2021	01/04/2020	16/07/2021	31/03/2021	01/04/2020
A J D Locke	8,571,990	8,571,990	8,571,990	–	–	–
P Moon	496,805	496,805	496,805	–	–	–
B N Habib	14,940,000	14,940,000	14,940,000	–	–	–
G R W Digby (retired 30 September 2020)	620,000	620,000	620,000	–	–	–
L B James (appointed 1 July 2020)	–	–	–	–	–	–

The market price of the Company's Ordinary Shares at the end of the financial year was 32.5 pence and the range of market prices during the year was between 31.5 pence and 43.0 pence.

Substantial shareholdings

At 16 July 2021 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%
Whitehall Associated SA	7,747,394	7.0%
Quaero Capital Funds (Lux)	6,353,581	5.8%

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

Health and safety at work

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

Political donations

The Group made no political donations in the year (2020: £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 Tuesday 28 September 2021 can be found on pages 67 and 68.

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

The health and wellbeing of our colleagues, shareholders and the wider community in which our Company operates is a priority for us. The Board therefore recommends that shareholders do not attend the meeting in person and instead encourages shareholders to join remotely via a live presentation and invites shareholders to submit questions at any time in advance of the meeting or during the meeting using the online facility that will be provided. Details of how to access the live presentation and to ask questions will be published on the Company's website. Please note that shareholders will be required to register to access the live presentation via www.investormeetcompany.com and follow First Property Group plc. Please note that joining remotely will not constitute attendance and shareholders will not be able to vote at the meeting. Shareholders are therefore asked to submit their votes by proxy.

Shareholders are strongly encouraged to participate in the meeting by voting by proxy ahead of the meeting. The Board recommends that all shareholders appoint the Chairman of the meeting as proxy to ensure their vote will be counted.

To the extent shareholders wish to attend in person and can do so safely, the Board kindly requests that shareholders pre-register their intentions to attend by emailing the Company Secretary, Jill Aubrey at jill.aubrey@fprop.com. Rules around capacity at the venue and changes in health and safety requirements may mean shareholders cannot ultimately attend the meeting.

Please bear in mind that the Government's response to COVID continues to evolve 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 2021

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 4 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 of Association, provided that such securities shall only be:

   (i) issued or transferred from treasury in connection with a rights offer (Resolution 5(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 5(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 6).

   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 2021, less any treasury shares) within the limits described in Resolution 6 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.

The notice convening the Annual General Meeting also includes a special resolution (Resolution 7) to amend the Company's Articles of Association by the addition of a new Article 95A in the form set out in the Appendix to the notice. The amendment is designed to facilitate the holding of hybrid shareholder meetings, that is a meeting (whether an annual general meeting, general meeting or a meeting of holders of a class of shares) where members are able to participate in the business of the meeting by attending a physical location or by attending by means of an electronic facility. Hybrid shareholder meetings would enable those shareholders unable to attend a physical meeting, whether because of restrictions on public gatherings as we have seen in connection with the COVID pandemic or otherwise, to participate in shareholder meetings.

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 1 on page 40 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 2021. 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.

Haines Watts have indicated their willingness to continue in office as auditors and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

Approved and signed on behalf of the Board

Laura James
Group Finance Director

17 August 2021

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 2021 which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the Company Statement of Financial Position;
- the Company Statement of Changes in Equity;
- the Company Cash Flow Statement; and
- the Notes to the Financial Statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and 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 2021 and of the Group's loss 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on First Property Group plc's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Property including investment properties, investment properties held in joint ventures and trading properties: Whilst the Group's property portfolio is held primarily at cost, the valuation of the investment properties is relevant to the possible impairment of individual properties. The valuation of the property portfolio is a significant judgement area and is underpinned by a number of estimates and assumptions, including capitalisation yields and future rental income. The Group uses professionally qualified external valuers to value the majority of the Group's property portfolio at regular intervals. The external valuers performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. Any input inaccuracies or unreasonable assumptions used in these judgements could result in a material misstatement of the 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 reviewed the basis for management's impairment of the property at Gdynia, Poland. On 11 June 2021 the Group completed a restructuring of the financing of this property through the acquisition of the property by a subsidiary company. This transaction valued the property at £13.63m. We obtained and reviewed the restructuring agreements in support of the valuation adopted by management.
Revenue Recognition, including the timing of revenue recognition, the treatment of rents and incentives, the recognition of trading property proceeds and the calculation of performance related fee income Market expectation and profit-based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations. Revenue for the Group consists primarily of rental income, asset management fees and performance related fee income. Rental income is based on tenancy agreements where there is a standard process in place for recording revenue, which is system generated. 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. The increase in the Covid-19 related rent concessions has had an impact on revenue recognition and there is a risk that the accounting treatment of these is not in line with the accounting standards. Refer to note 3 for the judgements and estimates made by management in relation to the recognition of performance related fee income for the Office Fund.	› We performed detailed testing of rental income for a sample of leases by agreeing the annual rent back to the terms of the lease agreements. › For a sample of leases, we tested that the rental income, including the treatment of lease incentives, is recorded on an appropriate basis and in accordance with relevant regulations. › 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 policies adopted complied with IFRS with focus placed on the accounting treatment of Covid-19 related rent concessions.

Key audit matter	How our audit addressed the key audit matter
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. The property's sole tenant did not renew their lease in January 2021. As a result, the directors of the company which is the lessee to the finance lease agreement (the 'SPV') initiated bankruptcy proceedings in February 2021. The Group completed the restructuring of the borrowings over the Gdynia property on 11 June 2021, and the bankruptcy proceedings were successfully withdrawn on 14 June 2021. Following a review by the Directors it was judged that the bankruptcy proceedings did not affect the ability of the Group to meet the requirements of IFRS 10 to control the SPV company. Refer to the Financial Risk Management section within note 31 for further details.	› We obtained and reviewed the agreement entered into between the Group and the lessor which restructured the Gdynia borrowings. › We also obtained and reviewed documentation arising from the bankruptcy application and withdrawal of the SPV company. › We agreed with the assessment of the Directors up to 31 March 2021 that the requirements of IFRS 10 relating to control over the Gdynia property were met.
Going concern The COVID-pandemic has continued to have a significant impact on the Group and its tenants. In order to assess the impact of COVID-19 on the business, management has 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. After considering all of these factors, management has concluded that preparing the financial statements on a going concern basis remains appropriate. No material uncertainty in relation to going concern exists.	› We obtained an understanding of the process followed by management to prepare the Group's going concern assessment, including identifying and assessing the impact of Covid-19. › We obtained the base case cash flow and liquidity forecasts covering the going concern period and the additional scenarios prepared by management including the extreme downside scenario. We tested the mathematical accuracy of the models. › We challenged the appropriateness of those forecasts by assessing historical forecasting accuracy, challenging management's consideration of downside sensitivity analysis and applying further sensitivities where appropriate to stress test the impact on liquidity. › We reviewed minutes of board meetings with a view to identifying any matters which may impact the going concern assessment. › We reviewed the disclosures in the financial statements in relation to Covid-19 with a view to confirming that they adequately disclose the risk, the impact on the Group's operations and results and potential mitigation actions.

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

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 £1.10m (2020: £1.25m) based on 3% of net asset values. We determined materiality for the Parent Company to be £0.49m (2020: £0.43m) 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 net assets would be the most appropriate basis for determining overall materiality for the Group given that the key users of the Group financial statements are likely to be primarily focussed on the valuation of Group assets and the related financing.

For each component we allocated a materiality threshold ranging between 3.5% and 62% of the overall Group materiality.

Based on our risk assessment, including the Group's overall control environment, we determined a performance materiality of 75% of the financial statement materiality for both the Group and the Parent Company. The same percentage was applied to each component materiality.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £55,000 for the Group, and of £24,500 for the Parent Company, which is set at 5% of financial statement materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we have adequate quantitative coverage of the significant accounts in the financial statements, we selected 11 legal entities within the UK and Poland.

The Group is audited by one audit team in the UK, directly responsible for the audit of the Parent Company and certain subsidiaries, in conjunction with locally-based auditors of the in scope legal entities based overseas. The complete financial information of all 11 legal entities was audited, either by the Group audit team or by component auditors, representing 93% of the Group's revenue, 92.5% 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 28, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

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

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

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

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

Our approach was as follows:

› We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most relevant to the presentation of the Annual Report and Accounts are those that relate to the reporting framework (IFRS and the Companies Act 2006), the relevant tax regulations in the United Kingdom, Poland and Romania and the UK General Data Protection Regulation (GDPR). There are no significant industry specific laws or regulations that we considered in determining our approach.
› We understood how the Group is complying with those frameworks through enquiry with Management, and by identifying the Group's policies and procedures regarding compliance with laws and regulations. We also identified those members of Management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of Board minutes and papers provided to the Board and the Audit Committee, as well as consideration of the results of our audit procedures across the Group.
› We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur through enquiry with Management and the Audit Committee during the planning and execution phases of our audit.
› Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

Our procedures involved:

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

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

Use of our report
This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company'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 2021

Consolidated Income Statement for the year ended 31 March 2021

	Notes	Year ended 31 March 2021 Total results £'000	Year ended 31 March 2020 Total results £'000
Revenue	4	**12,119**	16,287
Cost of sales		**(4,128)**	(3,969)
Gross profit		**7,991**	12,318
Profit on sale of an investment property	6	**161**	1,527
Recycled foreign exchange gain	4	**1,163**	–
Impairment loss to an investment property	16	**(7,023)**	–
Operating expenses		**(7,363)**	(8,612)
Operating (loss)/profit		**(5,071)**	5,233
Share of associates' profit after tax	21a)	**3,467**	1,879
Share of associates' revaluation losses	21a)	**(2,997)**	(659)
Investment income		**185**	324
Interest income	5	**67**	80
Interest expense	5	**(740)**	(1,338)
(Loss)/profit before tax		**(5,089)**	5,519
Tax charge	11	**(2,312)**	(614)
(Loss)/profit for the year		**(7,401)**	4,905
Attributable to:			
Owners of the parent		**(7,449)**	4,859
Non-controlling interests		**48**	46
		(7,401)	4,905
(Loss)/earnings per share:			
Basic	15	**(6.75p)**	4.38p
Diluted	15	**(6.59p)**	4.29p

All operations are continuing.

Consolidated Statement of Comprehensive Income for the year ended 31 March 2021

	Year ended 31 March 2021 Total results £'000	Year ended 31 March 2020 Total results £'000
(Loss)/profit for the year	**(7,401)**	4,905
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Exchange differences on retranslation of foreign subsidiaries	**(685)**	(502)
Foreign exchange profit recycled to the Income Statement	**(1,163)**	–
Net loss on financial assets at fair value through other comprehensive income	**(119)**	(195)
Taxation	**–**	–
Total comprehensive income for the year	**(9,368)**	4,208
Total comprehensive income for the year attributable to:		
Owners of the parent	**(9,440)**	4,135
Non-controlling interests	**72**	73
	(9,368)	4,208

All operations are continuing.

Company Income Statement

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

Statement of Financial Position As at 31 March 2021

	Notes	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Non-current assets					
Goodwill	18	**153**	**–**	153	–
Investment properties	16	**22,456**	**–**	32,537	–
Property, plant and equipment	19	**157**	**–**	64	–
Investment in Group undertakings	20	**–**	**3,418**	–	3,213
Investment in associates	21a)	**18,577**	**13,893**	17,698	13,460
Other financial assets at fair value through OCI	21b)	**3,061**	**3,061**	3,174	3,174
Other receivables	23b)	**487**	**13,610**	922	18,967
Right of use assets	12	**686**	**–**	584	–
Deferred tax assets	27	**1,518**	**–**	2,659	–
Total non-current assets		**47,095**	**33,982**	57,791	38,814
Current assets					
Inventories – land and buildings	22	**12,494**	**–**	14,558	–
Current tax assets		**296**	**109**	122	–
Trade and other receivables	23	**5,149**	**1,729**	44,845	536
Cash and cash equivalents		**16,244**	**13,094**	7,337	3,395
Total current assets		**34,183**	**14,932**	66,862	3,931
Current liabilities					
Trade and other payables	24	**(3,447)**	**(10,756)**	(6,847)	(6,100)
Provisions	25	**(2,076)**	**–**	(2,311)	–
Financial liabilities	26	**(22,637)**	**–**	(49,073)	–
Current tax liabilities		**(12)**	**(23)**	(71)	(40)
Total current liabilities		**(28,172)**	**(10,779)**	(58,302)	(6,140)
Net current assets		**6,011**	**4,153**	8,560	(2,209)
Total assets less current liabilities		**53,106**	**38,135**	66,351	36,605
Non-current liabilities					
Financial liabilities	26	**(12,457)**	**–**	(15,461)	–
Lease liabilities	12	**(686)**	**–**	(584)	–
Deferred tax liabilities	27	**(2,974)**	**–**	(2,102)	–
Net assets		**36,989**	**38,135**	48,204	36,605
Equity					
Called up share capital	28	**1,166**	**1,166**	1,166	1,166
Share premium		**5,791**	**5,791**	5,791	5,791
Share based payment reserve		**179**	**179**	179	179
Foreign exchange translation reserve		**(3,108)**	**–**	(1,260)	–
Purchase of own shares reserve		**(2,653)**	**(2,653)**	(2,653)	(2,653)
Investment revaluation reserve		**(355)**	**(355)**	(236)	(236)
Retained earnings		**35,768**	**34,007**	45,060	32,358
Equity attributable to the owners of the parent		**36,788**	**38,135**	48,047	36,605
Non-controlling interests		**201**	**–**	157	–
Total equity		**36,989**	**38,135**	48,204	36,605
Net assets per share	15	**33.33p**		43.53p	

The Company's profit for the year was £3.49 million (2020: £4.48 million).

The financial statements were approved and authorised for issue by the Board of Directors on 17 August 2021 and were signed on its behalf by:

Laura James,
Group Finance Director
First Property Group plc
Registered No. 02967020

Consolidated Statement of Changes in Equity for the year ended 31 March 2021

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 2020	**1,166**	**5,791**	**179**	**(1,260)**	**(2,653)**	**(236)**	**45,060**	**157**	**48,204**
Loss for the year	–	–	–	–	–	–	(7,401)	–	(7,401)
Net (loss) on financial assets at fair value through other comprehensive income	–	–	–	–	–	(119)	–	–	(119)
Exchange differences arising on retranslation of foreign subsidiaries	–	–	–	(685)	–	–	–	24	(661)
Foreign exchange profit recycled to the Income Statement	–	–	–	(1,163)	–	–	–	–	(1,163)
Total comprehensive income	**–**	**–**	**–**	**(1,848)**	**–**	**(119)**	**(7,401)**	**24**	**(9,344)**
Sale of treasury shares	–	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Exercise of share options	–	–	–	–	–	–	–	–	–
Non-controlling interests	–	–	–	–	–	–	(48)	48	–
Dividends paid	–	–	–	–	–	–	(1,843)	(28)	(1,871)
At 31 March 2021	**1,166**	**5,791**	**179**	**(3,108)**	**(2,653)**	**(355)**	**35,768**	**201**	**36,989**
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 (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**

Company Statement of Changes in Equity for the year ended 31 March 2021

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 2020	**1,166**	**5,791**	**179**	**(2,653)**	**(236)**	**32,358**	**36,605**
Profit for the year	–	–	–	–	–	3,492	3,492
Net (loss) on financial assets at fair value through other comprehensive income	–	–	–	–	(119)	–	(119)
Total comprehensive income	**–**	**–**	**–**	**–**	**(119)**	**3,492**	**3,373**
Sale of treasury shares	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–
Exercise of share options	–	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	(1,843)	(1,843)
At 31 March 2021	**1,166**	**5,791**	**179**	**(2,653)**	**(355)**	**34,007**	**38,135**
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 (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**

Foreign exchange translation reserve

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

Share based payment reserve

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

Purchase of own Ordinary Shares

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

Investment revaluation reserve

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

Cash Flow Statements for the year ended 31 March 2021

	Notes	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Cash flows from operating activities					
Operating (loss)/profit		**(5,071)**	**(1,197)**	5,233	(2,322)
Adjustments for:					
Depreciation/write down of investment property and property, plant & equipment		**1,362**	**–**	2,178	–
Profit on the sale of investment property	6	**(161)**	**–**	(1,527)	–
Loss on the sale of inventory	22	**217**	**–**	–	–
Impairment loss on an investment property	16	**7,023**	**–**	–	–
(Increase)/decrease in inventories		**(129)**	**–**	(258)	–
Decrease/(increase) in trade and other receivables		**38,858**	**3,908**	1,040	(251)
(Decrease)/increase in trade and other payables		**(2,607)**	**4,657**	(483)	183
Other non-cash adjustments		**(126)**	**–**	168	–
Cash generated from operations		**39,366**	**7,368**	6,351	(2,390)
Taxes paid		**(640)**	**–**	(1,013)	(109)
Net cash flow from operating activities		**38,726**	**7,368**	5,338	(2,499)
Cash flow (used in)/from investing activities					
Capital expenditure on investment properties		**(160)**	**–**	(1,258)	–
Proceeds from partial disposal of financial assets held at fair value through Other Comprehensive Income	21b)	**–**	**–**	218	218
Purchase of property, plant & equipment		**(134)**	**–**	(42)	–
Proceeds from the sale of investment property		**1,505**	**–**	–	–
Investment in shares of new associates	21a)	**(605)**	**(605)**	–	–
Investment in funds		**–**	**–**	(48)	(48)
Proceeds from funds	21a)	**172**	**172**	576	576
Interest received	5	**67**	**201**	80	188
Dividends from associates	21a)	**24**	**24**	–	–
Distributions received		**179**	**4,384**	276	1,791
Net cash flow (used in)/from investing activities		**1,048**	**4,176**	(198)	2,725
Cash flow (used in)/from financing activities					
Proceeds from bank loan		**–**	**–**	1,769	–
Repayment of bank loans		**(25,077)**	**–**	(3,054)	–
Repayment of finance lease		**(2,970)**	**–**	(2,562)	–
Sale of shares held in treasury		**–**	**–**	12	12
Purchase of new treasury shares		**–**	**–**	(417)	(417)
Exercise of share options		**–**	**–**	–	–
Interest paid	5	**(740)**	**–**	(1,338)	–
Dividends paid		**(1,843)**	**(1,843)**	(1,855)	(1,855)
Dividends paid to non-controlling interests		**(28)**	**–**	(30)	–
Net cash flow (used in)/from financing activities		**(30,658)**	**(1,843)**	(7,475)	(2,260)
Net increase/(decrease) in cash and cash equivalents		**9,116**	**9,701**	(2,335)	(2,034)
Cash and cash equivalents at the beginning of the year		**7,337**	**3,395**	9,738	5,433
Currency translation gains on cash and cash equivalents		**(209)**	**(2)**	(66)	(4)
Cash and cash equivalents at the year end		**16,244**	**13,094**	7,337	3,395

Notes to the Financial Statements for the year ended 31 March 2021

1. Basis of preparation

The financial statements for both the Group and Parent Company have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRIC) Interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for items carried at fair value in accordance with IFRS 9. These financial statements are presented in Sterling since that is the currency in which the Group and Parent Company transact a substantial part of their business and it is the currency considered most convenient for its shareholders. The functional currencies adopted by the Group's foreign operations are set out in Note 31 on page 63.

Going concern

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

Underlying their conclusion was the sale of the Group's most valuable property, CH8, for a consideration of £38.93 million (€44.00 million). The sale completed on 24 April 2020 and increased the Group's cash balances by £17.00 million (€19.60 million) after repaying the bank loan previously secured against the property. The Board therefore believes it is well placed to withstand the storm.

Analysis and scenario testing, which includes the impact from the COVID 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 seven directly owned Group Properties and cash returns from its associates and investments.

a) Asset management fee income

Asset management fee income is primarily derived from its UK funds (52%), 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 70% before the funds turn cash negative. In the one fund from which fees are not levied by reference to the properties valuation (Fprop Offices LP) no income was forecast for the purposes of this test, although a 5% decrease in property values in this fund would trigger a clawback. 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 16% on current property values within the LTV covenant agreed with the lenders. The Directors believe all funds have access to adequate resources to remedy the remote possibility of any loan covenant breaches.

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

The longevity of this asset management fee income is determined by the fund's life which is fixed by agreement when each fund is first established. The weighted average unexpired fund management contract term is 3 years, 11 months.

b) Rental income from Group Properties

All seven Group Properties are located in Poland or Romania. These properties consist of three office blocks, a logistics warehouse, two mini-supermarkets and one plot of land currently under development into a mini-supermarket. All were independently valued on 31 March 2021 at £41.57 million (31 March 2020: £56.30 million).

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 periods. Any renegotiation of rental payment terms that have been agreed are reflected in the analysis. Exposure to non-food retailers is very limited.

In February 2021, following the expiry of the lease to the sole tenant, the property in Gdynia, Poland, is now 97% vacant. It could be a couple of years before this property again yields a significant income.

c) Income from associates and investments

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

Dividend income from the Group's UK investments was also stress tested and found not to have a significant impact. Average rent collection within the UK funds was over 95% since the start of the pandemic. For the purposes of this test a 50% fall was factored in for the full year.

Going concern statement

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.

Notes to the Financial Statements continued for the year ended 31 March 2021

1. Basis of preparation continued

New standards and interpretations

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, these are outlined below;

- Amendments to IFRS 3: 'Business combinations' – definition of a business (effective p/c on or after 1 January 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (effective p/c on or after 1 January 2020); and
- Amendments to IAS 1: 'Presentation of financial statements' and IAS 8: 'Accounting policies, changes in accounting estimates and errors' - definition of materiality (effective p/c on or after 1 January 2020).

New standards and interpretations

A number of new standards and interpretations have been issued but are not yet effective for the Group. The application of these new standards, amendments and interpretations are not expected to have a significant impact on the Group's Income Statement or Balance Sheet.

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 2021. 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.

Property, plant and equipment

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

The principal annual rates used for this purpose are:

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

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

Investment properties

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

Inventories – land and buildings

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

Lessee accounting

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

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

- Fixed payments, less any lease incentives received;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be paid by the Company under residual value guarantees; and
- 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.

Notes to the Financial Statements continued for the year ended 31 March 2021

2. Significant accounting policies continued

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.

Lessor accounting

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

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

Operating profit

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

Defined contribution schemes

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

Share based payments

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

Foreign currencies

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

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

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

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

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 23).

Investments

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowing

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

Trade payables

Trade payables are initially measured at fair value.

Equity instruments

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

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. This method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities are included in the Consolidated 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.

Notes to the Financial Statements continued
for the year ended 31 March 2021

3. Critical accounting judgements and key sources of estimation uncertainty

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

Judgements

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

  The Directors are satisfied that it is highly probable that the recognition of the Office Fund revenue in the year ended 31 March 2021 or in previous accounting periods will not be reversed in a subsequent accounting period. For the financial year ended 31 March 2021, no income was recognised from the Office Fund. To date an amount of £1.38 million has been recognised which is subject to clawback. See full assessment of this revenue recognition on page 8 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 the bankruptcy application and subsequent withdrawal of this application.

  On 14 June 2021, the bankruptcy application was revoked. The Directors judged that the Group did meet the requirements of IFRS 10 confirming that they did control the Company.

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 16);
- 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 21b);
- The calculation of the Group's deferred tax balances requires a degree of estimation around the timing and amount of future taxable profits, in respect of which the Group does not recognise deferred tax assets (Note 27); and
- As a condition of the sale of CH8 in March 2020, the Group has guaranteed the rental and service charge income and 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. As a consequence of COVID, the lockdowns have hindered the efforts to lease this space. In recognition of this the Group has made an additional provision of £1.03 million, which has been charged within operating expenses (Note 25).

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 10.

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

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

Direct costs incurred by First Property Group plc relating to the cost of the Board and the related share listing costs are shown separately under unallocated central overheads. All other operating expenses are allocated on a percentage basis only across the Property Fund Management segment and the Group Properties segment.

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

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

Foreign exchange profit recycled to the Income Statement

Following the sale of CH8, the Group restructured the SPV which held the property by way of a share redemption completed on 21 December 2020. This triggered the recycling of a previously unrealised foreign exchange gain of £1.16 million from the translation reserve to the Income Statement.

Segment reporting 2021

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

Geographic analysis	Revenue		Non-current assets	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
UK	**2,224**	1,917	**21,912**	20,936
Poland	**8,910**	13,247	**19,110**	29,019
Romania	**985**	1,123	**4,402**	5,024
Total	**12,119**	16,287	**45,424**	54,979

Notes to the Financial Statements continued for the year ended 31 March 2021

4. Segmental reporting continued

Segment reporting 2020

	Fund Management Division	Group Properties Division			
	Property fund management £'000	Group properties £'000	Associates and investments £'000	Unallocated central overheads £'000	**Total £'000**
Rental income	–	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	–	–	–	–	**–**

5. Interest income/(expense)

	2021 Group £'000	2020 Group £'000
Interest income – bank deposits	**26**	26
Interest income – other	**41**	54
Total interest income	**67**	80

	2021 Group £'000	2020 Group £'000
Interest expense – property loans	**(467)**	(1,009)
Interest expense – bank and other	**(47)**	(53)
Finance charges on finance leases	**(226)**	(276)
Total interest expense	**(740)**	(1,338)

6. Profit on the sale of an investment property

The property disposal relates to the sale of a plot of land in Marki, a suburb of Warsaw, previously held by E and S Estates Poland Sp. z o. o.. Consideration of £402,000 was received in respect of this sale resulting in a profit on disposal of £161,000.

In the year ended 31 March 2020, the Group's largest property, CH8, was sold for €44 million. The sale completed on 24 April 2020 with its associated loan being repaid.

The profit on sale of this property which was recognised in the Income Statement for the year ended 31 March 2020 amounted to £1,527,083, representing a profit of €1,725,757 converted into GBP at a rate of 1.1301 €/£.

As a condition of the sale the Group guaranteed the rental and service charge income and fit-out costs on the residual vacant space, up to some €1.20 million per annum for five years and €1.50 million respectively. A provision for the potential cost of this guarantee was included within provisions (Note 25) in the year to 31 March 2020.

For the year ended 31 March 2021 a further provision has been made of £1.03 million in respect of this rent guarantee (Note 25). The letting of the vacant space has been slower than anticipated as a result of the pandemic.

7. Employee information

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

	2021 Number	2020 Number
Management	**12**	13
Property operations	**12**	12
Technical operations	**41**	38
	65	63

An analysis of staff costs is set out below:

	2021 £'000	2020 £'000
Wages and salaries	**3,178**	4,859
Social security costs	**373**	571
Defined contribution pension costs	**29**	39
Share based payments	**–**	12
	3,580	5,481

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

Notes to the Financial Statements continued for the year ended 31 March 2021

8. Directors' remuneration and emoluments

The remuneration of the Directors was as follows:

	2021 £'000	2020 £'000
Basic pay	570	587
Pension	8	17
Fees	66	66
Benefits	19	20
Annual bonus	–	967
	663	1,657

	Salary and benefits £'000	Annual bonus £'000	Fees £'000	2021 £'000	2020 £'000
A J D Locke	–	–	33	33	33
P Moon	–	–	33	33	33
B N Habib	385	–	–	385	1,197
G R W Digby (retired 30 September 2020)	126	–	–	126	394
L B James (appointed 1 July 2020)	86	–	–	86	–
	597	–	66	663	1,657

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. For the year ended 31 March 2021 no bonuses were awarded.

There are no retirement benefits accruing to Directors (2020: £nil) under money purchase pension schemes run by the Company.

9. Profit on ordinary activities before taxation

	2021 £'000	2020 £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment (Note 19)	35	35
– Depreciation on investment properties (Note 16)	1,327	2,055
– Net foreign exchange (gains)/losses (Note 4)	615	550
– Staff costs (Note 7)	3,580	5,481
– Operating lease rentals	105	94
– Rental income from investment properties	4,248	7,773
– Direct operating expenses arising from investment property that generated rental income during the period	1,057	2,583
– Direct operating expenses arising from investment property that did not generate rental income	2,071	3,310
– Depreciation on inventories	84	88

10. Audit fees

	2021 Group auditor £'000	2021 Other auditors £'000	2020 Group auditor £'000	2020 Other auditors £'000
Audit fees				
– Audit of parent company and consolidated financial statements	49	–	44	–
– Audit of subsidiary undertakings	25	32	18	35
Non-audit fees				
– Other services	18	29	37	26
	92	61	99	61

11. Tax expense

	2021 £'000	2020 £'000
Analysis of tax charge for the year		
Current tax	(179)	(974)
Deferred tax (see Note 27)	(2,133)	360
Total tax charge for the year	(2,312)	(614)

The tax charge includes 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.

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

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:

	2021 £'000	2020 £'000
(Loss)/profit on ordinary activities before tax	(5,089)	5,519
(Loss)/profit in ordinary activities multiplied by the standard rate of 19% (2020: 19%)	(967)	1,049
Effect of:		
Expenses not deductible for tax purposes	–	–
Depreciation in excess of capital allowances on plant and equipment	(21)	2
Prior year adjustments	(83)	161
Movement on deferred tax unprovided	211	316
Effect of overseas mainstream tax rates	(7)	3
Other adjustments including overseas tax allowable depreciation on property	1,046	(557)
Total tax (credit)/charge for the period	179	974

Unrecognised deferred tax

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Depreciation in excess of capital allowances	21	–	(1)	–
Tax losses carried forward	1,709	1,369	1,520	1,321
Unrecognised deferred tax asset	1,730	1,369	1,519	1,321

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 2021 and 2020.

Notes to the Financial Statements continued
for the year ended 31 March 2021

12. Lease liabilities and right of use assets

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

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

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

As at 31 March 2021 the Group has recognised a lease liability under IFRS 16 of £686,000 (31 March 2020: £584,000) with an equivalent right of use asset. The net credit to the Income Statement was £22,000.

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

i. Amounts recognised in the BalanceSheet:

	31 March 2021 £'000	31 March 2020 £'000
Right of use assets		
Buildings	686	584
	686	584

	31 March 2021 £'000	31 March 2020 £'000
Lease liabilities	686	584

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

ii. Amounts recognised in the Income Statement:

	2021 £'000	2020 £'000
Depreciation charge of right of use assets		
Buildings	197	135
	197	135

	2021 £'000	2020 £'000
Interest expense		
Buildings	20	18
	20	18

Lease liabilities of £21.44 million relating to the financing of the Gdynia property are disclosed within Note 26.

13. Parent Company result for the year

As permitted by section 408 of the Companies Act 2006, the Company's Income Statement has not been included in these financial statements. The Company's profit for the year was £3.49 million (2020: £4.48 million).

14. Dividend on Ordinary Shares

	2021 £'000	2020 £'000
Interim dividend paid during the year ended 31 March 2021: 0.45 (2020: 0.45 pence)	497	497
Final dividend paid for the year ended 31 March 2020: 1.22 pence per share (2019: 1.22 pence per share)	1,346	1,358
	1,843	1,855

The total dividend for the current year ended 31 March 2021 of 0.45 pence (2020: 1.67 pence) will be subject to shareholder approval at the Annual General Meeting to be held on 28 September 2021.

15. Earnings/NAV per share

	2021	2020
Basic (loss)/earnings per share	(6.75p)	4.38p
Diluted (loss)/earnings per share	(6.59p)	4.29p

	£'000	£'000
Basic (loss)/earnings	(7,449)	4,859
Diluted (loss)/earnings assuming full dilution	(7,442)	4,867

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

	2021 Number	2020 Number
Weighted average number of Ordinary Shares in issue (used for basic earnings per share calculation)	110,382,332	110,953,578
Number of share options	2,610,000	2,610,000
Total number of Ordinary Shares used in the diluted earnings per share calculation	112,992,332	113,563,578

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

	2021 £'000	2020 £'000
Basic (loss)/earnings per share		
Basic (loss)/earnings	(7,449)	4,859
Diluted (loss)/earnings per share		
Basic (loss)/earnings	(7,449)	4,859
Notional interest on share options assumed to be exercised	7	8
Diluted (loss)/earnings	(7,442)	4,867

	2021	2020
Net assets per share	33.33p	43.53p
Adjusted net assets per share	42.80p	55.00p

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:

	2021 £'000	2020 £'000
For net assets per share		
Net assets excluding non-controlling interest	36,788	48,047

	2021 £'000	2020 £'000
For adjusted net assets per share		
Net assets excluding non-controlling interests	36,788	48,047
Investment properties at fair value net of deferred tax	2,663	4,520
Inventories at fair value net of deferred tax	2,701	2,939
Investments in associates and other financial investment	5,827	6,260
Other items	381	381
Total	48,360	62,147

	2021 Number	2020 Number
Number of shares in issue at year end	110,382,332	110,382,332
Number of share options assumed to be exercised	2,610,000	2,610,000
Total	112,992,332	112,992,332

Notes to the Financial Statements continued for the year ended 31 March 2021

16. Investment properties

	2021 Group £'000	2020 Group £'000
Investment properties		
At 1 April	**32,537**	67,348
Capital expenditure	**160**	1,258
Disposals	**(241)**	(33,192)
Depreciation	**(1,327)**	(2,055)
Impairment loss to an investment property	**(7,023)**	–
Foreign exchange translation	**(1,650)**	(822)
At 31 March	**22,456**	32,537

Investment properties owned by the Group are stated at cost less depreciation and any accumulated impairment in value. The properties were valued at the Group's financial year end at €30.22 million (31 March 2020: €43.08 million), the Sterling equivalent at closing foreign exchange rates being £25.74 million (31 March 2020: £38.12 million). The Group considers all of its investment properties to fall within Level 3 as defined by IFRS 13.

The property disposal relates to the sale of a plot of land in Marki, a suburb of Warsaw, previously held by E and S Estates Poland Sp. z o. o. Consideration of £402,000 was received in respect of this sale resulting in a profit on disposal of £161,000.

The property disposal in the prior year to 31 March 2020 was in respect of CH8 and generated proceeds of £38.93 million (€44.00 million). The book value of the property at the point of sale was £33.19 million. See Note 6 for details.

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

As at 31 March 2021, the Directors resolved to write down the value of the property in Gdynia to reflect the value of the final settlement agreed with the lending bank following the restructuring of the financing in June 2021. An impairment in value of £7.02 million has been recognised in respect of the property in Gdynia.

17. Leases

	2021 Group £'000	2020 Group £'000
Minimum lease receipts under non-cancellable operating leases to be received:		
Not later than one year	**1,898**	5,340
Later than one year and not later than five years	**5,366**	6,470
Later than five years	**3,866**	2,996
	11,130	14,806

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 4 years and 9 months (2020: 1 year and 10 months including CH8). No contingent rents are charged.

18. Goodwill

	2021 Group £'000	2020 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.

19. Property, plant and equipment

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

Group 2020	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 April 2019	219	67	24	37	347
Foreign currency translation	(3)	(3)	–	–	(6)
Additions	29	13	–	–	42
Disposals	(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	(7)	(2)	–	–	(9)
At 31 March 2020	**187**	**62**	**24**	**37**	**310**
Net book value at 31 March 2020	**51**	**13**	**–**	**–**	**64**

The Company had no property, plant or equipment (2020: £nil). The Group holds no property, plant and equipment under a finance lease.

20. Investment in Group undertakings

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Investment in consolidated subsidiaries				
At 1 April	**–**	**3,213**	–	3,213
Additions	**–**	**205**	–	–
At 31 March	**–**	**3,418**	–	3,213

During the year ended 31 March 2021 the Company increased its investment in Felix Development SRL by £205,000 (31 March 2020: £nil).

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

Notes to the Financial Statements continued for the year ended 31 March 2021

21. Investments in associates and other financial investments

The Group has the following investments:

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
a) Associates				
At 1 April	**17,698**	**13,460**	17,054	14,036
Additions	**605**	**605**	–	–
Disposals	**–**	**–**	–	–
Repayment of shareholder loan	**(172)**	**(172)**	(576)	(576)
Share of associates' profit after tax	**3,467**	**–**	1,879	–
Share of associates' revaluation losses	**(2,997)**	**–**	(659)	–
Dividends received	**(24)**	**–**	–	–
At 31 March	**18,577**	**13,893**	17,698	13,460

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 comprise the following:

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Investments in associates				
5th Property Trading Ltd	**1,555**	**258**	1,436	258
Fprop Romanian Supermarkets Ltd	**194**	**7**	168	7
Fprop Galeria Corso Ltd	**2,479**	**1,204**	2,346	1,250
Fprop Krakow Ltd	**1,592**	**980**	1,451	1,006
Fprop Cluj Ltd	**596**	**422**	519	422
Fprop Phoenix Ltd	**1,530**	**998**	1,908	998
Fprop Opportunities plc	**10,939**	**10,024**	10,178	9,519
	18,885	**13,893**	18,006	13,460
Less: Share of profit after tax withheld on sale of property to 5th Property Trading Ltd in 2007 (an associated company)	**(308)**	**–**	(308)	–
	18,577	**13,893**	17,698	13,460

If the Group had adopted the alternative 'fair value' model for accounting for investment properties, the carrying value of the investments in associates would have increased to £24.41 million (31 March 2020: £23.96 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's Street, London, SW1A 1HD. The Group's ownership interest in the associate is 43.79% and the Group's investment in the associate is measured using the equity method. There were no dividends received in the year to 31 March 2021 and a financial summary of Fprop Opportunities plc in the year to 31 March 2021 is as follows:

	Year ended 31 March 2021 £'000
Current assets	**10,493**
Non-current assets	**63,936**
Current liabilities	**(17,792)**
Non-current liabilities	**(32.227)**
Revenue	**14,337**
Profit from continuing operations	**1,680**

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
b) Other financial investments				
At 1 April	**3,174**	**3,174**	3,539	3,539
Additions	**6**	**6**	48	48
Disposal	**–**	**–**	–	–
Repayments	**–**	**–**	(218)	(218)
Decrease in fair value during the year	**(119)**	**(119)**	(195)	(195)
At 31 March	**3,061**	**3,061**	3,174	3,174

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 LP, a fund established in February 2010, in which the Group has a 0.9% interest, Fprop UK Special Opportunities LP, a fund established in January 2017, in which the Group has a 4.0% interest and Fprop Offices LP, a fund established in July 2017, in which the Group has a 1.6% interest.

The principal investments of the Group at 31 March 2021 are as follows:

	Principal activities	% of Ordinary Shares held by Company %	% of Ordinary Shares held by Subsidiary %
Group undertakings			
UK			
First Property Asset Management Limited	Property asset management	100	–
Fprop Corktree Limited	Property holding Company	100	–
Fprop Gdynia Podolska Limited (formerly FPGP Limited)	Property holding Company	100	–
Regional Property Trading Limited	Property holding company	100	–
E and S Estates Limited	Property holding company	77	–
Fprop Gdynia Limited (formerly Fprop Szczecin Limited)	Property holding company	100	–
Fprop UK General Partner Limited	General partner of property fund	100	–
First Property Sterling General Partner Limited	General partner of property fund	100	–
Fprop Offices General Partner Limited	General partner of property fund	100	–
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.	Property holding company	–	100
Romania			
First Property Asset Management Romania SRL	Property asset manager	90	10
Felix Development SRL	Property holding company	100	–

Notes to the Financial Statements continued for the year ended 31 March 2021

21. Investments in associates and other financial investments continued

	Principal activities	% of Ordinary Shares held by Company %	% of Ordinary Shares held by Subsidiary %
Associates and other investments			
UK			
5th Property Trading Limited	Property fund	41	–
The UK Pension Property Portfolio LP	Property fund	1	–
Fprop Galeria Corso Limited	Property fund	28	–
Fprop Romanian Supermarkets Limited	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	44	–
Fprop Opportunity Lodz Limited	Property holding company	–	44
Fprop Opportunity Krasnystaw Limited	Property holding company	–	44
Fprop Opportunities Lodz II Limited	Property holding company	–	44
Fprop Opportunity Lublin Limited	Property holding company	–	44
Fprop Opportunity Ostrowiec Limited	Property holding company	–	44
Fprop Zinga Limited	Property holding company	–	44
Poland			
5th Property Trading Poland Sp. z o. o.	Property holding company	–	41
Galeria Corso Sp. z o.o.	Property holding company	–	28
Fprop Krakow Sp. z o.o.	Property holding company	–	18
Scaup Sp. z o.o.	Property holding company	–	23
Fprop Lodz Sp. z o.o.	Property holding company	–	44
Fprop Krasnystaw Sp. z o.o.	Property holding company	–	44
Lublin Zana Sp. z o.o.	Property holding company	–	44
Galeria Ostrowiec Sp. z o.o.	Property holding company	–	44
Fprop Ostrowiec Sp. z o.o.	Property holding company	–	44
Zinga Fprop Sp. z o.o.	Property holding company	–	44
Zinga Poland Sp. z o.o.	Property holding company	–	44
Zinga Fprop Poland Sp. z o. o.	Property holding company	–	44
KBP – 2 Sp. z o. o.	Property holding company	–	23
KBP – 3 Sp. z o. o.	Property holding company	–	23
KBP – 4 Sp. z o. o.	Property holding company	–	23
KBP – 5 Sp. z o. o.	Property holding company	–	23
KBP – 6 Sp. z o. o.	Property holding company	–	23
KBP – 8 Sp. z o. o.	Property holding company	–	23
KBP – 9 Sp. z o. o.	Property holding company	–	23
KBP – 10 Sp. z o. o.	Property holding company	–	23
KBP – 11 Sp. z o. o.	Property holding company	–	23
KBP – TT Sp. z o. o.	Property holding company	–	23
Romania			
Fprop Rom Supermarkets SRL	Property holding company	–	24
Fprop CJ SRL	Property holding company	–	17

See Note 21a) and b) for contributions from associate and other investments.

	Principal activities	% of Ordinary Shares held by Company %	% of Ordinary Shares held by 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 UK GP (Nominee) 8 Limited	Nominee	–	100
Fprop UK GP (Nominee) 9 Limited	Nominee	–	100
Fprop Offices (Nominee) 1 Limited	Nominee	–	100
Fprop Offices (Nominee) 2 Limited	Nominee	–	100
Fprop Offices (Nominee) 3 Limited	Nominee	–	100
Fprop Offices (Nominee) 4 Limited	Nominee	–	100
Fprop Offices (Nominee) 5 Limited	Nominee	–	100
Fprop Offices (Nominee) 6 Limited	Nominee	–	100
Fprop Offices (Nominee) 7 Limited	Nominee	–	100
Fprop Offices (Nominee) 8 Limited	Nominee	–	100
Fprop Offices (Nominee) 9 Limited	Nominee	–	100
Fprop Offices (Nominee) 10 Limited	Nominee	–	100
Synergy Sunrise (Scarles Yard) Limited	Property holding company	–	100

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

The registered address for Galeria Ostrowiec Sp. z o.o. and Fprop Ostrowiec Sp. z o. o. is ul. Adama Mickiewicza 30, 27-400 Ostrowiec Swietokrzyski. All other Polish companies are registered at Plac Bankowy 2, Warsaw 00-095, Poland.

The Romanian companies are as follows:

First Property Asset Management Romania SRL – Bucuresti, sector 3, str. Burnitei, nr 24, Biroul 37, Etaj 1, Romania;
Felix Development SRL – Bucuresti, sector 3, Drumui Intre Tarlale, Nr. 41C, Etaj 2, Romania;
Fprop 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, judetul Cluj, Romania.

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

Notes to the Financial Statements continued
for the year ended 31 March 2021

22. Inventories – land and buildings

	2021 Group £'000	2020 Group £'000
Group Properties for resale at cost		
At 1 April	**14,558**	14,817
Capital expenditure	**213**	346
Disposal	**(1,320)**	–
Depreciation	**(84)**	(88)
Foreign exchange translation	**(873)**	(517)
At 31 March	**12,494**	14,558

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 €18.58 million up from €18.46 million at 31 March 2020 but is stated at cost as above.

The disposal relates to the sale of another property related to Blue Tower. Consideration of £1.10 million was received in respect of this sale resulting in a loss on disposal of £217,000. The fair value of this interest as at 31 March 2020 was €2.10 million.

23. Trade and other receivables

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
a) Current assets				
Trade receivables	**1,325**	**92**	1,423	–
Less provision for impairment of receivables	**(281)**	**–**	(330)	–
Trade receivables net	**1,044**	**92**	1,093	–
Other receivables	**3,408**	**1,609**	42,343	520
Prepayments and accrued income	**697**	**28**	1,409	16
At 31 March	**5,149**	**1,729**	44,845	536

In the prior year ended 31 March 2020, other receivables, under current assets, included £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:

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Accumulated impairment losses as at 1 April	**(330)**	**–**	(297)	–
Increase in provision	**(244)**	**–**	(93)	–
Provision used	**80**	**–**	–	–
Release of provision	**197**	**–**	51	–
Effect of translation on presentation currency	**16**	**–**	9	–
Accumulated impairment losses as at 31 March	**(281)**	**–**	(330)	–

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
b) Non-current assets				
Other receivables	**487**	**–**	922	–
Amounts owed by subsidiaries and other undertakings	**–**	**13,610**	–	18,967

23. Trade and other receivables continued

In 2021, other receivables include a balance of £487,000 (2020: £922,000) relating to the deferred consideration from the sale of an investment property located in Romania, which is receivable after one year. This has been discounted to reflect its net present value.

Other receivables of £13.61 million held by the Company comprise loan receivable balances due from subsidiaries and associates (2020: £18.97 million). Loans in subsidiaries and associates are stated at cost less an expected credit loss on the balance in accordance with IFRS 9. The expected credit loss on the balance is immaterial.

24. Trade and other payables

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Current liabilities				
Trade payables	**2,052**	**52**	2,591	13
Amounts due to subsidiary undertakings and associates	**–**	**10,612**	–	4,692
Other taxation and social security	**557**	**–**	1,030	–
Other payables and accruals	**691**	**92**	3,043	1,395
Deferred income	**147**	**–**	183	–
At 31 March	**3,447**	**10,756**	6,847	6,100

Deferred income £147,000 (2020: £183,000) 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.

Provisions of £2.31 million as at 31 March 2020 were presented as part of the Trade and other payables within the 2020 Annual Report. These have been re-analysed into Provisions (Note 25).

25. Provisions

	2021 Group £'000	2020 Group £'000
Current liabilities		
At 31 March	**2,076**	2,311

The provision at 31 March 2021 represents a rent guarantee of £786,000 (31 March 2020: £964,000) and fit-out costs of £1.29 million (31 March 2020: £1,347,000). These provisions are in respect of the rent guarantee given as part of the sale of CH8 which completed in April 2020.

Movements in the provisions were as follows:

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Provisions as at 1 April	**2,311**	**–**	–	–
Increase in provision	**1,030**	**–**	2,311	–
Provision used	**(1,177)**	**–**	–	–
Release of provision	**–**	**–**	–	–
Effect of translation on presentation currency	**(88)**	**–**	–	–
At 31 March	**2,076**	**–**	2,311	–

26. Financial liabilities

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Current liabilities				
Bank loans	**1,194**	**–**	23,829	–
Finance lease	**21,443**	**–**	25,244	–
At 31 March	**22,637**	**–**	49,073	–
Non-current liabilities				
Bank loans	**12,457**	**–**	15,461	–
Finance lease	**–**	**–**	–	–
At 31 March	**12,457**	**–**	15,461	–

Notes to the Financial Statements continued for the year ended 31 March 2021

26. Financial liabilities continued

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Total obligations under bank loans and finance lease				
Repayable within one year	**22,637**	**–**	49,073	–
Repayable within one and five years	**11,116**	**–**	8,770	–
Repayable after five years	**1,341**	**–**	6,691	–
At 31 March	**35,094**	**–**	64,534	–

Four bank loans and one finance lease all denominated in Euros and totalling £35.09 million (31 March 2020: £64.53 million), included within financial liabilities, are secured against investment properties owned by the Group and one property owned by the Group shown under inventories. These bank loans and the finance lease are otherwise non-recourse to the Group's assets.

During the year two bank loans were repaid in full totalling £23.34 million. Capital repayments in the year totalled £4.71 million.

After the financial year-end, terms were agreed with the Bank to restructure the financing of the property at Gdynia for a final repayment of €16 million, of which €4 million was paid with the balance of €12 million due in June 2024. Consequently, the value of the debt secured on this property has reduced from €25 million to €16 million which will result in €9 million being credited to the Income Statement in the year ending 31 March 2022.

See financial instruments note 31 on page 65 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:

Finance lease liabilities:	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Less than one year	**21,443**	**–**	25,244	–
Between two and five years	**–**	**–**	–	–
Later than five years	**–**	**–**	–	–
Future finance charges on future finance lease payments	**–**	**–**	–	–
	21,443	**–**	25,244	–

The analysed present value of finance lease liabilities is as follows:	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Less than one year	**21,443**	**–**	25,244	–
Between two and five years	**–**	**–**	–	–
Later than five years	**–**	**–**	–	–
	21,443	**–**	25,244	–

27. Deferred tax

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

	2021 Group net assets £'000	2021 Group assets £'000	2021 Group liabilities £'000	2020 Group net assets £'000	2020 Group assets £'000	2020 Group liabilities £'000
Accrued interest payable	**(1,021)**	**118**	**(1,139)**	(1,026)	56	(1,082)
Accrued income	**(13)**	**–**	**(13)**	(7)	–	(7)
Foreign bank loan	**899**	**902**	**(3)**	1,281	1,295	(14)
Investment properties and inventories	**(1,331)**	**427**	**(1,758)**	(11)	983	(994)
Other temporary differences	**10**	**71**	**(61)**	320	325	(5)
At 31 March	**(1,456)**	**1,518**	**(2,974)**	557	2,659	(2,102)

Relevant Group companies are making taxable profits.

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

	2021 Group net assets £'000	2021 Group assets £'000	2021 Group liabilities £'000	2020 Group net assets £'000	2020 Group assets £'000	2020 Group liabilities £'000
At 1 April	**557**	**2,659**	**(2,102)**	156	2,779	(2,623)
(Charge)/credit in the year	**(2,133)**	**(996)**	**(1,137)**	360	(36)	396
Foreign exchange translation	**120**	**(145)**	**265**	41	(84)	125
At 31 March	**(1,456)**	**1,518**	**(2,974)**	557	2,659	(2,102)

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

28. Called-up share capital

	2021 £'000	2020 £'000
Authorised		
240,000,000 (2020: 240,000,000) Ordinary Shares of 1 pence each	**2,400**	2,400
Issued and fully paid		
116,601,115 (2020: 116,601,115) Ordinary Shares of 1 pence each of issued share capital, of which 6,218,783 Ordinary Shares (2020: 6,218,783) are held in treasury	**1,166**	1,166

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

Notes to the Financial Statements continued for the year ended 31 March 2021

28. Called-up share capital continued

	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**

The Company had 2,610,000 options over Ordinary Shares outstanding at 31 March 2021 (2020: 2,610,000). Once these share options are exercised, the Ordinary Shares issued will rank pari passu with the existing Ordinary Shares.

Year of grant	Exercise price (p)	Exercise period	31 March 2021 Numbers	31 March 2020 Numbers
2008/09	11.50	Feb 2010 to Feb 2029	**333,333**	333,333
2008/09	11.50	Feb 2011 to Feb 2029	**666,667**	666,667
2009/10	16.50	Dec 2011 to Dec 2029	**1,610,000**	1,610,000

All outstanding options have fully vested and qualify to be exercisable. During the year no share options were exercised or granted. The weighted average share price at the date of exercise of these shares was 14.58 pence. All share options are issued under the Company's Unapproved Share Option Scheme. The weighted average contractual life of the share options is 100.17 months.

29. Contractual commitments

The Group has contractual commitments relating to the development of investment properties at 31 March 2021 amounting to £5,751,000 (2020: £1,539,000) which are expected to be expended over the next 12 months.

30. Financial commitments

At 31 March 2021 the Group had total commitments under non-cancellable operating leases payable as follows:

	Land and buildings 2021 £'000	Land and buildings 2020 £'000
Total amounts due		
– within a year	**90**	–
– between one and five years	**294**	–
In more than five years	**–**	–
	384	–

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

31. Financial instruments and risk management

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

Objective, policies and strategies

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

Interest rate risk

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

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

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

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

Liquidity risk

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

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

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

Included within cash and cash equivalents is £554,000 deposited as a debt service reserve with the lending banks to secure their debt service cover ratio (DSCR) loan covenants on four bank loans and one finance lease. Included within prepayments is £83,000 which is also deposited as a debt service reserve in respect of one other bank loans.

Capital management

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

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
2021				
Sterling equivalent	**(23,762)**	**589**	**66**	**(23,107)**
2020				
Sterling equivalent	(49,802)	1,152	21	(48,629)

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.

	2021 Income Statement £'000	2020 Income Statement £'000	2021 Equity £'000	2020 Equity £'000
Interest rate sensitivity analysis				
UK interest rate + 1%	**136**	35	**136**	35
EURO interest rate + 1%	**(293)**	(312)	**(293)**	(312)
RON interest rate + 1%	**1**	1	**1**	1
PLN interest rate + 1%	**7**	7	**7**	7
	(149)	(269)	**(149)**	(269)
Foreign currency sensitivity analysis				
EURO exchange rate +5%	**65**	29	**(379)**	255
RON exchange rate +5%	**4**	(1)	**3**	1
PLN exchange rate +5%	**4**	12	**36**	450
	73	40	**(340)**	706

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.

Notes to the Financial Statements continued for the year ended 31 March 2021

31. Financial instruments and risk management continued

Market risk continued

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 23 for the Group's process for provisioning for trade receivables.

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

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2021 and 31 March 2020 was as follows:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Non-interest bearing £'000	Total £'000
Other receivables due after 1 year	–	–	–	–
Cash	16,244	–	–	16,244
Short-term deposits	–	–	555	555
At 31 March 2021	**16,244**	**–**	**555**	**16,799**
Other receivables due after 1 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**

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 2021 were £nil (31 March 2020: £4.00 million).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2021 and 31 March 2020 was as follows:

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

The Group's debt maturity other than short-term trade creditors and accruals at 31 March 2021 and 31 March 2020 was as follows:

	Bank loans £'000	Finance lease £'000	Other financial liabilities £'000	Total £'000
In one year or less	1,194	21,443	–	22,637
Between one and five years	11,116	–	–	11,116
Over five years	1,341	–	–	1,341
Total at 31 March 2021	**13,651**	**21,443**	**–**	**35,094**
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**

Four bank loans and one finance lease all denominated in Euros totalling £35.09 million (2020: £64.53 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 sole tenant's lease. See Note 26 for details on the post year end restructuring of the finance on this property.

In the year to 31 March 2021 there were no other defaults in respect of any of the Group's other borrowings.

Bank loans £'000	Matures	Denominated		Capital repayments	Interest repayments	Secured
3,390	2023	Euro	Non-recourse	€19,000 per month	Annualised rate of one month EURIBOR plus an all in margin of 2.40%	Three retail properties in Poland, of which two are in Warsaw and one in Lodz
2,765	2029	Euro	Non-recourse	€132,000 per quarter	Annualised rate of three month EURIBOR plus an all in margin of 3.70%	Two Romanian properties located in Bucharest and Tureni
5,993	2025	Euro	Non-recourse	€35,000 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
1,503	2033	Euro	Non-recourse	€14,700 per month	50% of the loan 2.60% over three month EURIBOR and other 50% of the loan 0.00% over three month EURIBOR	20% share of Blue Tower office building
Total bank loans £13,651						

Finance lease £'000	Matures	Denominated		Capital repayments	Interest repayments	Secured
21,443	2021	Euro	Non-recourse	€258,000 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 £21,443						
Total bank loans and finance lease £35,094						

Borrowing facilities

At 31 March 2021 the Group had £nil committed borrowing facilities available (31 March 2020: £nil undrawn).

Notes to the Financial Statements continued for the year ended 31 March 2021

32. Related party transactions

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

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

Related party transactions for the Group	2021 £'000	2020 £'000
Property management fees to associates	**1,399**	1,408
Amounts owed by associates at year end	**1,713**	116

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	**3,696**	2,541
Net funding transactions with subsidiaries & associates	**(10,394)**	1,178
Shareholder loan interest receivable from subsidiaries during the year	**175**	174
Shareholder loan interest payable to subsidiaries during the year	**–**	–
Amounts owed by subsidiaries at year end	**13,610**	18,967
Amounts owed to subsidiaries at year end	**10,407**	4,692
Amounts owed by associates at year end	**2,837**	3,008

Key management compensation		
Short-term employee benefits (see Note 8)	**633**	1,690

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 £244,000 (2020: £4,858,000) are unsecured and are interest free. All loans made by UK subsidiary companies to the Company totalling £9,071,000 (2020: £3,498,000) are unsecured and are interest free.

All loans made by the Company to non-UK subsidiaries totalling £4,689,000 (2020: £4,512,000) are unsecured but interest bearing at commercial rates of interest. All loans made by non-UK subsidiaries to the Company totalling £1,541,000 (2020: £1,194,000) are unsecured but interest bearing at commercial rates of interest.

33. Five year financial summary

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Continuing operations					
(Loss)/Profit before tax	**(5,089)**	5,519	8,308	9,233	9,137
Performance related fee income	**40**	415	1,541	189	–
Net (borrowings)/cash	**(18,850)**	(57,197)	(56,939)	(102,308)	(101,590)
Net cash flow from operating activities	**38,726**	5,338	6,732	9,787	13,622
Net assets (excluding non-controlling interest)	**36,788**	48,047	46,172	46,735	40,413
Total assets under management	**£569m**	£623m	£706m	£626m	£477m
(Loss)/earnings per share	**(6.75p)**	4.38p	4.95p	5.82p	6.75p
Dividend per share	**0.45p**	1.67p	1.66p	1.60p	1.55p
Dividend cover	**(15x)**	2.6x	3.0x	3.6x	4.4x
Adjusted net asset value per share	**42.80p**	55.00p	57.48p	53.07p	47.64p

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 28 September 2021 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 2021.
2. 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.
3. To authorise the Directors to determine the remuneration of the Auditors.

Special business

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

4. 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% of the issued share capital of the Company as at 16 July 2021, 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:

5. 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 4 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 5 (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

6. 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% of the Company's issued Ordinary Share capital as at 16 July 2021 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 12 months from the date of passing this resolution.
7. That, with effect from the conclusion of the Annual General Meeting, the Articles of Association be amended by the addition of new Article 95A in the form set out in the Appendix to this Notice of Annual General Meeting.

By Order of the Board

Jill Aubrey
Company Secretary

17 August 2021

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 uses a hard copy proxy form, please see the below for instructions on how to lodge your vote.

1. The health and wellbeing of our colleagues, shareholders and the wider community in which our Company operates is a priority for us. The Board therefore strongly recommends that shareholders do not attend the meeting in person and instead encourages shareholders to join remotely via a live presentation and invites shareholders to submit questions at any time in advance of the meeting or during the meeting using the online facility that will be provided. Details of how to access the live presentation and to ask questions will be published on the Company's website. Please note that shareholders will be required to register for free to access the live presentation via www.investormeetcompany.com and follow First Property Group plc. Please note that joining remotely will not constitute attendance and shareholders will not be able to vote at the meeting. Shareholders are therefore asked to submit their votes by proxy.
2. Shareholders are strongly encouraged to participate in the meeting by voting by proxy ahead of the meeting. The Board recommends that all shareholders appoint the Chairman of the meeting as proxy to ensure their vote will be counted.
3. To the extent shareholders wish to attend in person and can do so safely, the Board kindly requests that shareholders pre-register their intentions to attend by emailing the Company Secretary, Jill Aubrey at jill.aubrey@fprop.com. Rules around capacity at the venue and changes in health and safety requirements may mean shareholders cannot ultimately attend the meeting.
4. 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.
5. 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 Group , PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. If a paper form of proxy is requested from the registrar, it should be completed and returned to Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL to be received not less than 48 hours before the time of the meeting.
6. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended), the Company has specified that only those members registered on the register of members of the Company at close of business on 24 September 2021 (the Specified Time) (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by close of business on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. 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.
8. 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 6 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.
9. 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).
10. 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).

Notes to the Notice of Annual General Meeting continued

11. 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.
12. 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.
13. If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Group by email at enquiries@linkgroup.co.uk, or you may call Link on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Link are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.
14. As at midday on 16 July 2021, the Company's issued share capital comprised 110,382,332 Ordinary Shares of 1 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 2021 is 110,382,332.
15. Resolution 5 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 5(b) is restricted (other than in relation to any rights issue, open offer or other pre-emptive issue pursuant to Resolution 5(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 2021.

Communication

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

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

    or

    › First Property Group plc on 020 7340 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.

Appendix
New Article 95A

95A **Form of general meetings**

95A.1 In this Article 95A:

95A.1.1 'physical meeting' means a general meeting held and conducted by physical attendance by members and proxies at a particular place (or, if the Directors specify one or more other meeting places in accordance with Article 80.3, at particular places); and

95A.1.2 'hybrid meeting' means a general meeting held and conducted by both physical attendance by members and proxies at a particular place (or, if the Directors specify one or more other meeting places in accordance with Article 80.3, at particular places) and by members and proxies also being able to attend and participate by electronic means without needing to be in physical attendance at that place (or places).

95A.2 The Directors may decide in relation to any general meeting (including a postponed or adjourned meeting) whether the general meeting is to be held as a physical meeting or as a hybrid meeting (and shall, for the avoidance of doubt, be under no obligation to convene a meeting as a hybrid meeting whatever the circumstances).

95A.3 The Directors may make such arrangements as they may (subject to the requirements of the Statutes) decide in connection with the facilities for participation by electronic means in a hybrid meeting, and the entitlement of any member or proxy to attend the general meeting, or to participate in it by electronic means, shall be subject to such arrangements. In the case of a hybrid meeting, the provisions of these Articles shall be treated as modified to permit any such arrangements and in particular:

95A.3.1 References in these Articles to attending and being present at the meeting, including in relation to the quorum for the meeting and the right to vote at the meeting, shall be treated as including participating in the meeting by electronic means;

95A.3.2 A notice of a general meeting which is to be a hybrid meeting shall state details of the facilities for attendance and participation by electronic means at the meeting or shall state where such details will be made available by the Company prior to the meeting;

95A.3.3 The meeting shall be treated as having commenced if it has commenced at the physical place (or places) specified in the notice of the meeting;

95A.3.4 The meeting shall be duly constituted and its proceedings valid if the Chairman of the meeting is satisfied that adequate facilities have been made available so that all persons (being entitled to do so) attending the hybrid meeting by electronic means may participate in the business of the meeting, but under no circumstances shall the inability of one or more members or proxies to access, or continue to access, the facilities for participation in the meeting despite adequate facilities being made available by the Company, affect the validity of the meeting or any business conducted at the meeting;

95A.3.5 All resolutions put to members at a hybrid meeting, including in relation to procedural matters, shall be decided on a poll;

95A.3.6 The Directors may authorise any voting application, system or facility in respect of the electronic platform for hybrid general meetings as they may see fit; and

95A.3.7 If it appears to the Chairman of the meeting that the electronic facilities for a hybrid meeting have become inadequate for the purpose of holding the meeting then the Chairman of the meeting may, with or without the consent of the meeting, adjourn the meeting (before or after it has started) and the provisions in Articles 68 and Article 71 shall apply to any such adjournment and all business conducted at the hybrid meeting up to the point of the adjournment shall be valid.

95A.4 If, after the sending of notice of a hybrid meeting but before the meeting is held (or after the adjournment of a hybrid meeting but before the adjourned meeting is held), the Directors consider that it is impracticable or unreasonable to hold the meeting at the time specified in the notice of meeting using the electronic facilities stated in the notice of meeting or made available prior to the meeting, they may change the meeting to a physical meeting or change the electronic facilities (and make details of the new facilities available in the manner stated in the notice of meeting) or both, and may postpone the time at which the meeting is to be held.

95A.5 An adjourned general meeting or postponed general meeting may be held as a physical meeting or a hybrid meeting irrespective of the form of the general meeting which was adjourned or postponed.

95A.6 Without prejudice to Article 80, the Directors or the Chairman of the meeting may make any arrangement and impose any requirement or restriction they or he consider appropriate to ensure the security of a hybrid meeting including, without limitation, requirements for evidence of identity:

95A.6.1 Necessary to ensure the identification of those taking part and the security of the electronic communication; and

95A.6.2 Proportionate to those objectives.

Directors and Advisers

Directors
Alasdair J D Locke
(Non-Executive Chairman)

Peter G Moon
(Non-Executive Director)

Benyamin N Habib
(Group Chief Executive)

Laura B James
(Group Finance Director)

Company Secretary
Jill Aubrey

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