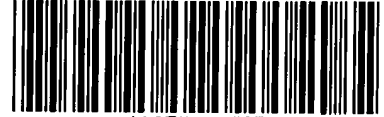




Fprop plc

WEDNESDAY



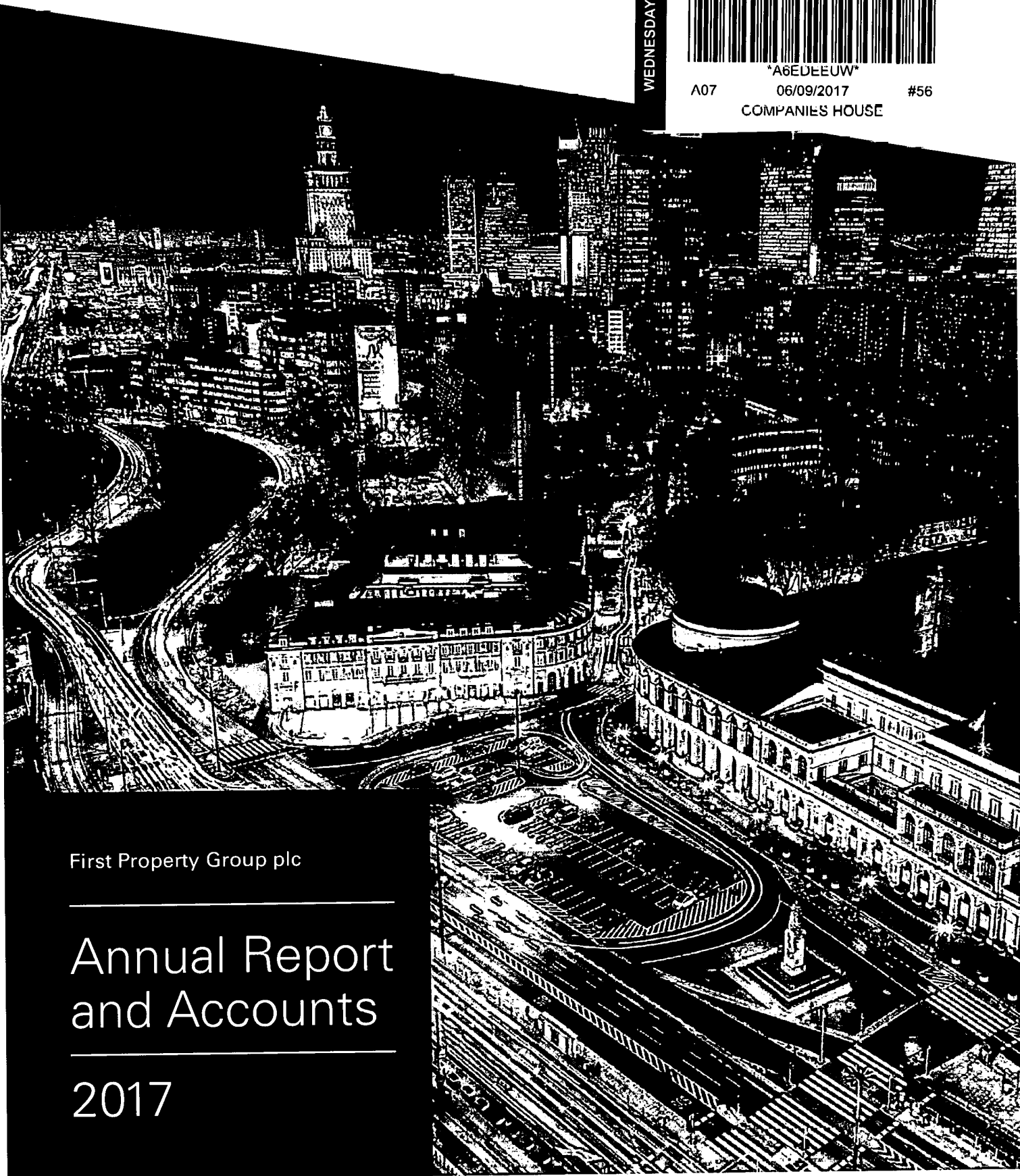
\*A6EDEEUW\*

A07

06/09/2017

#56

COMPANIES HOUSE



First Property Group plc

---

# Annual Report and Accounts

---

2017

# Welcome to First Property Group plc

A property fund  
manager and investor  
with operations in  
the United Kingdom,  
Poland and Romania.

Image of Warsaw  
Read more about our markets on pages 12 to 13

## Financial Highlights

£9.14m

Profit Before Tax

+24.4%

6.61p

Diluted Earnings per Share

+54.4%

1.55p

Total Dividend per Share

+3.3%

£477m

Assets Under Management

+35.1%

47.64p

Adjusted Net Assets per Share\*

+10.8%

£15.95m

Cash

+77.6%

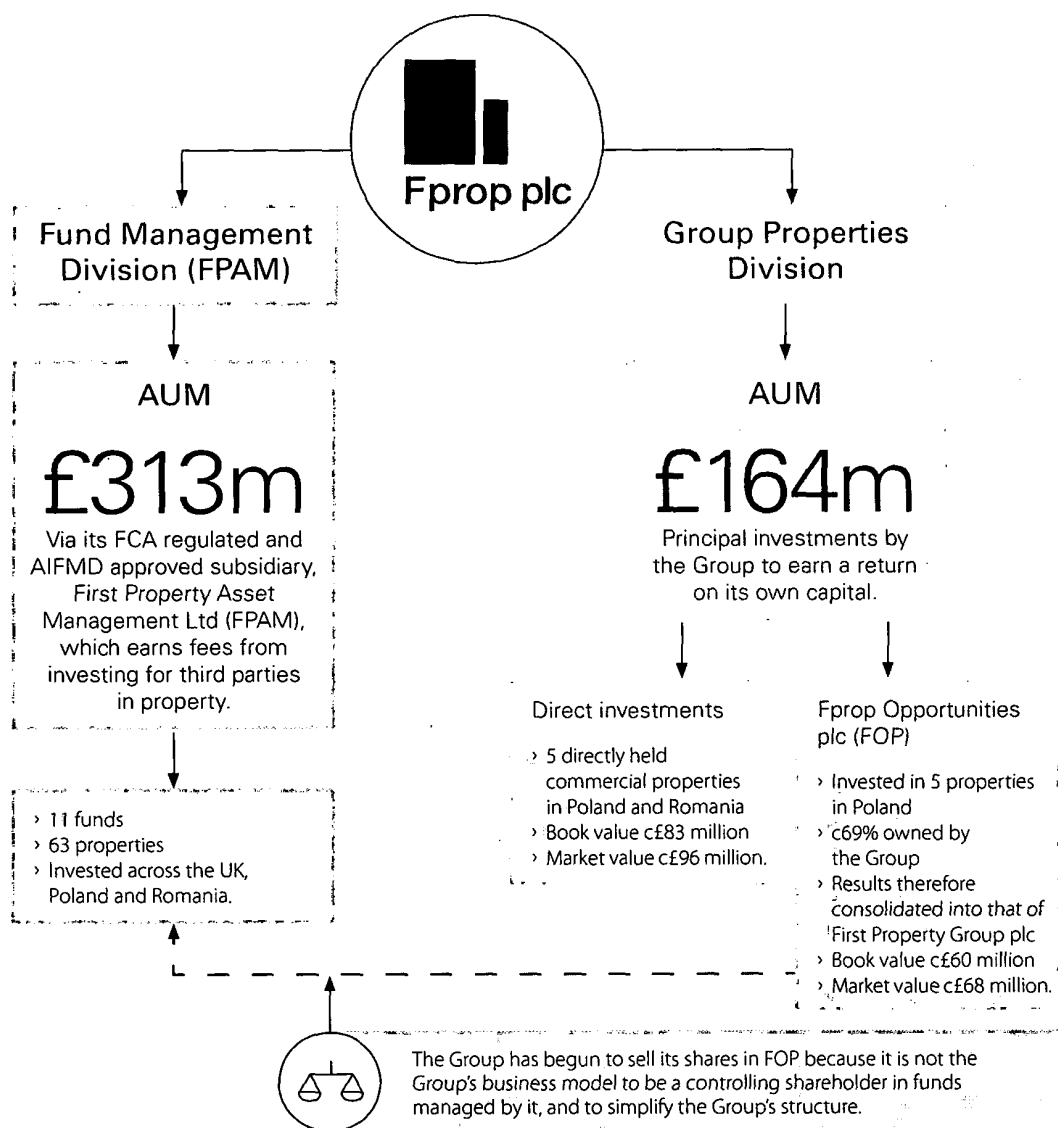
\* Calculated according to EPRA triple net valuation methodology, which includes adjustments for fair values of i) financial instruments, ii) debt, and iii) deferred taxes

[www.fprop.com](http://www.fprop.com)  
Stock Code: FPO

## Our Business Model

The Company operates via two divisions:

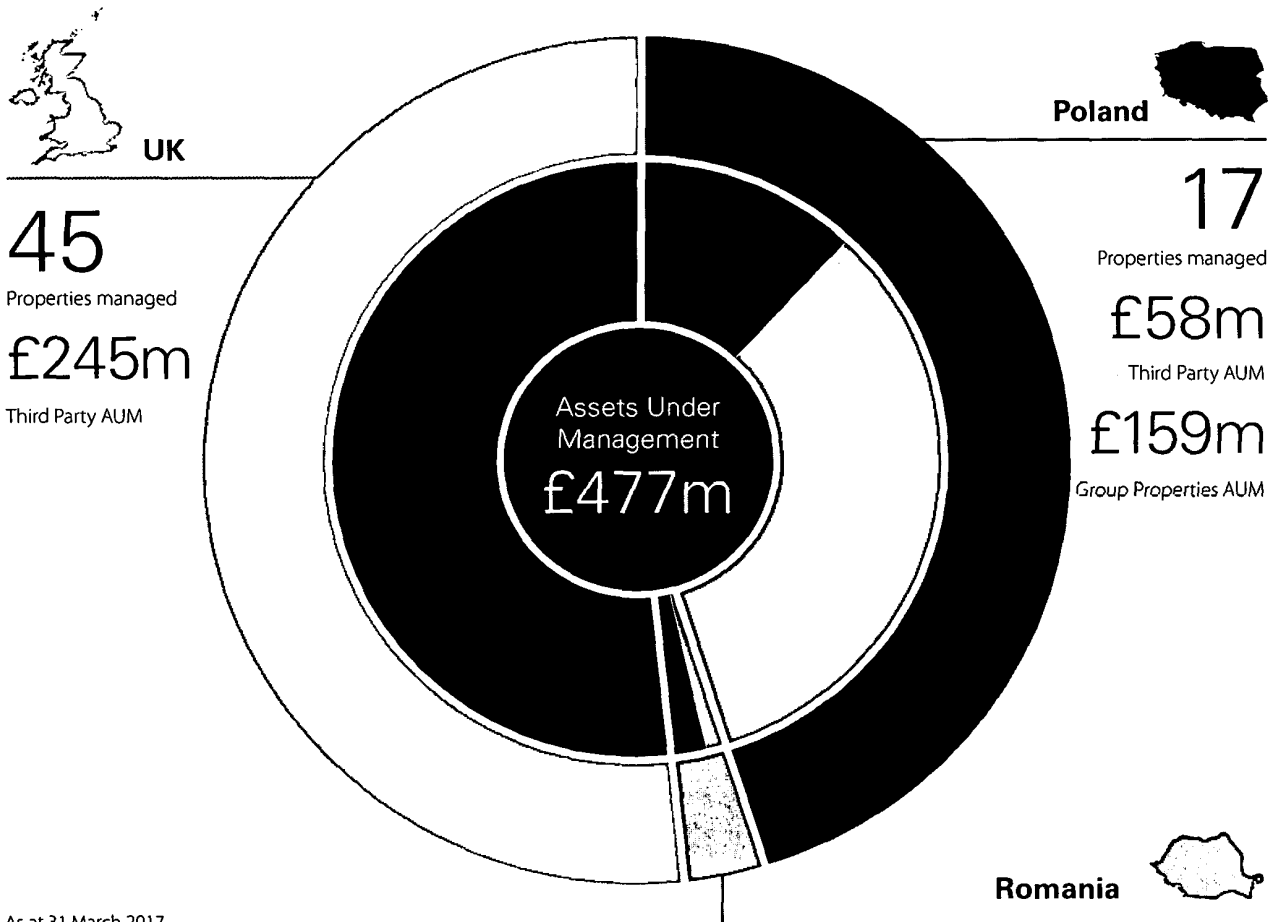
1. Fund Management
2. Group Properties



# Assets Under Management

All properties are managed locally from our offices in London, Warsaw and Bucharest.

Colour Code  
 Fund Management Division  
 Group Properties Division



As at 31 March 2017



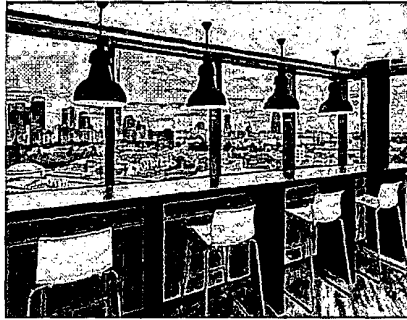
Office building, Pilot Tower, Krakow, Poland



Shopping centre, Galeria Corso, North West Poland

**11**  
 Properties managed  
**£10m**  
 Third Party AUM  
**£5m**  
 Group Properties AUM

# Contents



Blue Tower, Warsaw



Blue Tower, Warsaw



Oxford Tower, Warsaw

IFC – 16

17 – 26

27 – 59

## Strategic Report

◀	Our Business Model
◀	Assets Under Management
01	Operational Highlights
02	Why Invest in Fprop plc?
03	Our Strategy
04	Strategy in Action
06	Chief Executive's Report
08	Performance Review: Fund Management Division (First Property Asset Management Ltd or FPAM)
10	Performance Review: Group Properties Division
12	Our Markets
14	Financial Review

## Governance

17	Chairman's Introduction to Governance
18	Risks and Mitigation
20	Board of Directors
22	Our People
24	Directors' Report

## Financial Statements

27	Independent Auditor's Report
29	Consolidated Income Statement
30	Consolidated Statement of Comprehensive Income
31	Balance Sheets
32	Consolidated Statement of Changes in Equity
33	Company Statement of Changes in Equity
34	Consolidated Cash Flow Statements
35	Notes to the Financial Statements
60	Notice of Annual General Meeting
62	Notes to the Notice of Annual General Meeting
IBC	Directors and Advisers

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

## Operational Highlights

- Ranked No.1 versus MSCI's Central & Eastern European (CEE) Benchmark over the eleven years to 31 December 2016
- UK Pension Property Portfolio LP ranked 'Best Small Specialist Fund' at the MSCI/IPF Awards over the three years to 31 December 2016
- Two new funds established (with aggregate equity commitments of £21 million) and the Shipbuilding Industries Pension Scheme (SIPS) fund enlarged from £125 million to £170 million

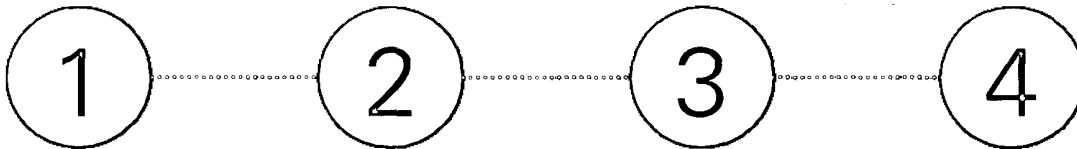


## Commenting on the results, Ben Habib, Chief Executive Officer of First Property Group, said:

This has been a record year for First Property with profits up by a quarter. Furthermore, third party funds under management increased by 60% in value and we have additional mandates yet to be invested.

The markets in which we operate are generally buoyant. In the UK in particular, I believe the decision to leave the EU will create opportunities on which we, as a niche fund manager, will be well placed to capitalise. The establishment of our new UK Special Opportunities Fund in January is an example of this, and a reflection of our confidence in the UK market and the returns available to be earned.

# Why Invest in Fprop plc?



## 1 Expertise

- Experienced, nimble management team
- Excellent investment track record: 25% annualised growth in net assets since April 2008
- Ranked No. 1 vs MSCI's Central & Eastern European (CEE) Benchmark.

## 2 Reliable Earnings

- Diversified income streams from investment returns and fund management fees
- 100% of top line revenue is of a recurring nature (2016, 95%)
- Cash generative with a strong balance sheet
- Progressive dividend policy. Currently circa three times covered by earnings.

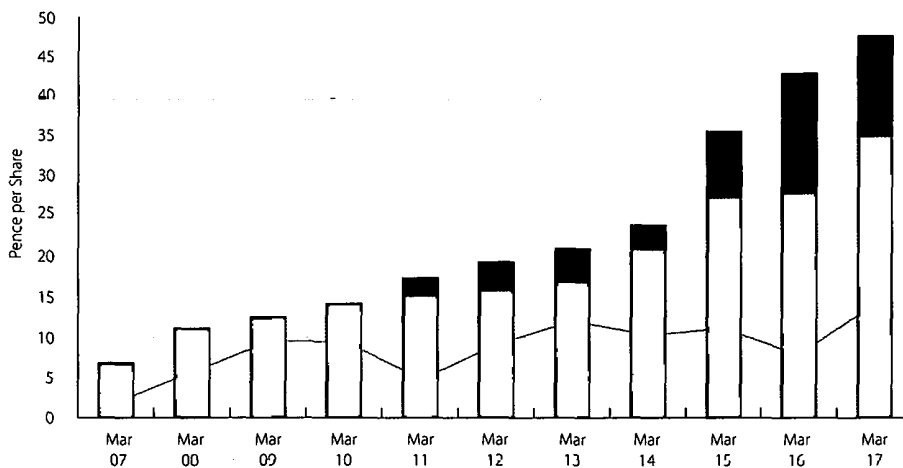
## 3 Growth

- In-built growth in net assets from high return on equity invested
- All fund management clients have had good experiences which should lead to more fund management contracts
- Over £11 million of cash available for future deals
- Operationally geared – can take on new business without material increases in overheads.

## 4 Geographically Diversified

- Operations in UK, Poland and Romania
- All three countries are performing well economically and are amongst the highest growth areas in Europe
- Our mix of jurisdictions provides a natural hedge for Brexit volatility.

NAV per Share 2007-2017



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

External Valuers  
CBRE, BNP Paribas,  
Polish Properties  
Sp. z o.o.

- NAV
- Adjusted NAV
- Cash

# Our Strategy




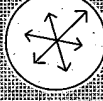

We target higher yielding properties with sustainable income streams, enabling us to boost returns by applying leverage.

See these strategies in action on pages 04 to 05

STRATEGIC REPORT

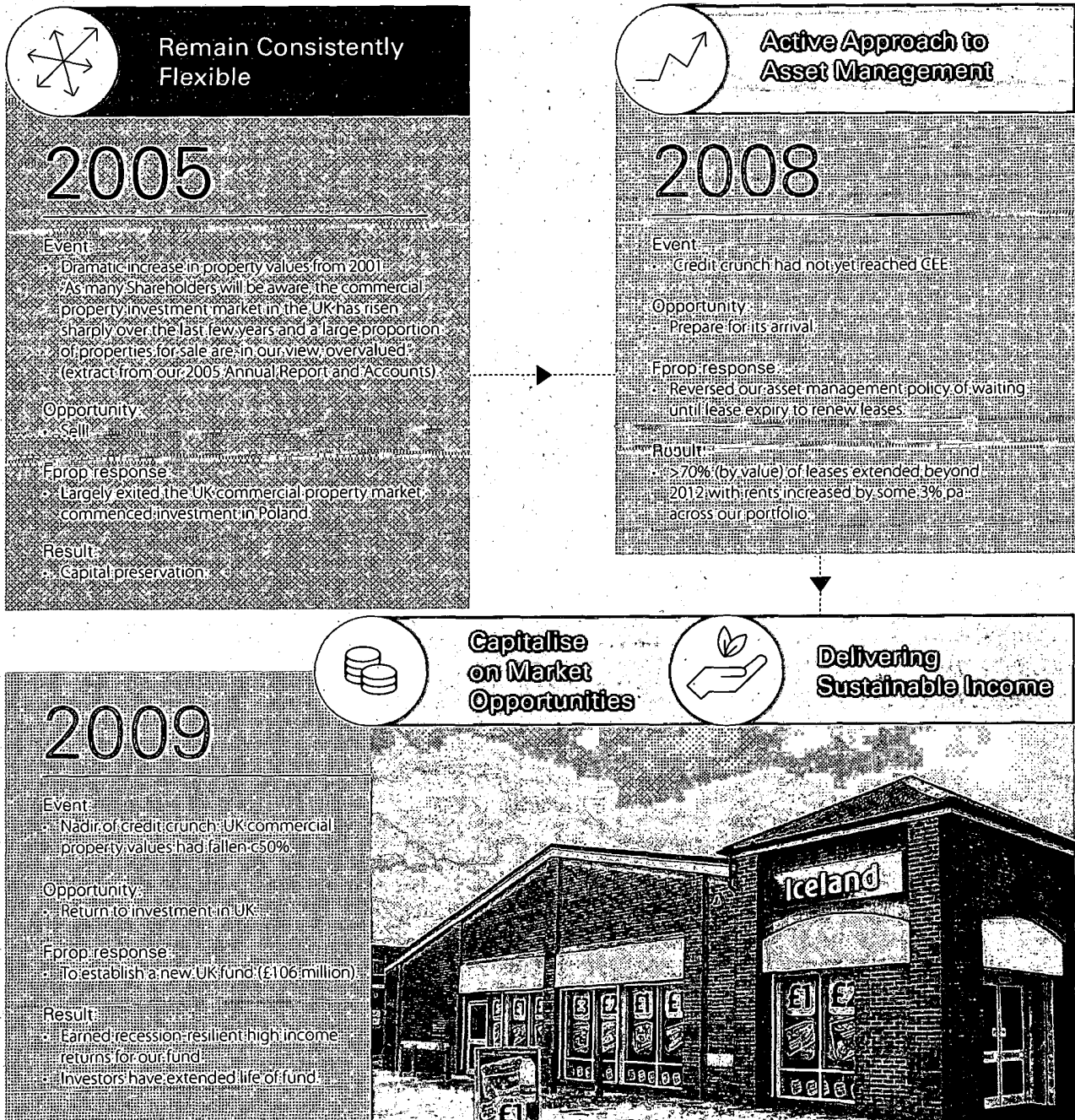
GOVERNANCE

FINANCIAL STATEMENTS

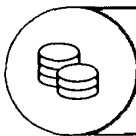
The Strategy	Description	Our Strategic Response
 <p><b>Deliver sustainable revenue</b></p>	<ul style="list-style-type: none"> <li>Core revenue from both of the Group's trading divisions is of a recurring nature</li> <li>The Group is seeking to expand its Fund Management division and thus its asset management fee income</li> </ul>	<ul style="list-style-type: none"> <li>New fund mandates will increase the Group's basic Fund Management fee income</li> <li>Rental income from Group Properties is of a recurring nature</li> </ul>
 <p><b>Achieve overall growth with a more equal balance between the two operating divisions</b></p>	<ul style="list-style-type: none"> <li>The Group is seeking to achieve a more equal contribution to Group profits from its Fund Management division and its Group Properties division</li> </ul>	<ul style="list-style-type: none"> <li>The establishment of new funds</li> <li>Partial sale of the Group's shareholding in Fprop Opportunities plc (FOP) in order to reduce its investment in associate status, thus enabling the Group to recognise the fund management fees charged thereon</li> <li>Possible sale of directly owned Group Properties</li> </ul>
 <p><b>Active approach to asset management</b></p>	<ul style="list-style-type: none"> <li>The Group's approach to asset management is to utilise its in-house expertise to be proactive and dynamic in its chosen markets</li> </ul>	<ul style="list-style-type: none"> <li>Drive income and in turn capital values by hands-on property management, relying as much as possible on internal capabilities</li> </ul>
 <p><b>Remain consistently flexible</b></p>	<ul style="list-style-type: none"> <li>Be flexible in the light of market changes</li> </ul>	<ul style="list-style-type: none"> <li>Thinking from first principles</li> <li>In-house property management teams employed in Poland, the UK and a newly opened office in Romania</li> </ul>
 <p><b>Capitalise on market opportunities</b></p>	<ul style="list-style-type: none"> <li>Achieve first-mover advantage after identifying new and changing circumstances in its chosen markets</li> </ul>	<ul style="list-style-type: none"> <li>Maximise and exploit any new opportunities arising as a result of Brexit</li> </ul>

## Strategy in Action

A brief timeline showing how First Property Group plc has implemented its strategies over the years.



# 2013



## Capitalise on Market Opportunities

**Event:**

- Amendment to Permitted Development Rights (PDR).

**Opportunity:**

- To convert offices to residential use without the requirement to obtain formal planning consent.

**Fprop response:**

- To establish a £42 million fund to invest in offices eligible for conversion to residential use utilising PDR.

**Result:**

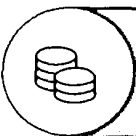
- The fund earned a net return on equity to its investors of 53% and an IRR of 98% – all without the use of leverage. In the process it enabled the conversion of 360,000 ft<sup>2</sup> of office space into 665 flats across the UK, worth a total of some £100 million; around a third of these properties were sold to Housing Associations.



**£18.3m**

Union Park, West Drayton. Acquired August 2014 for £7.8 million, sold March 2015 for £18.3 million

# 2016



## Capitalise on Market Opportunities

**Event:**

- Bifurcation of commercial property market following Brexit vote of June 2016 – institutional investors became less active, resulting in reduced investment competition for larger lot sizes.

**Opportunity:**

- To invest in institutional property.

**Fprop response:**

- To recommend to Shipbuilding Industries Pension Scheme (SIPS), for which we were investing at the time, that it increase its investment commitment to take advantage of reduced commercial property prices.

**Result:**

- SIPS increased its commitment by £45 million, increasing its total commitment to £170 million.



**6.7%**

Antelope Park, Southampton. Acquired December 2016 at net initial yield of 6.7% (£23 million). We immediately sold adjacent unit which lay just outside the park (let to Jewsons) for a net initial yield of 5.25% – illustrating bifurcation in market following Brexit vote.

## Chief Executive's Report

Ben Habib, Group Chief Executive Officer



"I am pleased to report the final results for the twelve months ended 31 March 2017."

### Operational Highlights

£477m

Total assets under management grew by 35% from £353 million in 2016 to £477 million.

73

Total number of properties managed grew from 61 in 2016 to 73.

6 years  
5 months

Weighted average unexpired fund life decreased from 6 years and 6 months in 2016 to 6 years and 5 months in 2017.

Read more about our performance through our KPIs on page 15

I am pleased to report the final results for the twelve months ended 31 March 2017.

Revenue earned by the Group increased to £23.66 million (2016: £21.96 million) contributing to a 24% increase in profit before tax of £9.14 million (2016: £7.35 million), a new record for the Group. The results benefitted from a stronger Euro which was, on average, 14.7% higher against Sterling at £0.841/€1 (2016: £0.733/€1) increasing profit before tax by some £1.39 million than if on a constant currency basis.

Diluted earnings per share increased by 54.4% to 6.61 pence (2016: 4.28 pence).

The Group ended the period with reported net assets up by 27.4% to £43.43 million (2016: £34.09 million). It is the accounting policy of the Group to carry its directly held properties and interests in associates at the lower of cost or market value. The net assets of the Group, when adjusted to their market value less any deferred tax liabilities, stood at £56.55 million (2016: £51.03 million).

### Dividend

The Directors have resolved to increase the final dividend to 1.15 pence per share (2016: 1.115 pence per share), an increase of 3.1%, which together with the interim dividend of 0.40 pence per share (2016: 0.385 pence per share) equates to a dividend for the year of 1.55 pence per share (2016: 1.50 pence per share).

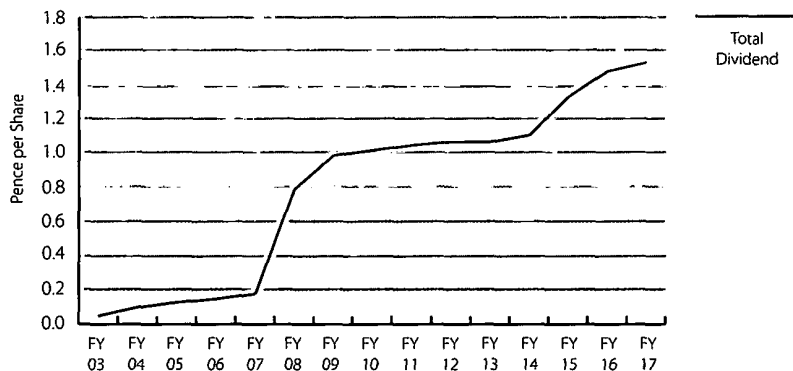
The proposed final dividend will be paid on 29 September 2017 to Shareholders on the register at 1 September 2017, and is subject to Shareholder approval at the forthcoming Annual General Meeting.

### Performance Review

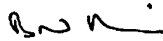
See pages 08 to 11 for the performance of the two operating divisions.

### Current Trading and Prospects

This has been a record year for the Group with profits up by a quarter. Furthermore, third party funds under management increased by 59.69% in value and we have additional mandates yet to be invested.



The markets in which we operate are generally buoyant. In the UK in particular I believe the decision to leave the EU will create opportunities on which we, as a niche fund manager, will be well placed to capitalise. The establishment of our new UK Special Opportunities Fund in January is an example of this, and a reflection of our confidence in the UK market and the returns available to be earned.



Ben N Habib  
Group Chief Executive Officer  
8 June 2017



### Capitalise on Market Opportunities

Why Poland?

**38.5m**

A large population of 38.5 million – the largest in CEE – competitive labour costs and a well educated and hard working workforce.

**3.6%**

Strong GDP growth – 3.6% in 2016 – one of the fastest GDP growth rates in the EU.

**€67.3bn**

EU Cohesion Policy 2014-2020 budget = €67.3 billion for Poland, making it the single largest recipient of EU funding, intended for the development of public infrastructure.

**45.8%**

Over the past ten years Polish GDP increased by 45.8% while the EU's only increased by 9.7%.

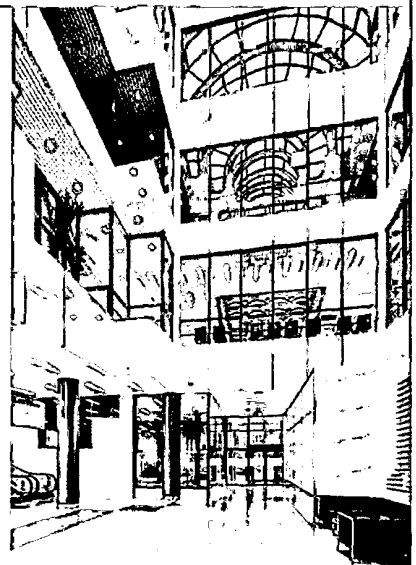


Image taken from Blue Tower foyer, Central Warsaw (Group Properties)

## Performance Review: Fund Management Division (First Property Asset Management Ltd or FPAM)

### FPAM earns its fees from investing for third parties in property

As at 31 March 2017, aggregate assets under management calculated by reference to independent third party valuations, stood at £477 million (2016: £353 million). Of this, £313 million (2016: £196 million) was managed on behalf of third party clients, an increase of 60% from the prior year. Since the year-end a further £5 million has been invested in funds managed on behalf of third parties, with £22 million of equity commitments still available for investment.

The reconciliation of movement in funds under management during the year is shown on page 09.

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

Revenue earned by this division amounted to £2.05 million (2016: £2.90 million), resulting in a profit before unallocated central overheads and tax of £404,000 (2016: £1.38 million). The decline in revenue and profit earned by this division is explained by an absence of performance fees (2016: £1.13 million).

At the year-end FPAM's fund management fee revenue, excluding performance fees, was being earned at an annualised rate of £2.45 million (2016: £1.68 million), an increase of some 46% from the prior year. The corresponding weighted average unexpired fund management contract term at the year-end was 6 years, 5 months (2016: 6 years, 6 months). We expect fund management fee revenue to increase as we continue to invest fund management mandates.

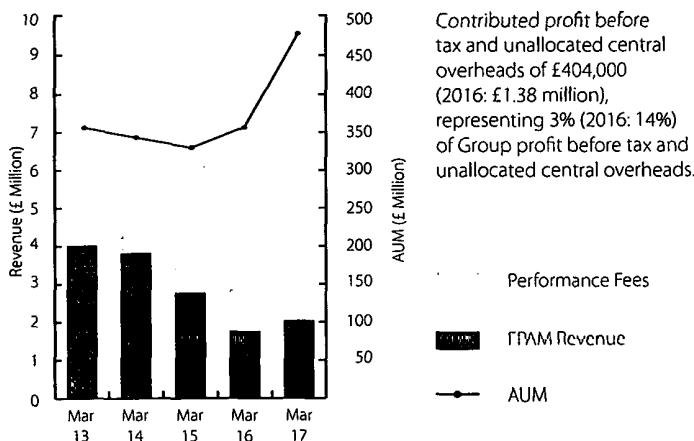
First Property Asset Management Ltd (FPAM) now manages eleven (2016: nine) property investment funds, following the establishment of two new funds during the year, and the enlargement of one existing fund. A brief synopsis of the value of assets and maturity of each of these funds is set out on page 09.

### Independent fund performance analysis

Our investments in Poland and Romania once again ranked No.1 versus MSCI's Central & Eastern European (CEE) Benchmark, now for the eleven years from the commencement of our operations in Poland in 2005 to 31 December 2016. In the United Kingdom, our UK Pension Property Portfolio LP was ranked Best Small Specialist Fund over the three years to 31 December 2016 at the MSCI/IPF Awards. FPAM was also one of ten fund managers, out of a pool of 95, to be awarded a Data Quality Award by MSCI.

Other accolades include being awarded "Best Fund Manager" by Alternative Investment Awards, and being shortlisted for awards by Pensions Age, European Pensions, Property Week and Property Investor Europe. In addition, Ben was nominated for the second year running as "Best CEO Capital Allocator (UK)" at The Value Investor Awards. Also for the second time, the Group was listed as one of "1000 Companies to inspire Britain" in 2017.

Segmental Analysis – Fund Management (FPAM)



IPD® Measured Fund

**MSCI**

Ranked No.1 vs MSCI's Central & Eastern European (CEE) Benchmark.

UK Property Investment Awards WINNER 2017

## Reconciliation of Movement in Funds under Management FY2017

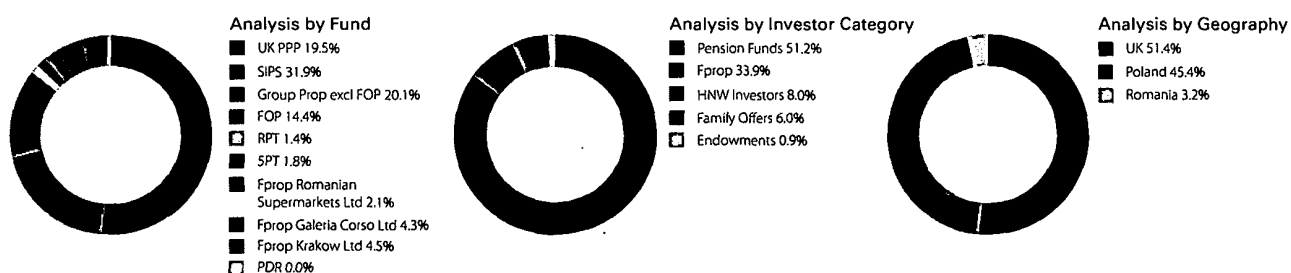
	Funds managed for third parties (including funds in which the Group is a minority Shareholder)				Group Properties (including FOP)		Totals	
	UK £m	CEE £m	Total £m	No. of prop's	All CEE £m	No. of prop's	AUM £m	No. of prop's
As at 1 April 2016	154.7	41.5	196.2	50	156.9	11	353.1	61
Purchases	96.2	-	96.2	12	-	-	96.2	12
Sales	-	-	-	-	(3.4)	(1)	(3.4)	(1)
New fund mandates	-	21.6	21.6	1	-	-	21.6	1
Property depreciation	-	-	-	-	(1.9)	-	(1.9)	-
Property revaluation	(5.6)	1.4	(4.2)	-	1.1	-	(3.1)	-
FX revaluation	-	3.2	3.2	-	11.8	-	15.0	-
<b>As at 31 March 2017</b>	<b>245.3</b>	<b>67.7</b>	<b>313.0</b>	<b>63</b>	<b>164.5</b>	<b>10</b>	<b>477.5</b>	<b>73</b>

## Funds under Management at 31 March 2017

Fund	Country of investment	Fund expiry	Assets under management at market value at 31 March 2017 £m	% of total assets under management	Assets under management at market value at 31 March 2016 £m
SAM & DHOW	UK	Rolling	*	*	*
RPT	Poland	Aug 2020	6.88	1.44%	6.83
SPT	Poland	Dec 2022	8.46	1.77%	7.77
UK PPP	UK	Feb 2022	93.13	19.50%	94.93
PDR	UK	May 2018 (commitment of £42m)	-	-	-
SIPS	UK	Jan 2025 (commitment of £170m)	152.15	31.87%	59.80
FRS	Romania	Jan 2026	10.08	2.11%	8.17
FGC	Poland	Mar 2026	20.66	4.33%	18.68
SPEC OPSS	UK	Jan 2027 (commitment of £15m)	-	-	-
FKR	Poland	Mar 2027	21.64	4.53%	-
<b>Sub total</b>			<b>313.00</b>	<b>65.55%</b>	<b>196.18</b>
FOP	Poland	Oct 2020	68.52	14.35%	61.46
GRP PROPS	Poland & Romania	n/a	95.96	20.10%	95.47
<b>Sub total</b>			<b>164.48</b>	<b>34.45%</b>	<b>156.93</b>
<b>Total</b>			<b>477.48</b>	<b>100.00%</b>	<b>353.11</b>

\* Not subject to recent revaluation

## Analysis of First Property Asset Management Ltd (FPAM), Funds under Management



## Performance Review: Group Properties Division

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

Group Properties comprised ten (2016: eleven) commercial properties held directly by the Group (including five held by FOP in which the Group is a 69.2% Shareholder), and non-controlling interests in eight of the eleven funds and joint ventures managed by FPAM, as set out on the tables on the next page. It is the Group's policy to carry its direct properties and interest in associates at the lower of cost or market value for accounting purposes and to recognise dividends when received.

Revenue from Group Properties, including FOP, amounted to £21.62 million (2016: £19.06 million), generating a profit before unallocated central overheads and tax of £11.53 million (2016: £8.85 million) and representing 96.6% (2016: 86.5%) of Group profit before unallocated central overheads and tax. The increase in underlying revenue and profit before tax prior to the deduction of unallocated central overhead costs was primarily attributable to the strengthening of the Euro versus Sterling, but also to the full year contribution from the two investments made in the second half of the previous financial year in Fprop Romanian Supermarkets Ltd (FRS) and Fprop Galeria Corso Ltd (FGC). The contribution to Group

profit before tax prior to the deduction of unallocated central overheads by the ten directly held properties is detailed on page 11.

The loans secured against these properties are each held in separate non-recourse special purpose vehicles. In order to mitigate potential interest rate rises we have fixed the interest rate on a proportion of these loans. A one percentage point increase from current market interest rates would increase the annual interest bill by £325,000 per annum (2016: £693,000). The current weighted average borrowing cost is 2.35% (2016: 2.47%).

During the year we sold one Group property, a warehouse in Plotesti, Romania, resulting in a profit of £890,000, thereby reducing the number of properties held directly by the Group to ten.

**Fprop Opportunities plc (FOP)**  
The contribution by FOP to Group profit before tax amounted to £2.26 million (2016: £2.46 million), a level impacted by some £219,000 of fair value impairment (2016: credit of £462,000), a non-cash item. FOP is earning a pre-tax return on equity invested from rent alone in the region of 15.5% per

annum, a level which we expect will increase following completion of the extension at Galeria Ostrowiec, and the subsequent sale or refinancing of this asset. The gallery's extension, which is 95% pre-let, is scheduled for completion on 30 September 2017, and is forecast, once fully let, to increase the net operating income of this investment from £2.17 million per annum to £2.75 million per annum.

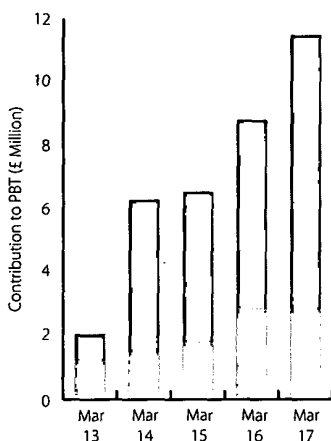
As reported at our interim results, we have begun to sell the shares held by the Group in FOP because it is not the Group's business model to be a controlling Shareholder in funds managed by it, and to simplify the Group's structure. Sales of shares in FOP during the year amounted to £1.64 million, representing 7.9% of FOP's issued share capital and resulting in a capital profit for the Group of £552,000.

The Group's shareholding in FOP at the year-end represented 69.2% (2016: 76.2%) of the issued share capital in FOP. It is our intention to continue to sell the Group's shares in FOP until its shareholding reaches some 25-30%.

#### Associates and Investments

The contribution to Group profit before tax prior to the deduction of unallocated central overheads from our eight minority shareholdings in funds managed by FPAM increased by 47% to £579,000 (2016: £393,000). This contribution represents 5% of the contribution by Group Properties and should increase as we benefit from a full period contribution from our co-investment in the two new funds, Fprop UK Special Opportunities LP (SPEC OPPS) and Fprop Krakow Ltd (FKR), which were established in the second half of the year.

### Segmental Analysis – Group Properties



- Contributed £11.53 million (2016: £8.85 million) to PBT & unallocated central overheads
- Represents 96.6% (2016: 86.5%) of Group PBT & unallocated central overheads.

- Contribution to PBT from directly held properties
- Contribution to PBT from Group's Share in FOP
- Contribution to PBT from Non-controlling Interests in Funds managed by FPAM



## Directly Held Properties at 31 March 2017:

Fund/Country	No. of properties	Book value £m	Market value £m	Contribution to Group profit before tax – year to 31 March 2017 £m	Contribution to Group profit before tax – year to 31 March 2016 £m
Poland	3	79.2	90.7	6.0	5.7
Romania	2	4.2	5.3	0.9	0.9
FOP	5	60.1	68.5	3.4	3.3
<b>Total</b>	<b>10</b>	<b>143.5</b>	<b>164.5</b>	<b>10.3</b>	<b>9.9</b>

## Non-controlling Interests in Funds and Joint Ventures Managed by FPAM:

Fund	% owned by First Property Group	Book value of First Property's share in fund £'000	Current market value of holdings £'000	Group's share of pre-tax profits earned by fund 31 March 2017 £'000	Group's share of pre-tax profits earned by fund 31 March 2016 £'000
<b>Interest in associates</b>					
SPT	37.8%	608	1,058	129	121
RPT	28.6%	192	233	45	20
FRS	24.1%	750	1,030	125	12
FGC	28.2%	1,678	1,827	220	17
FKR*	18.1%	1,119	1,119	-	-
<b>Share of results in associates</b>		<b>4,347</b>	<b>5,267</b>	<b>519</b>	<b>170</b>
* Shares allotted but issued post year-end					
<b>Investments</b>					
UKPPP	0.9%	884	884	60	60
PDR	4.9%	13	13	-	163
SPEC OPPS	4.8%	-	-	-	-
<b>Sub total</b>		<b>897</b>	<b>897</b>	<b>60</b>	<b>223</b>
<b>Total</b>		<b>5,244</b>	<b>6,164</b>	<b>579</b>	<b>393</b>

## The Contribution to Group Earnings by the Ten Directly Held Properties:

	Year to 31 March 2017 €m	Year to 31 March 2016 €m
Net operating income (NOI)	19.47	19.74
Interest expense on bank loans/finance leases	(3.42)	(3.59)
<b>NOI after interest expense</b>	<b>16.05</b>	<b>16.15</b>
Current tax	(1.40)	(1.25)
Debt amortisation	(7.20)	(7.11)
Capital expenditure	(2.47)	(1.94)
<b>Free cash</b>	<b>4.98</b>	<b>5.85</b>
Market value of properties	192.29	197.92
Average yield on market value	9.45%	9.97%
Bank loans/finance leases outstanding	137.41	144.82
Loan to value (LTV)	71.46%	73.17%
Weighted average unexpired lease term (WAULT)	3 yrs, 7 mths	4 yrs, 1 mth
Vacancy rate	2.2%	2.4%

## Our Markets

First Property Group plc has operations in the United Kingdom, Poland and Romania, thereby offering geographical diversification.



United Kingdom

### Economy

**1.5%**

GDP Growth

2017 Forecast 1.5%

2016 Actual 1.8%

› GDP growth in the UK remained robust in the aftermath of the vote for Brexit in June 2016. It has slowed in the first quarter of 2017 but the forecast rate for the year is still a respectable 1.5%.



Poland

**3.2%**

GDP Growth

2017 Forecast 3.2%

2016 Actual 3.6%

› GDP growth in Poland, which is forecast at 3.2% in 2017 and 3.4% in 2018, continues to exceed that of most other EU member states, as it has done since its entry into the EU. Inflation turned positive in November 2016 and is now running in excess of 2% on an annualised basis.



Romania

**4.3%**

GDP Growth

2017 Forecast 4.3%

2016 Actual 4.2%

› GDP growth in Romania has rebounded over the past couple of years and is once again expected to exceed 4% in 2017. Inflation turned positive in January 2017 and is now running in excess of 1% on an annualised basis.

## Commercial Property Market

Commercial property values fell in the second half of 2016, in particular for properties with shorter leases, or requiring asset management, or those located in Scotland, due to heightened political fears.

The Group took immediate advantage of this nervousness by increasing the size of the mandate awarded to it by the Shipbuilding Industries Pension Scheme from £125 million to £170 million, most of which was invested in supermarkets and retail warehousing.

Values have now stabilised and there are some signs that they may increase in due course as a result of the healthy occupier market and loose monetary policy.

We therefore remain bullish about the prospects of the UK commercial property market.

Continued economic growth has resulted in a property development boom over the last few years and in turn rents coming under pressure, especially in the office sector.

Investor demand for commercial property has been steadily increasing since the credit crunch (turnover in 2016 is estimated at some €4.5 billion) with the yields available on good secondary property, of the sort we favour, remaining attractive at around 7.5% or more per annum.

We have appointed Del Chandler as senior adviser to our Warsaw office. Del has a longstanding broad experience of property deal making and financing in Central Europe, with a career in the region spanning over twenty five years. He was most recently managing director of the Central European real estate financing business of ING and the head of capital markets at BNP Paribas in Warsaw.

The improved economic outlook has resulted in new development beginning to pick up. The take-up rate is, at least at the moment, matching this increased supply.

In the secondary market a mismatch persists in pricing expectations between buyers and sellers, mainly due to the higher debt finance costs and amortisation rates prevalent in Romania. This has made making new investment a challenging task. Nevertheless, we remain keen on investing in Romania and recently appointed Catalin Ana to head up our operations in the country.

## Reasons to Invest

- 1 Investors nervous since the Brexit vote even though the UK's economy is in good shape: opportunities exist.
- 2 The gap between interest rates and commercial property yields is at a high.
- 3 Reduced interest rates and additional QE launched in August 2016 should result in increased values in due course.
- 4 Improving occupier demand and rising rents with limited new supply from development, and.
- 5 A more relaxed planning system providing opportunities to enhance value through change of use.

- 1 One of the fastest growing economies in Europe: did not enter recession in the credit crunch.
- 2 Rising employment and wages with strong government and personal finances.
- 3 Well educated and hard working people.
- 4 High yields available on commercial property, and.
- 5 Readily available finance for property at record low interest rates.

- 1 One of the fastest growing economies in Europe: accelerating out of deep recession during the credit crunch.
- 2 Rising employment and wages with strong government finances and improving personal finances.
- 3 Well educated and hard working people.
- 4 High yields available on commercial property, and.
- 5 An improving banking market which should result in higher property values in due course.

## Financial Review

George Digby, Group Finance Director

"The quality of earnings has continued to improve."



### Financial Highlights

# 47.64p

Adjusted Net Assets per Share\*

2017	47.64p
2016	43.01p

# 6.61p

Diluted Earnings per Share

2017	6.61p
2016	4.28p

# £9.14m

Profit Before Tax

2017	9.14m
2016	7.35m

The financial year ended 31 March 2017, was a record one for the Group which saw profit before tax advancing 24.4% to £9.14m and net assets (with assets held at the lower of cost or value) increasing by 27.4% to £43.43m. The results were aided by a strong Euro and improved underlying performances from both trading divisions. The quality of earnings has continued to improve with 100.0% (2016: 94.8%) of top line revenue being of a recurring nature.

It is also noteworthy that the annualised growth in adjusted net assets together with dividends paid to Shareholders over the last five years equates to some 24.9% per annum.

### Income Statement

#### Revenue and gross profit

A review of the revenue and profits earned by our two trading divisions is included within the Chief Executive's Report.

#### Operating expenses

Operating expenses decreased by 2.3% to £8.2 million (2016: £8.4 million) despite increases in staff related costs and an unfavourable exchange rate for costs, but benefitted from the reversal of certain previously charged bad debts and a reduced charge for other provisions.

#### Capital profit on sale of shares in FOP and sale of an investment property

A capital profit of £552,000 (2016: £Nil) was made from the sale of some of the Group's shares in FOP, reducing the Group's holding from 76.2% to 69.2%.

In addition, a capital profit of £890,000 (2016: £Nil) was made on the sale of an investment property, a warehouse located in Ploiesti, Romania. Consideration for this sale is payable by quarterly instalments over the next six years, and the debtor as stated in Note 19, has been discounted to reflect its current value.

### Impairment loss on investment properties

The impairment charge of £219,000 (2016: credit £462,000), relates to the reduction in fair value below the original cost of one property located in Poland and owned by FOP.

### Financing costs

The current weighted average of the Group's borrowing costs is 2.35% per annum, a level in line with previous years as the Group continues to benefit from the low interest rate environment in the Euro zone. All bank loans and finance leases are denominated in Euro. Of these Euro borrowings, 39% at year-end were subject to a fixed interest rate.

### Current tax

The current tax charge of £1.15 million is in line with previous years and was incurred entirely in Poland and Romania where the mainstream tax rates are 19% and 16% respectively. No UK corporation tax was incurred in the UK where brought forward tax losses of £4.5 million remain available for utilisation.

### Deferred tax

A deferred tax credit of £608,000 (2016: charge of £484,000) has arisen primarily due to a reduction in the value of two Group properties, which has created a higher deferred tax asset.

### Earnings per share

Basic earnings per share increased by 54.5% to 6.75p per share (2016: 4.37p per share), a much larger increase than the 24.4% increase in profit before tax. This was due to the deferred tax credit of £608,000 mentioned above, which resulted in a much lower overall tax charge.

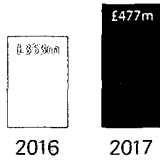
### Dividends

The total proposed dividend for the year of 1.55p (2016: 1.50p), or £1.8 million in aggregate will be the fourth consecutive year of dividend growth.

\* Calculated according to EPRA triple net valuation methodology, which includes adjustments for fair values of i) financial instruments ii) debt, and iii) deferred taxes

### Key Performance Indicators

Assets Under Management



£477m

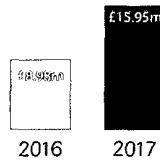


Delivering sustainable income

Split between directly owned properties and those held by third parties this is a measure of the potential sustainable income.

Expanded SIPS mandate and the establishment of two new funds Fprop Krakow Ltd and Fprop UK Special Opportunities LP.

Cash Levels



£15.95m

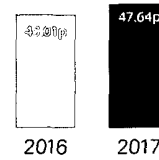


Capitalising on market opportunities

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

Repayment of loan to associates has restored cash levels to £16.0 million at the year-end.

Adjusted Net Asset Value (NAV) per Share



47.64p

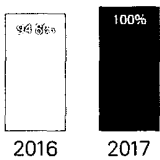


Capitalising on market opportunities

This is a measure of the NAV marked to market according to EPRA guidelines thereby rebasing Group Properties from a cost basis per the accounts to their relevant independent market valuations.

Aided by Euro strength since the Euro referendum.

Recurring Revenue



100%

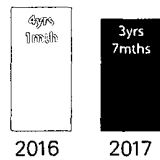


Delivering sustainable income

Core revenue from both divisions is of a recurring nature.

No performance fees in the year so revenue is 100% of a recurring nature.

Weighted Average Unexpired Lease Term



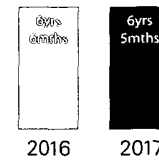
3yrs 7mths



Delivering sustainable income

Is a measure of the sustainability of the recurring revenue from the Group Properties division all located in Poland and Romania.

Weighted Average Unexpired Fund Life



6yrs 5mths



Delivering sustainable income

Is a measure of the sustainability of the recurring revenue from the Fund Management division.

Two new funds and one enlarged fund mandate.

## Financial Review continued

### Balance Sheet and Cash Flow

#### Investment properties

Investment properties owned by the Group, and indirectly via FOP are stated at cost less depreciation and accumulated impairment losses. The properties were valued by CBRE, Polish Properties and BNP Paribas at the Group's financial year-end at €168.66 million (2016: €177.73 million).

The reduction in fair value in Euro terms noted above includes a reduction of €5.1 million in the value of Oxford Tower, Warsaw, due to an expected lease expiry in February 2018, a depreciation charge of €1.97 million in respect of the property located in Gdynia and the disposal of the warehouse in Ploiesti, Romania.

The reduction in value of Oxford Tower is expected to reverse once the space becoming vacant in February 2018 is re-let.

#### Capital expenditure

Capital expenditure of £1.99 million on investment properties comprised development expenditure of £1.6 million on the enlargement of the shopping centre in Ostrowiec owned by FOP. Property held within stock incurred £0.13 million of capital expenditure relating to ongoing refurbishment and modernisation.

#### Cash, cash flow and liquidity

Group cash balances stood at £15.95 million (2016: £8.98 million) at the year-end, after the deduction for capital expenditure of £2.12 million, bank loan repayments of £6.08 million and dividend payments of £1.8 million. Of the Group's cash, £4.37 million (2016: £4.76 million) was held by Fprop Opportunities plc (FOP, 69.2% owned by the Group) and £595,000 (2016: £635,000) was held by Corp Sp. z o.o. (the property management company for Blue Tower in Warsaw, 90% owned by the Group).


The prior year's figure for cash balances of £8.98 million was reduced as a result of a bridging loan of €6.5 million (£5.15 million) made by the Group to Fprop Romanian Supermarkets Limited, an associated company. This loan was repaid in May 2016.

#### Borrowings

There have been no new bank loans drawn, or refinancings during the year, resulting in overall bank borrowings being reduced by £6.08 million through scheduled loan repayments. All Loan-To-Value covenants have been respected.

#### Non-controlling interests

As previously mentioned in this review the sale of the Group's shares in FOP has increased the non-controlling interest in FOP from 23.8% to 30.8%. The other non-controlling interest in Corp Sp. z o.o. of 10% has remained at this level throughout the year.



George R W Digby  
Group Finance Director  
8 June 2017

## Chairman's Introduction to Governance

Alasdair Locke, Non-Executive Chairman



"The Directors are committed to maintaining high standards of corporate governance."

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

The Company is not obliged to comply with the UK Corporate Governance Code ('the Code'); however, 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. The Directors have implemented such corporate governance procedures and established such committees of the Board, including Audit and Remuneration Committees.

### The Board

The Board is responsible to the Shareholders and sets the Group's strategy for achieving long-term success. It is also ultimately responsible for the management, governance, controls, risk management, and performance of the Group. The Board is comprised of two Non-Executive Directors and two Executive Directors. The skills and experience of each Board member is set out in their biographical detail on pages 20 and 21. All Directors must be re-elected every three years.

The Chairman, aided by the Company Secretary is responsible for ensuring that the Directors receive accurate and timely information. The Company Secretary compiles the Board papers which are circulated one week prior to the meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted. The Board has met four times during this financial year and all Board members were in attendance.

### Audit Committee

The two Non-Executive Directors comprise the Audit Committee which has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly

measured and reported. It reviews reports from the Group's management and auditors relating to the annual accounts and internal control systems. The Committee keeps under review the external auditors' independence and considers the nature, scope and results of the auditors' work. The Committee is responsible for making recommendations to the Board on their appointment and remuneration. The external auditors are invited to attend meetings of the Committee as appropriate and also meet the Committee without the presence of management at least annually. The Audit Committee meets at least twice a year and has commissioned an audit tender process for the Group which is currently on-going. All Committee members have been involved in the process with the Finance Director in attendance by invitation.

### Internal Controls

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The key internal controls in place consist of:

- Close management of the day to day operations of the Group by the Executive Directors
- A comprehensive annual budgeting process approved by the Board
- Monthly reporting on the performance of the Group to the Board
- Central controls over payment authorisation and capital expenditure.

The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

### The Remuneration Committee

The Remuneration Committee comprises the two Non-Executives who are solely responsible for reviewing the performance of the Executive Directors and making recommendations to the Board on matters relating to remuneration and terms of employment. They are responsible for setting and reviewing performance targets and agreeing the related incentive awards. Fees for the Non-Executive Directors are reviewed every two years and are agreed by the Board collectively.

### Shareholder Relations

The Group is committed to maintaining good communication with its Shareholders. It maintains a website that is regularly updated and holds a wide range of information about the Group to which Shareholders have direct access. Shareholders can also submit any enquiries directly to the Group via email which will always be answered in a timely fashion. There is regular dialogue with Shareholders in addition to detailed presentations after the announcement of the results and at the AGM. All Shareholders have the opportunity to raise questions at the AGM when the Group also outlines its latest business developments.

### The Annual General Meeting

The Annual General Meeting of the Group will take place on 21 September 2017. The Notice of the Annual General Meeting and the ordinary and special resolutions to be put to the meeting are included at the end of this Annual Report.

Alasdair J D Locke  
Non-Executive Chairman  
8 June 2017

## Risks and Mitigation

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

Risk	Description/Impact	Mitigation
<b>Economic Risk Management</b>		
Slowdown in the economies of the UK, Poland and Romania	<p>A slowdown in overall economic activity could lead to falls in the value of commercial property and a consequent reduction in overall rent levels.</p> <p>A slowdown may also adversely impact existing occupiers' ability to pay their existing rental commitments.</p>	<p>The Group closely monitors economic reports of the markets in which it operates and acts pre-emptively.</p> <p>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).</p>
Weakening in the Euro and Polish Zloty against Sterling	<p>100% of the Group Properties division revenue is derived in foreign currencies and overseas profits are converted to Sterling (the reporting currency) on remission to the UK. Sterling strength therefore leads to a reduction in reported profits.</p>	<p>The Group closely monitors both movements and forecasts in the pertinent foreign exchange rates against its budgeted rates. Wherever possible, overseas investment is financed and matched in the local currency so that exposure to currency markets is limited.</p> <p>Under the Group's foreign currency risk management policy hedging instruments can be used to hedge a proportion of specific items as specified in IAS 39.</p>
Extended period of interest rate tightening in the EU	<p>The Group operates a geared (leveraged) strategy for its Group Properties division which increases returns on equity. Prolonged interest rate tightening will decrease this return disproportionately due to the leveraged effect.</p> <p>Higher interest payments will reduce the Debt Service Covenant Ratios (DSCRs) and could cause a breach of the covenant as set out in the loan agreements, which could require additional funds to remedy.</p>	<p>The Board regularly reviews property market forecasts and where possible adjusts its geared strategy according to these changing market conditions.</p> <p>The Board also regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet its cash requirements.</p> <p>The Board regularly monitors and reports on its DSCRs against its relevant bank covenants so that it can act in a pre-emptive manner.</p> <p>Interest rate fixes and caps are utilised to mitigate this risk on both bank loans and finance leases if they are not a requirement of the borrowing agreement at the outset of the agreement.</p>
Political risk	<p>Macroeconomic conditions and future political events (whilst uncertain in outcome) bring risks to the property market generally and to our occupiers.</p>	<p>The Board considers economic conditions when setting strategy and making its investment decisions.</p> <p>The Group has a natural 'Brexit' hedge whereby its AUM is split approximately equally between the UK and the EU.</p>

Risk	Description/Impact	Mitigation
<b>Operational Risk Management</b>		
Rent void periods	Poor asset management could lead to long void periods, high vacancy rates, low occupier retention, high occupier arrears and defaults.	Our asset managers are focused on income generation and maintain close contact with tenants to ensure they fully understand their current business performance and future plans. A proactive approach to asset management is taken to avoid any long void periods.
Credit risk	Credit risk is limited to the tenants defaulting on their rental obligations.	<p>Creditworthiness checks of potential occupiers are carried out prior to letting. Payments of rent and service charge are monitored closely which ensures early detection of likely tenant defaults enabling swift remedial action.</p> <p>Our asset managers maintain close contact with tenants.</p>
Liquidity risk	Liquidity risk is related to the repayment of financial liabilities. 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.	<p>Long-term loans are incurred in the same currency used to value the property asset.</p> <p>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.</p> <p>The Group is structured whereby each investment property is held in a special purpose vehicle so that the lender has no recourse to the parent entity.</p> <p>The Board regularly monitors and reports its LTV ratios against the relevant bank covenant so that it can act in a pre-emptive manner.</p>
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.	<p>The Group employs a full time in-house Chief Technical Officer, part of whose role is to ensure that all possible protections against data theft and corruption are in place and effective, utilising the latest anti viral software and technologies.</p> <p>The Group from time to time commissions an independent survey to assess overall IT security and its Disaster Recovery Plan (DRP).</p> <p>The DRP is tested annually.</p>

## Board of Directors

---

The Board is responsible to the Shareholders and sets the Group's strategy for achieving long-term success.



---

Name Ben Habib MA (Cantab)

Role Group Chief Executive Officer

Sectors and experience

Ben founded and is CEO of First Property Group plc, an award winning commercial property fund manager with operations in the United Kingdom and Central Europe.

Prior to setting up First Property, Ben was Managing Director of a private property development company, JKL Property Ltd, from 1994-2000. He started his career in corporate finance in 1987 at Shearson Lehman Brothers. He moved in 1989 to PWS Holdings plc, a FTSE 350 Lloyds reinsurance broker, to be its Finance Director.

He was educated at Rugby School and Cambridge University.

Name George Digby ACA BA (Hons)

Role Group Finance Director and Company Secretary

Sectors and experience

George joined Fprop in 2003 following a five year period of running a private accountancy consultancy. Between 1989 and 1998 he was Finance Director of Fired Earth plc, overseeing its listing on the London Stock Exchange, a tripling of its turnover, and a doubling of its pre-tax profits. He qualified with Price Waterhouse in 1981, followed by positions with Collins Publishers and Nikon UK Ltd.

At Fprop he has overseen a rapid expansion of the Fund Management division, particularly from 2005, including the development of the Polish operations. He now oversees the financial accounting and reporting for 41 separate Group and underlying fund companies, incorporated both in the UK and Europe.



Name Alasdair Locke MA (Oxon)

Role Non-Executive Chairman

Sectors and experience

Alasdair began his career in banking. In 1982 he 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.

On his return to the UK he established Abbot Group plc in 1990, which he took public in 1995. Upon its sale to private equity in 2008 Abbot 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 cUS\$1.8 billion. The equity value of the disposal was in excess of £900 million.

Alasdair maintains a wide portfolio of business interests including insurance, retailing and petroleum. He is also Chairman of Argenta Holdings plc, an unlisted holding company which trades in Lloyds of London and Non-Executive Chairman of Hardy Oil & Gas plc.

Name Peter Moon BSc (Econ)

Role Independent Non-Executive Director

Sectors and experience

Peter retired as Chief Investment Officer of Universities Superannuation Scheme (USS) in 2009 following a career steeped in the UK investment management industry. Aside from his 17 year tenure at USS, he was a member of the National Association of Pension Funds (NAPF) Investment Committee from 1990-1995, and adviser to Lincolnshire County Council, Middlesbrough Borough Council and the London Pension Authority. Earlier roles included Chief Investment Officer with British Airways Pensions and investment management positions at National Provident Institution, Slater Walker and the Central Board of Finance of the Church of England.

Peter is also non-executive chairman of Scottish American Investment Company plc and Bell Potter (UK) Limited and the senior non-executive director at Gresham House plc and a non-executive director of JPMorgan Asian Investment Trust plc. He is a former non-executive director of MBNA Europe and former non-executive chairman of Arden Partners plc.

## Our People

---

Our team of highly experienced and reliable people ensure that First Property performs to the highest standard.

Our London Team includes:



Name Martin Pryce, MRICS, IMC, BSc  
Role 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.



Name Jeremy Barks, BA (Hons)  
Role 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 is 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.



Name Jill Aubrey  
Role Director, Fund Operations, HR and Company Secretary  
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. 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.



Name Laura James, BA (Hons), ACA  
Role Group Financial Controller  
Sectors and experience

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

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



Name Anthony Griffin, BA (Hons), MSc, IMC  
Role 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).

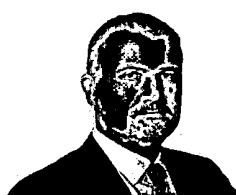
## Our Warsaw Team includes:



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

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

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



**Name** Jeremi Slominski, MA, BA  
**Role** 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.



**Name** Robert Wozniak  
**Role** General Counsel Lawyer, First Property Poland Sp. z o.o.  
**Sectors and experience**  
 Robert joined Fprop in 2006 as its in-house lawyer for Poland. He is responsible for dealing with and overseeing all legal issues relating to Fprop's business activities in Poland, including corporate and real estate law, litigation and dispute resolution, corporate governance and compliance as well as financing related issues, restructuring and insolvency litigation and other related matters.

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

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

## Our Bucharest Team includes:



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

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



**Name** Catalin Ana, CFA, CAIA  
**Role** General Manager, First Property Asset Management Romania SRL  
**Sectors and experience**  
 Catalin joined Fprop in 2017 to manage and enlarge the Group's Romanian operations. He is responsible, inter alia, 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 2017

---

The Directors present their report and the audited Financial Statements for the year ended 31 March 2017.

## Principal Activities and Review of the Business

The principal activity of the Group is a property fund manager and investor with operations in the United Kingdom, Poland and Romania.

The Consolidated Income Statement is set out on page 29.

A summary of likely future developments in the business of the Group is included within our Strategic Report.

## Results and Dividends

The Group made a total profit before taxation of £9.14 million (2016: £7.35 million). The retained profit was £6.08 million (2016: £3.50 million) after dividend, non-controlling interest and sale of treasury shares, but before decrease in the fair value of available-for-sale financial assets, and will be retained by the Group. The Directors recommend the payment of a final dividend of 1.15 pence per share (2016: 1.115 pence) payable on 29 September 2017 to Shareholders on the register at 1 September 2017, making a total for the year of 1.55 pence per share (2016: 1.50 pence per share), after including the interim dividend of 0.40 pence per share paid in December 2016.

Diluted earnings per share increased to 6.61 pence from 4.28 pence on the same basis.

The Group held cash of £15.95 million at 31 March 2017 (2016: £8.98 million) and bank borrowings of £117.54 million (2016: £114.82 million). Net assets increased to £43.43 million (2016: £34.09 million).

## Employees

First Property Group employed 47 staff in total at 31 March 2017 (2016: 45); of these, 30 employees were based in Poland 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. The Group's policy is to consult and discuss with employees, through regular meetings with subsidiary company management, matters likely to affect employees' interests.

## 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). 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.

## Statement of Going Concern

The financial position of the Group, including its liquidity position, borrowing facilities and debt maturity profile is set out in the Consolidated Financial Statements and Financial Review. The Board is satisfied that the Group has sufficient financial resources available to meet future liabilities as and when they fall due. The Directors have the reasonable expectation that the Group can continue its operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing these Financial Statements.

## Share Capital

At 31 March 2017, the Company's share capital comprised 116,601,115 Ordinary Shares of 1 penny each, including 608,416 shares held in treasury. Each share ranks equally with the others, including as to the rights to receive dividends and vote (except that no votes are cast or dividends paid in respect of shares held in treasury). Except as set out in the Articles, there are no restrictions on the transfer of the Company's securities.

During the financial year ended 31 March 2017, the following share issues and share transfers from treasury were made:

On 19 September 2016 the Company sold 12,929 of its own Ordinary Shares held in treasury at a price of 43.19 pence per Ordinary Share, thereby reducing the number of shares held in treasury to 621,075.

On 1 February 2017 the Company sold 12,659 of its own Ordinary Shares held in treasury at a price of 47.40 pence per Ordinary Share, thereby reducing the number of shares held in treasury to 608,416.

The profit on the above two sales of treasury shares of £8,000 has been credited to the share premium account.

The number of voting shares in issue at 31 March 2017 was 115,992,699 Ordinary Shares, after excluding 608,416 shares held in treasury. No share options were issued during the year. Details of share options outstanding are set out in Note 23 on page 54.

## 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 2016, 31 March 2017 and 14 July 2017, 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		
	14/7/2017	31/3/2017	1/4/2016	14/7/2017	31/3/2017	1/4/2016
A J D Locke	8,571,990	8,571,990	8,571,990	-	-	-
P Moon	422,172	422,172	396,584	-	-	-
B N Habib	16,700,000	16,700,000	16,700,000	-	-	-
G R W Digby	620,000	620,000	620,000	-	-	-

The market price of the Company's Ordinary Shares at the end of the financial year was 49.00 pence and the range of market prices during the year was between 36.50 pence and 52.25 pence.

## Substantial Shareholdings

At 14 July 2017 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	16,700,000	14.4
New Pistoia Income Ltd	15,090,000	13.0
J C Kottler	12,206,783	10.5
Universities Superannuation Scheme Ltd	9,550,000	8.2
A J D Locke	8,571,990	7.4

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

## Health and Safety at Work

The well-being of employees is given the highest priority throughout the Group and it is the Group's policy not only to comply with health and 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.

## Annual General Meeting

The notice convening the Annual General Meeting to be held on Thursday 21 September 2017, which can be found on pages 60 and 61, contains special resolutions empowering the Directors to:

1. Allot relevant securities pursuant to the authority provided by Resolution 6 up to a maximum nominal amount of £386,603 (representing 33.33% of the issued Ordinary Share capital of the Company, less the number of Ordinary Shares held in treasury) outside the pre-emption provisions contained in the Companies Act 2006 and the Articles, provided that such securities shall only be:

- (i) issued or transferred from treasury in connection with a rights offer (Resolution 7(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 £231,985 (representing 20% of the issued Ordinary Share capital of the Company, less the number of Ordinary Shares held in treasury) (Resolution 7(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.

## Directors' Report continued

for the year ended 31 March 2017

---

### Annual General Meeting continued

2. Purchase of up to 10% of its own issued Ordinary Shares of 1 pence each (Resolution 8).

The Directors now propose that the Company be authorised to purchase a maximum of 11,599,269 Ordinary Shares of 1 pence each (representing just under 10% of the Company's issued Ordinary Share capital as at 14 July 2017) within the limits described in Resolution 8 contained in the notice of the Annual General Meeting. It is intended that purchases will only be made on the AIM market of the London Stock Exchange. This should not be taken to imply that Ordinary Shares will be purchased. The Directors will only exercise the authority to purchase the Company's own Ordinary Shares if to do so would be in the best interests of its Shareholders generally.

The Ordinary Shares acquired in this way would either be cancelled with a resultant reduction in the number of Ordinary Shares in issue, or the Directors may elect to hold them in treasury pursuant to the relevant provisions in the Companies Act 2006.

Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under a company's employees' share scheme. Once held in treasury, a company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Furthermore, no dividend or other distribution of a company's assets may be made to the Company in respect of the treasury shares.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report 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 35 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 2017. 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.

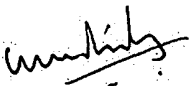
The Directors confirm that this Annual Report and these Financial Statements taken as a whole, are fair, balanced and understandable and provide the necessary information for Shareholders to assess the Company's performance, business model and strategy.

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.

By order of the Board



George R W Digby  
Company Secretary  
17 August 2017

# 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 (the 'Group') for the year ended 31 March 2017 which comprise the Group and Parent Company Balance Sheet, the Group Income Statement, the Group Statement of Comprehensive Income, the Group and the Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and 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 (IFRSs) as adopted by the European Union.

This report is made solely to the 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 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 Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2017 and of the Group's profit for the year then ended;
- › the Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- › the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions Relating to Going Concern

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

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

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, 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.

## Independent Auditor's Report continued

to the Members of First Property Group plc

### Matters on which we are Required to Report by Exception

In the light of our 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 and 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 26, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- › Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- › Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- › Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- › Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- › Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- › Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Rodney Style ACA (Senior Statutory Auditor)  
For and on behalf of Haines Watts  
Chartered Accountants and Statutory Auditors  
Oxford  
17 August 2017

# Consolidated Income Statement

for the year ended 31 March 2017

	Notes	Year ended 31 March 2017 Total results £'000	Year ended 31 March 2016 Total results £'000
<b>Revenue</b>		<b>23,663</b>	21,955
<b>Cost of sales</b>		<b>(5,065)</b>	(4,255)
<b>Gross profit</b>		<b>18,598</b>	17,700
Profit on sale of an investment property		890	-
Profit on the sale of FOP shares		552	-
(Impairment loss)/reversal of an impairment loss to investment properties		(219)	462
Operating expenses		(8,207)	(8,404)
<b>Operating profit</b>		<b>11,614</b>	9,758
Share of results in associates	17	519	170
Distribution income		60	223
Interest income	4	135	126
Interest expense	4	(3,191)	(2,931)
<b>Profit before tax</b>		<b>9,137</b>	7,346
Tax charge	8	(547)	(1,687)
<b>Profit for the year</b>		<b>8,590</b>	5,659
<b>Attributable to:</b>			
Owners of the parent		7,833	5,008
Non-controlling interests		757	651
		<b>8,590</b>	5,659
<b>Earnings per share:</b>			
Basic	11	6.75p	4.37p
Diluted	11	6.61p	4.28p

All operations are continuing.

## Consolidated Statement of Comprehensive Income

for the year ended 31 March 2017

	Year ended 31 March 2017 Total results £'000	Year ended 31 March 2016 Total results £'000
<b>Profit for the year</b>	<b>8,590</b>	<b>5,659</b>
<b>Other comprehensive income</b>		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on retranslation of foreign subsidiaries	2,008	(1,346)
Revaluation of available-for-sale financial assets	(29)	11
Taxation	-	-
<b>Total comprehensive income for the year</b>	<b>10,569</b>	<b>4,324</b>
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the parent	9,974	3,486
Non-controlling interests	595	838
	<b>10,569</b>	<b>4,324</b>

All operations are continuing.

Company income statement

The Company is taking advantage of the exemption in s408 of The Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved Financial Statements.

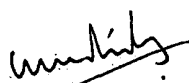
# Balance Sheets

as at 31 March 2017

Notes	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Non-current assets</b>				
Goodwill	14	153	153	-
Investment properties	12	128,428	120,718	-
Property, plant and equipment	15	97	186	-
Investments in Group undertakings	16	-	-	3,192
Interest in associates	17a)	4,347	3,044	2,394
Other financial assets	17b)	897	914	914
Other receivables	19b)	2,108	186	11,005
Deferred tax assets	22	4,341	3,016	-
<b>Total non-current assets</b>		<b>140,371</b>	<b>128,217</b>	<b>17,505</b>
<b>Current assets</b>				
Inventories – land and buildings	18	15,115	13,894	-
Current tax assets		160	56	-
Trade and other receivables	19a)	4,890	10,128	5,593
Cash and cash equivalents		15,946	8,975	883
<b>Total current assets</b>		<b>36,111</b>	<b>33,053</b>	<b>6,476</b>
<b>Current liabilities</b>				
Trade and other payables	20	(9,848)	(7,938)	(5,592)
Financial liabilities	21	(19,641)	(7,668)	-
Current tax liabilities		(314)	(200)	-
<b>Total current liabilities</b>		<b>(29,803)</b>	<b>(15,806)</b>	<b>(5,592)</b>
<b>Net current assets</b>		<b>6,308</b>	<b>17,247</b>	<b>884</b>
<b>Total assets less current liabilities</b>		<b>146,679</b>	<b>145,464</b>	<b>18,389</b>
<b>Non-current liabilities:</b>				
Financial liabilities	21	(100,043)	(108,992)	-
Deferred tax liabilities	22	(3,208)	(2,382)	-
<b>Net assets</b>		<b>43,428</b>	<b>34,090</b>	<b>18,389</b>
<b>Equity</b>				
Called up share capital	23	1,166	1,166	1,166
Share premium		5,781	5,773	5,773
Share-based payment reserve		203	203	203
Foreign exchange translation reserve		19	(2,151)	-
Investment revaluation reserve		(67)	(38)	(38)
Retained earnings		33,311	27,231	11,285
Equity attributable to the owners of the parent		40,413	32,184	18,389
Non-controlling interests		3,015	1,906	-
<b>Total equity</b>		<b>43,428</b>	<b>34,090</b>	<b>18,389</b>
<b>Net assets per share</b>	11	<b>34.84p</b>	27.75p	

The Company's retained profit for the year was £4.08 million (2016: £1.02 million).

The Financial Statements were approved and authorised for issue by the Board of Directors on 17 August 2017 and were signed on its behalf by:



George R W Digby  
Group Finance Director

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2017

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 2016	1,166	5,773	203	(2,151)	(103)	(38)	27,334	1,906	34,090
Profit for the year	-	-	-	-	-	-	8,590	-	8,590
Fair value (or revaluation) gains on available-for-sale financial assets to profit or loss	-	-	-	-	-	(29)	-	-	(29)
Movement on foreign exchange	-	-	-	2,170	-	-	-	(162)	2,008
<b>Total comprehensive income</b>	-	-	-	<b>2,170</b>	-	<b>(29)</b>	<b>8,590</b>	<b>(162)</b>	<b>10,569</b>
Change in proportion held by non-controlling interests	-	-	-	-	-	-	-	556	556
Sale of treasury shares	-	8	-	-	4	-	-	-	12
Non-controlling interests	-	-	-	-	-	-	(757)	757	-
Dividends paid	-	-	-	-	-	-	(1,757)	(42)	(1,799)
<b>At 31 March 2017</b>	<b>1,166</b>	<b>5,781</b>	<b>203</b>	<b>19</b>	<b>(99)</b>	<b>(67)</b>	<b>33,410</b>	<b>3,015</b>	<b>43,428</b>
At 1 April 2015	1,149	5,505	203	(618)	(173)	(49)	23,908	1,094	31,019
Profit for the year	-	-	-	-	-	-	5,659	-	5,659
Fair value (or revaluation) gains on available-for-sale financial assets to profit or loss	-	-	-	-	-	11	-	-	11
Movement on foreign exchange	-	-	-	(1,533)	-	-	-	187	(1,346)
<b>Total comprehensive income</b>	-	-	-	<b>(1,533)</b>	-	<b>11</b>	<b>5,659</b>	<b>187</b>	<b>4,324</b>
Sale of treasury shares	-	10	-	-	70	-	-	-	80
New shares issued	17	258	-	-	-	-	-	-	275
Non-controlling interests	-	-	-	-	-	-	(651)	651	-
Dividends paid	-	-	-	-	-	-	(1,582)	(26)	(1,608)
At 31 March 2016	1,166	5,773	203	(2,151)	(103)	(38)	27,334	1,906	34,090

## Company Statement of Changes in Equity

for the year ended 31 March 2017

Company	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Investment revaluation reserve £'000	Purchase of own shares £'000	Retained earnings £'000	Total £'000
At 1 April 2016	1,166	5,773	203	(38)	(103)	11,388	18,389
Profit for the year	-	-	-	-	-	5,835	5,835
Fair value (or revaluation) gains on available-for-sale assets	-	-	-	(29)	-	-	(29)
<b>Total comprehensive income</b>	-	-	-	<b>(29)</b>	-	<b>5,835</b>	<b>5,806</b>
Sale of treasury shares	-	8	-	-	4	-	12
New shares issued	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(1,757)	(1,757)
<b>At 31 March 2017</b>	<b>1,166</b>	<b>5,781</b>	<b>203</b>	<b>(67)</b>	<b>(99)</b>	<b>15,466</b>	<b>22,450</b>
At 1 April 2015	1,149	5,505	203	(49)	(173)	10,435	17,070
Profit for the year	-	-	-	-	-	2,535	2,535
Fair value (or revaluation) gains on available-for-sale assets	-	-	-	11	-	-	11
<b>Total comprehensive income</b>	-	-	-	<b>11</b>	-	<b>2,535</b>	<b>2,546</b>
Sale of treasury shares	-	10	-	-	70	-	80
New shares issued	17	258	-	-	-	-	275
Dividend paid	-	-	-	-	-	(1,582)	(1,582)
At 31 March 2016	1,166	5,773	203	(38)	(103)	11,388	18,389

#### 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 not 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 available-for-sale financial assets is held in this reserve, and is non distributable.

## Consolidated Cash Flow Statements

for the year ended 31 March 2017

	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
<b>Cash flows from/(used in) operating activities</b>				
Operating profit	11,614	(948)	9,758	(1,740)
Adjustments for:				-
Depreciation of investment property and property, plant & equipment	1,960	-	1,704	-
Profit on the sale of an investment property	(890)	-	-	-
Profit on the sale of FOP shares	(552)	(1,040)	-	-
Impairment loss/(reversal of an impairment loss) to investment properties	219	-	(462)	-
(Increase)/decrease in inventories	(130)	-	(291)	-
Decrease/(increase) in trade and other receivables	305	925	903	863
Increase/(decrease) in trade and other payables	1,637	(87)	(356)	(170)
Other non-cash adjustments	615	-	460	-
<b>Cash generated from/(used in) operations</b>	<b>14,778</b>	<b>(1,150)</b>	<b>11,716</b>	<b>(1,047)</b>
Taxes paid	(1,156)	20	(922)	(19)
<b>Net cash flow from/(used in) operating activities</b>	<b>13,622</b>	<b>(1,130)</b>	<b>10,794</b>	<b>(1,066)</b>
<b>Cash flow (used in)/from investing activities</b>				
Capital expenditure on investment properties	(1,990)	-	(1,216)	-
Proceeds from partial disposal of available-for-sale assets	239	239	628	628
Purchase of property, plant & equipment	(26)	-	(197)	-
Investment in a subsidiary	-	(135)	-	-
Consideration from the sale of FOP shares	1,108	1,108	-	-
Investment in shares of new associates	(1,119)	(1,119)	(2,293)	(2,293)
Interest received	135	204	126	231
Dividends from associates	96	96	90	90
Distributions received	64	4,262	223	3,580
<b>Net cash flow (used in)/from investing activities</b>	<b>(1,493)</b>	<b>4,655</b>	<b>(2,639)</b>	<b>2,236</b>
<b>Cash flow (used in)/from financing activities</b>				
Net repayment of shareholder loan in subsidiary	(227)	-	(95)	-
Proceeds from bank loan	-	-	8,993	-
Repayment of bank loans	(3,125)	-	(9,341)	-
Repayment from the sale of FOP shareholder loan	534	534	-	-
Repayment of a short-term loan to an associate	5,083	5,083	(4,729)	(4,729)
Repayment of finance lease	(2,950)	-	(2,446)	-
Sale of shares held in treasury	12	12	80	80
Proceeds from the issue of share capital	-	-	275	275
Interest paid	(3,100)	(1)	(2,825)	(5)
Dividends paid	(1,757)	(1,757)	(1,582)	(1,582)
Dividends paid to non-controlling interests	(42)	-	(26)	-
<b>Net cash flow (used in)/from financing activities</b>	<b>(5,572)</b>	<b>3,871</b>	<b>(11,696)</b>	<b>(5,961)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,557</b>	<b>7,396</b>	<b>(3,541)</b>	<b>(4,791)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>8,975</b>	<b>883</b>	<b>12,240</b>	<b>5,667</b>
<b>Currency translation gains on cash and cash equivalents</b>	<b>414</b>	<b>-</b>	<b>276</b>	<b>7</b>
<b>Cash and cash equivalents at the year-end</b>	<b>15,946</b>	<b>8,279</b>	<b>8,975</b>	<b>883</b>

# Notes to the Financial Statements

for the year ended 31 March 2017

## 1. Basis of Preparation and Presentation of Financial Statements

The Financial Statements for both the Group and Parent Company have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRIC) interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared on the historical cost basis, except for items carried at fair value in accordance with IAS 39. 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 Shareholders. Different functional currencies are used in the Group and these are set out in Note 26 on page 56.

Standards and interpretations effective in the current period

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2016 that had a significant effect on the Group's Financial Statements.

IFRS 14 Regulatory Deferral Accounts is the only new standard effective from 1 January 2016, though it has not yet received EU endorsement.

*New standards and interpretations*

As of the date of approval of these Financial Statements, the following standards and interpretations which have not been applied in these Financial Statements were in issue but not yet effective:

- › Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective for p/c on or after 1 January 2017)
- › Amendments to IAS 7: Disclosure Initiative (effective for p/c on or after 1 January 2017)
- › Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transactions (effective for p/c on or after 1 January 2018)
- › Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for p/c on or after 1 January 2018)
- › IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for p/c on or after 1 January 2018)
- › Amendments to IAS 40: Transfers of Investment Property (effective for p/c on or after 1 January 2018)
- › IFRS 15 Revenue from Contracts with Customers (effective for p/c on or after 1 January 2018)
- › IFRS 9 Financial instruments (effective for p/c on or after 1 January 2018)
- › Amendment to IFRS 2 Classification and Measurement of Share-Based Payment Transactions (effective for p/c on or after 1 January 2018)
- › Annual Improvements to IFRS Standards 2014-2016 Cycle
- › IFRS 16 Leases (effective for p/c on or after 1 January 2019)
- › IFRS 17 Insurance Contracts (effective for p/c on or after 1 January 2021).

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

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Financial Statements of the Group. The Group does not intend to apply any of these pronouncements early.

## 2. Significant Accounting Policies

The principal accounting policies set out below have, unless otherwise stated, been applied consistently by the Group and the Company to each period presented in these Financial Statements.

*Basis of consolidation*

The Consolidated Financial Statements incorporate the Financial Statements of the Company and all its subsidiary undertakings which it controls, made up to 31 March 2017. 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*

The Group adopts the cost model in respect of investment properties owned by associates in order to be consistent with the Group's accounting policy for investment properties. The Company's accounting policy is to include the interest in associates at cost subject to an annual impairment review. The Group's share of profits less losses of associates is included in the Consolidated Income Statement, and the Group's share of their net assets is included in the Consolidated Balance Sheet. 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.

*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 asset's recoverable value is estimated and any impairment loss, measured against its carrying value, is recognised in the income statement.

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 2. Significant Accounting Policies continued

#### Property, plant and equipment

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

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

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

#### Investment properties

Investment properties are properties held for long-term rental income or for capital appreciation or both. Acquisitions through direct asset purchases are initially held at cost including related transaction costs. The Group has adopted the cost model for investment properties so that after initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

#### 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 third party, external valuers.

#### Finance leases

Assets owned under finance leases have been included at cost under investment property and property, plant and equipment and depreciated accordingly. Payments in respect of finance leases have been apportioned between the finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest. Creditors under finance leases are determined as the principal amount outstanding at the balance sheet date.

#### Operating leases

Costs in respect of operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. Any incentives to enter operating leases are recognised as a reduction of the rental expense over the lease term on a straight-line basis.

#### Taxation

The tax expense represents the sum of the current tax payable and movements in deferred tax during the year.

#### Current taxation

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years or that may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

#### Deferred taxation

Deferred taxation is provided in full, on all temporary differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they are recognised based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the Financial Statements.

A net deferred tax asset is regarded as recoverable and is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits in the foreseeable future from which the reversal of the underlying temporary differences can be deducted. Management carry out a review of such items at the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Revenue recognition

Revenue recognition in the income statement depends on the type of revenue concerned, and excludes VAT. Rental income is recognised over the period of the lease and is adjusted for rent free periods and other lease incentives such that their cost is apportioned evenly over the full lease term. Service charge income is recognised when invoiced according to the terms of the individual lease agreements. Income from sale of properties is recognised on unconditional exchange of contracts. Management and administration fees are recognised in the income statement as they are earned. Performance fees are recognised when the performance period has ended and the performance calculation can be performed with reasonable certainty. Transaction fees are recognised once the relevant transaction has completed. Interest income and expense is recognised on an accruals basis. The above policies on revenue recognition result in both deferred and accrued income.

## 2. Significant Accounting Policies continued

### 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.

### 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. Managements' 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's financial assets and liabilities are recorded in the balance sheet at historic cost or fair value. Income and expenditure arising on financial instruments is recognised on an accruals basis and taken to the income statement in the financial period in which it arises.

### Trade receivables

Trade receivables are measured at initial recognition at fair value. Subsequently, they are measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as a difference between the carrying amount of the asset and the estimated recoverable amount.

### Investments

Investments are recognised on the contract date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned and are initially measured at cost, including transaction costs. Assets available for sale are held at fair value. Any changes to the fair value are recognised in other comprehensive income and accumulated in a separate reserve in equity. All equity investments are designated on initial recognition as available-for-sale.

### Cash and cash equivalents

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

### Financial liabilities and equity

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

### Bank borrowing

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

### Trade payables

Trade payables are initially measured at fair value.

### Equity instruments

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

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 2. Significant Accounting Policies continued

#### 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 IFRS 3, para 55, 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.

#### Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements in conformity with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies on reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on experience and other relevant factors, but will seldom equal the subsequent actual results. Key judgements management have made are contained in the accounting policies and Notes to the Financial Statements, being:

- › Note 14: Impairment review of investments and goodwill
- › Note 12: Estimation of residual values of investment property
- › Note 17: Estimation of fair value of other investments
- › Note 5: Valuation of share-based payments
- › Note 22: Recognition of deferred tax liabilities
- › Note 22: Recoverability of deferred tax assets
- › Note 19: Estimation of accrued income, bad debt and other provisions and costs.

The Directors have evaluated these estimates and judgements that have been made thereon and concluded that there is no significant risk of them causing a material adjustment to their carrying values within the next financial year.

### 3. Segment 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 a recurring income from managing commercial property on behalf of its various fund investors. A table of funds managed is listed in this report in the Review of operations section of the Chief Executive's Report on page 09.

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 depending on the frequency and size of sale and by their nature, unpredictable. At the year-end this division owned one property, held at cost in inventories under current assets and four properties, held within investment properties under non-current assets.

Fprop Opportunities plc (FOP) was established in October 2010. The Group owns 69.23% of this fund through seed capital with the intention of raising further third party investment from co-investees, thereby diluting its stake to a non-controlling interest. Management has concluded that it does not suit the criteria for existing segments and that for the purposes of transparency and clarity it should be reported as a separate segment called Group fund properties (FOP).

Head office costs and overheads that are common to all segments are shown separately under unallocated central costs.

Interest income is allocated to a separate segment where there is a non-controlling interest. All other surplus cash is managed centrally and is netted off against unallocated central overheads.

Assets, liabilities and costs that relate to Group central activities have not been allocated to business segments.

### 3. Segment Reporting continued

#### Segment report 2017

	Fund Management Division	Group Properties Division			Total £'000
	Property fund management £'000	Group properties and other co-investments £'000	Group fund properties FOP £'000	Unallocated central overheads £'000	
Rental income	-	12,165	5,229	-	17,394
Service charge income	-	2,464	1,759	-	4,223
Asset management fees	2,046	-	-	-	2,046
Performance fees	-	-	-	-	-
<b>Total revenue</b>	<b>2,046</b>	<b>14,629</b>	<b>6,988</b>	<b>-</b>	<b>23,663</b>
Depreciation and amortisation	(41)	(1,786)	(133)	-	(1,960)
<b>Operating profit</b>	<b>404</b>	<b>10,192</b>	<b>3,866</b>	<b>(2,848)</b>	<b>11,614</b>
Share of results in associates	-	519	-	-	519
Distribution income	-	60	-	-	60
Interest income	-	37	48	50	135
Interest payable	-	(1,535)	(1,656)	-	(3,191)
<b>Profit/(loss) before tax</b>	<b>404</b>	<b>9,273</b>	<b>2,258</b>	<b>(2,798)</b>	<b>9,137</b>
<b>Analysed as:</b>					
<b>Underlying profit/(loss) before tax before adjusting for the following items:</b>	<b>907</b>	<b>9,993</b>	<b>2,791</b>	<b>(857)</b>	<b>12,834</b>
Impairment loss to investment properties	-	-	(219)	-	(219)
Sale of 'FOP' shares	-	552	-	-	552
Sale of property	-	890	-	-	890
Depreciation	-	(1,662)	-	-	(1,662)
Provision	-	-	-	(44)	(44)
Performance and related fees	-	-	-	-	-
Staff incentives	(503)	(172)	(173)	(1,922)	(2,770)
Realised foreign currency (losses)/gains	-	(328)	(141)	25	(444)
<b>Total</b>	<b>404</b>	<b>9,273</b>	<b>2,258</b>	<b>(2,798)</b>	<b>9,137</b>
Assets – Group	792	95,923	67,026	8,394	172,135
Share of net assets of associates	-	4,655	-	(308)	4,347
Liabilities	(189)	(79,817)	(50,652)	(2,396)	(133,054)
<b>Net assets</b>	<b>603</b>	<b>20,761</b>	<b>16,374</b>	<b>5,690</b>	<b>43,428</b>
<b>Additions to non-current assets</b>					
Property, plant and equipment	26	-	-	-	26
Investment properties	-	325	1,665	-	1,990
Interest in associates	-	1,119	-	-	1,119

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 3. Segment Reporting continued Segment report 2016

	Fund Management Division	Group Properties Division			Total £'000
	Property fund management £'000	Group properties and other co-investments £'000	Group fund properties FOP £'000	Unallocated central overheads £'000	
Rental income	-	10,505	4,636	-	15,141
Service charge income	-	2,389	1,530	-	3,919
Asset management fees	1,764	-	-	-	1,764
Performance fees	1,131	-	-	-	1,131
<b>Total revenue</b>	<b>2,895</b>	<b>12,894</b>	<b>6,166</b>	<b>-</b>	<b>21,955</b>
Depreciation and amortisation	(31)	(1,535)	(138)	-	(1,704)
<b>Operating profit</b>	<b>1,384</b>	<b>7,316</b>	<b>3,962</b>	<b>(2,904)</b>	<b>9,758</b>
Share of results in associates	-	170	-	-	170
Distribution income	-	223	-	-	223
Interest income	-	101	5	20	126
Interest payable	-	(1,424)	(1,507)	-	(2,931)
<b>Profit/(loss) before tax</b>	<b>1,384</b>	<b>6,386</b>	<b>2,460</b>	<b>(2,884)</b>	<b>7,346</b>
<b>Analysed as:</b>					
<b>Underlying profit/(loss) before tax before adjusting for the following items:</b>	<b>783</b>	<b>8,268</b>	<b>2,321</b>	<b>(899)</b>	<b>10,473</b>
Reversal of impairment loss to investment properties	-	-	462	-	462
Depreciation	-	(1,450)	-	-	(1,450)
Provision	(49)	(17)	(17)	(663)	(746)
Performance and related fees	1,131	-	-	-	1,131
Staff incentives	(481)	(169)	(164)	(1,610)	(2,424)
Realised foreign currency (losses)/gains	-	(246)	(142)	288	(100)
<b>Total</b>	<b>1,384</b>	<b>6,386</b>	<b>2,460</b>	<b>(2,884)</b>	<b>7,346</b>
Assets – Group	497	88,670	62,283	6,776	158,226
Share of net assets of associates	-	3,352	-	(308)	3,044
Liabilities	(249)	(76,454)	(48,132)	(2,345)	(127,180)
<b>Net assets</b>	<b>248</b>	<b>15,568</b>	<b>14,151</b>	<b>4,123</b>	<b>34,090</b>
Additions to non-current assets					
Property, plant and equipment	197	-	-	-	197
Investment properties	-	968	248	-	1,216
Interest in associates	-	2,293	-	-	2,293

Geographic analysis	Revenue		Non-current assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
UK	1,548	2,125	6,197	4,024
Poland	20,219	18,144	123,258	115,526
Romania	1,896	1,686	5,303	5,498
	<b>23,663</b>	<b>21,955</b>	<b>134,758</b>	<b>125,048</b>

## 4. Interest Income/Expense

	2017 Group £'000	2016 Group £'000
Interest income – bank deposits	35	36
Interest income – other	100	90
<b>Total interest income</b>	<b>135</b>	<b>126</b>
	2017 Group £'000	2016 Group £'000
Interest expense – property loans	(2,192)	(2,254)
Interest expense – bank and other	(160)	(106)
Finance charges on finance leases	(839)	(571)
<b>Total interest expense</b>	<b>(3,191)</b>	<b>(2,931)</b>

## 5. Employee Information

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

	2017 Number	2016 Number
Management	10	9
Property operations	16	14
Technical operations	21	22
	<b>47</b>	<b>45</b>

An analysis of staff costs is set out below:

	2017 £'000	2016 £'000
Wages and salaries	4,768	4,349
Social security costs	458	382
Share-based payments	–	–
	<b>5,226</b>	<b>4,731</b>

## 6. Directors' Remuneration and Emoluments

The remuneration of the Directors was as follows:

	2017 £'000	2016 £'000
Basic pay	545	522
Pension	13	14
Fees	60	56
Benefits	18	21
Exercise of share options	–	424
Annual incentive arrangements	1,797	1,546
	<b>2,433</b>	<b>2,583</b>

	Salary & benefits £'000	Annual bonus £'000	Fees £'000	2017 £'000	2016 £'000
A J D Locke	–	–	30	30	28
P Moon	–	–	30	30	28
B N Habib	362	1,499	–	1,861	1,828
G R W Digby	214	298	–	512	699
	<b>576</b>	<b>1,797</b>	<b>60</b>	<b>2,433</b>	<b>2,583</b>

There are no retirement benefits accruing to Directors (2016: none) under money purchase pension schemes.

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 7. Profit on Ordinary Activities Before Taxation

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment	68	50
– Depreciation on investment properties	1,891	1,654
– Net foreign exchange losses	444	100
– Staff costs (see Note 5)	5,226	4,731
– Group audit (Company (2016: £54,000))	142	171
– Non-audit fees (bureau services – Romania)	19	12
– Operating lease rentals	84	59
– Rental income from investment properties	15,583	13,723
– Direct operating expenses arising from investment property that generated rental income during the period	4,167	3,578
– Direct operating expenses arising from investment property that did not generate rental income	4,087	3,689
– Cost of inventories	130	291

### 8. Tax Expense

	2017 £'000	2016 £'000
<b>Analysis of tax charge for the year</b>		
<b>Current tax:</b>		
Current period profit	(1,188)	(1,203)
Adjustments for the over provision of tax in prior periods	33	–
Change in tax rates	–	–
<b>Total current tax</b>	<b>(1,155)</b>	<b>(1,203)</b>
Deferred tax	608	(484)
<b>Total tax charge for the year</b>	<b>(547)</b>	<b>(1,687)</b>

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

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

A deferred tax credit of £608,000 (2016: charge of £484,000) has arisen primarily due to a reduction in the value of two Group properties, which has created a higher deferred tax asset.

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:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	9,137	7,346
Profit on ordinary activities multiplied by the standard rate of 20% (2016: 20%)	1,828	1,469
<b>Effects of:</b>		
Expenses not deductible for tax purposes	12	2
Depreciation in excess of capital allowances on plant and equipment	2	(1)
Prior year adjustments	(61)	13
Movement on deferred tax unprovided	315	221
Effect of overseas mainstream tax rates	(44)	(177)
Other adjustments (including overseas tax allowable depreciation on property)	(897)	(324)
<b>Total tax charge for the period</b>	<b>1,155</b>	<b>1,203</b>

## 8. Tax Expense continued

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Unrecognised deferred tax</b>				
Depreciation in excess of capital allowances	(5)	-	(5)	-
Tax losses carried forward	1,233	1,233	918	918
Unrecognised deferred tax asset	1,228	1,233	913	918

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 2017 and 20% for 2016.

## 9. 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 retained profit for the year was £4.08 million (2016: £1.02 million).

The Company employs two Directors and two Non-Executive Directors only. Analysis of these costs can be found in Note 6.

## 10. Dividend on Ordinary Shares

	2017 £'000	2016 £'000
Interim dividends paid during the year 2017: 0.40 pence (2016: 0.385 pence)	464	440
Final dividend paid for the year ended 31 March 2016: 1.115 pence per share (2015: 1 penny per share)	1,293	1,142
	1,757	1,582

The total dividend for the current year ended 31 March 2017 of 1.55p (2016: 1.50p) will be subject to shareholder approval at the Annual General Meeting to be held on 21 September 2017.

## 11. Earnings/NAV per Share

	2017	2016
<b>Basic earnings per share</b>	6.75p	4.37p
Diluted earnings per share	6.61p	4.28p
	£'000	£'000
<b>Basic earnings</b>	7,833	5,008
Diluted earnings assuming full dilution	7,841	5,016

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

	2017 Number	2016 Number
Weighted average number of Ordinary Shares in issue (used for basic earnings per share calculation)	115,975,959	114,543,523
Number of share options	2,700,000	2,700,000
Total number of Ordinary Shares used in the diluted earnings per share calculation	118,675,959	117,243,523

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

	2017 £'000	2016 £'000
<b>Basic earnings per share</b>		
Basic earnings	7,833	5,008
<b>Diluted earnings per share</b>		
Basic earnings	7,833	5,008
Notional interest on share options assumed to be exercised	8	8
<b>Diluted earnings</b>	7,841	5,016

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 11. Earnings/NAV per Share continued

	2017	2016
<b>Net assets per share</b>	<b>34.84p</b>	27.75p
<b>Adjusted net assets per share</b>	<b>47.64p</b>	43.01p

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:

	2017 £'000	2016 £'000
<b>For net assets per share</b>		
Net assets excluding non-controlling interests	40,413	32,184

	2017 Number	2016 Number
Number of shares in issue at year-end	115,992,699	115,967,111

	2017 £'000	2016 £'000
<b>For adjusted net assets per share</b>		
Net assets excluding non-controlling interests	40,413	32,184
Investment properties at fair value net of deferred tax	10,740	16,338
Inventories at fair value net of deferred tax	4,128	1,795
Other items	1,267	716
<b>Total</b>	<b>56,548</b>	51,033

	2017 Number	2016 Number
Number of shares in issue at year-end	115,992,699	115,967,111
Number of share options assumed to be exercised	2,700,000	2,700,000
<b>Total</b>	<b>118,692,699</b>	118,667,111

### 12. Investment Properties

	2017 Group £'000	2016 Group £'000
<b>Investment properties</b>		
At 1 April	120,718	114,262
Capital expenditure	1,990	1,216
Disposal	(1,711)	-
Depreciation	(1,891)	(1,654)
(Impairment loss)/reversal of impairment loss	(219)	462
Foreign exchange translation	9,541	6,432
<b>At 31 March</b>	<b>128,428</b>	120,718

Investment properties owned by the Group, and indirectly via FOP are stated at cost less depreciation and accumulated impairment losses. The properties were valued by CBRE, Polish Properties and BNP Paribas at the Group's financial year-end at €168.66 million (2016: €177.73 million), the Sterling equivalent at closing foreign exchange rates being £144.26 million (2016: £140.91 million).

The decrease in fair value in Euro terms noted above includes a reduction of €5.1 million in the value of Oxford Tower, Warsaw due to an expected lease expiry in February 2018, a depreciation charge of €1.97 million in respect of the property located in Gdynia, and the disposal of the warehouse in Ploiesti, Romania.

The reduction in value of Oxford Tower is expected to reverse once the space becoming vacant in February 2018 is re-let.

On acquisition of the Gdynia Podolska property the Directors took the decision to depreciate the property over the lease term. In the Directors' opinion the property's estimated residual value at the end of the period of ownership will be lower than the carrying value. No other property has been depreciated as the estimated residual value is expected to be higher than the carrying value.

The net carrying value of investment properties held under the finance leases is £57.1 million (2016: £54.7 million).

## 13. Leases

	2017 Group £'000	2016 Group £'000
<b>Operating lease receipts</b>		
Minimum lease receipts under non-cancellable operating leases to be received:		
not later than one year	15,776	15,147
later than one year and not later than five years	36,982	41,847
later than five years	7,483	7,400
	<b>60,241</b>	<b>64,394</b>

Investment property comprises a number of commercial properties that are leased to third parties. The Group has approximately 350 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 3 years and 7 months (2016: 4 years and 1 month). No contingent rents are charged.

## 14. Goodwill

	2017 Group £'000	2016 Group £'000
At 1 April	153	153
At 31 March	153	153

The goodwill arose on the acquisition of the Group's 90% stake in Corp Sp. z o.o., the management company of the Blue Tower in 2009, and represents the excess paid over the fair value of the net assets purchased.

The Directors have carried out an annual impairment test 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.

## 15. Property, Plant and Equipment

Group 2017	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
<b>Cost</b>					
At 1 April 2016	194	55	23	132	404
Foreign currency translation	5	3	1	8	17
Additions	21	5	–	–	26
Disposals/transfers	(44)	–	–	(103)	(147)
<b>At 31 March 2017</b>	<b>176</b>	<b>63</b>	<b>24</b>	<b>37</b>	<b>300</b>
<b>Depreciation</b>					
At 1 April 2016	153	20	23	22	218
Foreign currency translation	5	6	1	1	13
Charge for year	25	10	–	33	68
Disposals/transfers	(44)	–	–	(52)	(96)
<b>At 31 March 2017</b>	<b>139</b>	<b>36</b>	<b>24</b>	<b>4</b>	<b>203</b>
<b>Net book value at 31 March 2017</b>	<b>37</b>	<b>27</b>	<b>–</b>	<b>33</b>	<b>97</b>

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 15. Property, Plant and Equipment continued

	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
<b>Group 2016</b>					
<b>Cost</b>					
At 1 April 2015	174	37	23	37	271
Foreign currency translation	(2)	2	–	–	–
Additions	27	39	–	130	196
Disposals/transfers	(5)	(23)	–	(35)	(63)
At 31 March 2016	194	55	23	132	404
<b>Depreciation</b>					
At 1 April 2015	139	30	23	36	228
Foreign currency translation	(5)	7	–	1	3
Charge for year	24	6	–	20	50
Disposals/transfers	(5)	(23)	–	(35)	(63)
At 31 March 2016	153	20	23	22	218
Net book value at 31 March 2016	41	35	–	110	186

The Company had no property, plant or equipment (2016: Nil). The Group holds no property plant and equipment under a finance lease.

### 16. Investment in Group Undertakings

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Investment in consolidated subsidiaries</b>				
Shares at cost	–	3,260	–	3,192
<b>At 31 March</b>	–	3,260	–	3,192

The movement represents the Company's change in its percentage ownership in Fprop Opportunities plc.

### 17. Investments in Associates and Other Financial Assets and Investments

The Group has the following investments:

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>a) Associates</b>				
At 1 April	3,044	2,394	671	101
Additions	1,119	1,119	2,293	2,293
Disposals	(239)	(239)	–	–
Share of associates' profit after tax	519	–	170	–
Dividends received	(96)	–	(90)	–
<b>At 31 March</b>	<b>4,347</b>	<b>3,274</b>	3,044	2,394

## 17. Investments in Associates and Other Financial Assets and Investments continued

The Group's investments in associated companies is held at cost plus its share of post-acquisition profits assuming the adoption of the cost model for accounting for investment properties under IAS 40 and comprises the following:

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Investments in associates</b>				
5th Property Trading Ltd	916	48	871	48
Regional Property Trading Ltd	192	53	159	53
Fprop Romanian Supermarkets Ltd	750	613	737	725
Fprop Galeria Corso Ltd	1,678	1,441	1,585	1,568
Fprop Krakow Ltd	1,119	1,119	-	-
	<b>4,655</b>	<b>3,274</b>	<b>3,352</b>	<b>2,394</b>
Less: Share of profit after tax withheld on sale of property to 5 <sup>th</sup> Property Trading Ltd in 2007 (an associated company)	(308)	-	(308)	-
	<b>4,347</b>	<b>3,274</b>	<b>3,044</b>	<b>2,394</b>

If the Group had adopted the alternative fair value model for accounting for investment properties, the carrying value of the investment in associates would have increased to £5.27 million (2016: £3.55 million).

The withheld profit figure of £308,000 represents the removal of the percentage of intercompany profit resulting from the sale of the property in 2007 to 5<sup>th</sup> Property Trading Limited (an associate). The figure will reduce when there is a reduction in First Property Group's stake in 5<sup>th</sup> Property Trading Limited.

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>b) Other financial assets and investments</b>				
At 1 April	914	914	1,531	1,531
Additions	12	12	-	-
Disposals	-	-	(628)	(628)
(Decrease)/increase in fair value during the year	(29)	(29)	11	11
<b>At 31 March</b>	<b>897</b>	<b>897</b>	<b>914</b>	<b>914</b>

The Group holds two unlisted investments in funds managed by it. Both investments are held at fair value. All of the assets have been classified as available for sale. The Directors have therefore concluded that the carrying value is not materially different from the fair value. Fair value has been arrived at by applying the Group's percentage holding in the investments of the fair value of their net assets.

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 17. Investments in Associates and Other Financial Assets and Investments continued

The principal investments of the Group at 31 March 2017 are as follows:

	Principal activities	% of Ordinary Shares held by	
		Company %	Subsidiary %
<b>Group undertakings</b>			
UK			
First Property Asset Management Limited	Property asset management	100	–
Fprop Corktree Limited	Property holding company	100	–
FPGP Limited	Property holding company	100	–
UK Not consolidated			
Fprop UK General Partner Ltd	General partner of property fund	100	–
First Property General Partner (PDR) Limited	General partner of property fund	100	–
First Property Sterling General Partner Limited	General partner of property fund	100	–
First Property General Partner Limited	General partner of property fund	51	–
Poland			
First Property Poland Sp. z o.o.	Property investment and management	100	–
Scaup 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
Romania			
First Property Asset Management Romania SRL	Property asset manager	95	5
Felix Development SRL	Property holding company	100	–

## 17. Investments in Associates and Other Financial Assets and Investments continued

	Principal activities	% of Ordinary Shares held by	
		Company %	Subsidiary %
<b>Group companies owned by Fprop Opportunities plc (FOP)</b>			
UK			
Fprop Opportunities plc	Property fund	69	-
Fprop Opportunity Lodz Limited	Property holding company	-	100
Fprop Opportunity Krasnystaw Limited	Property holding company	-	100
Fprop Opportunities Lodz II Limited	Property holding company	-	100
Fprop Opportunity Lublin Limited	Property holding company	-	100
Fprop Opportunity Ostrowiec Limited	Property holding company	-	100
Fprop Zinga Limited	Property holding company	-	100
Poland			
Fprop Lodz Sp. z o.o.	Property holding company	-	100
Fprop Krasnystaw Sp. z o.o.	Property holding company	-	100
Lublin Zana Sp. z o.o.	Property holding company	-	100
Galeria Ostrowiec Sp. z o.o.	Property holding company	-	100
Fprop Ostrowiec Sp. z o.o.	Property holding company	-	100
Zinga Fprop Sp. z o.o.	Property holding company	-	100
Zinga Poland Sp. z o.o.	Property holding company	-	100
Zinga Fprop Poland Sp z o.o.	Property holding company	-	100
UK			
Regional Property Trading Limited	Property fund	26	-
5th Property Trading Limited	Property fund	38	-
UK Pension Property Portfolio LP	Property fund	1	-
Fprop PDR LP	Property fund	5	-
Fprop Galeria Corso Ltd	Property fund	28	-
Fprop Romanian Supermarkets Limited	Property fund	24	-
Fprop Krakow Ltd	Property fund	18	-
Poland			
E&S Estates Poland Sp. z o.o.	Property fund	-	13
5th Property Poland Sp. z o.o.	Property fund	-	38
Galeria Corso Sp. z o.o.	Property fund	-	28
Fprop Krakow Sp. z o.o.	Property fund	-	18
Romania			
Fprop Rom Supermarkets SRL	Property fund	-	24

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 17. Investments in Associates and Other Financial Assets and Investments continued

	Principal activities	% of Ordinary Shares held by	
		Company %	Subsidiary %
<b>Dormant nominee companies in which the Group has no beneficial interest</b>			
First Property Sterling General Partner (Nominee1) 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 PDR (Nominee) 1 Limited	Nominee	–	100
FPROP PDR (Nominee) 2 Limited	Nominee	–	100
FPROP PDR (Nominee) 3 Limited	Nominee	–	100
FPROP PDR (Nominee) 4 Limited	Nominee	–	100
FPROP PDR (Nominee) 5 Limited	Nominee	–	100
FPROP PDR (Nominee) 6 Limited	Nominee	–	100
FPROP PDR (Nominee) 7 Limited	Nominee	–	100
FPROP PDR (Nominee) 9 Limited	Nominee	–	100
FPROP PDR (Nominee) 10 Limited	Nominee	–	100
Middle Street Limited	Nominee	–	100
SIPS Property Nominee Limited	Nominee	100	–
Fprop UK GP (Nominee) 1 Limited	Nominee	–	100

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

All Polish companies are registered at Plac Bankowy 2, 00-095 Warsaw, Poland.

The Romanian companies are registered at the following addresses:

First Property Asset Management Romania SRL – Bucuresti, sector 2, str.Salcamilor, nr 4, ap. Birou nr.3

Felix Development SRL – Bucuresti, sector 2, str.Salcamilor, nr 4

Fprop Rom Supermarkets SRL – Bucuresti, sector 3, str.Aurel Botea, nr. 1A, bl. D24, sc. 1, ap.1

First Property Sterling General Partner Limited, First Property General Partner Limited, First Property General Partner (PDR) Limited, Fprop UK General Partner Ltd, SIPS Property Nominee Limited and Fprop UK GP (Nominee) 1 Limited have not been consolidated for the reason that they are not material to the Group.

## 18. Inventories – Land and Buildings

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Group properties for resale at cost</b>				
At 1 April	13,894	-	12,639	-
Capital expenditure	130	-	291	-
Foreign exchange translation	1,091	-	964	-
<b>At 31 March</b>	<b>15,115</b>	<b>-</b>	<b>13,894</b>	<b>-</b>

## 19. Trade and Other Receivables

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>a) Current assets</b>				
Trade receivables	2,003	-	2,589	1
Less provision for impairment of receivables	(626)	-	(905)	-
Trade receivables net	1,377	-	1,684	1
Other receivables	2,435	48	7,554	5,355
Prepayments and accrued income	1,078	10	890	237
	<b>4,890</b>	<b>58</b>	<b>10,128</b>	<b>5,593</b>

In 2016, other receivables included a short-term loan to an associate for €6.5 million (£5.15 million) which was repaid after the year-end in May 2016.

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. The Directors consider that the carrying amount of trade receivables approximates to their fair value.

There is no significant concentration of credit risk with respect of trade receivables as the Group has a large number of tenants.

The individually impaired receivables are over three months old. A provision is recognised for amounts not expected to be recovered. Movements in the accumulated impairment losses on trade receivables were as follows:

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
Accumulated impairment losses as at 1 April	(905)	-	(649)	-
Increase in provision	(461)	-	(622)	-
Provision used	459	-	167	-
Release of provision	362	-	191	-
Effect of translation on presentation currency	(81)	-	8	-
<b>Accumulated impairment losses as at 31 March</b>	<b>(626)</b>	<b>-</b>	<b>(905)</b>	<b>-</b>

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>b) Non-current assets</b>				
Other receivables	2,108	-	186	-
<b>Amounts owed by subsidiaries and other undertakings</b>	<b>-</b>	<b>13,306</b>	<b>-</b>	<b>11,005</b>

In 2017, other receivables include a balance of £2.02 million relating to the deferred consideration from the sale of an investment property located in Romania, which is receivable after one year. This has been discounted to reflect its current value.

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 20. Trade and Other Payables

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Current liabilities</b>				
Trade payables	2,941	9	2,189	8
Amounts due to subsidiary undertakings and associates	-	3,102	-	3,229
Other taxation and social security	799	-	575	-
Other payables and accruals	5,275	3,513	5,163	2,355
Deferred income	833	-	11	-
	<b>9,848</b>	<b>6,624</b>	<b>7,938</b>	<b>5,592</b>

### 21. Financial Liabilities

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Current liabilities</b>				
Loans repayable by subsidiary (FOP) to third party Shareholders	2,148	-	1,841	-
Bank loan	3,180	-	3,014	-
Finance leases	14,313	-	2,813	-
	<b>19,641</b>	<b>-</b>	<b>7,668</b>	<b>-</b>
<b>Non-current liabilities</b>				
Bank loans	63,850	-	62,038	-
Finance leases	36,193	-	46,954	-
	<b>100,043</b>	<b>-</b>	<b>108,992</b>	<b>-</b>
<b>Total obligations under all borrowings</b>				
Repayable within one year	19,642	-	7,668	-
Repayable within one and five years	65,725	-	93,150	-
Repayable after five years	34,317	-	15,842	-
	<b>119,684</b>	<b>-</b>	<b>116,660</b>	<b>-</b>

Loans repayable by FOP to third party Shareholders are unsecured and repayable on demand.

Eight bank loans and three finance leases all denominated in Euros totalling £117.54 million (2016: £114.82 million) included within financial liabilities are secured against investment properties owned by the Group and Fprop Opportunities plc (FOP) and the property owned by the Group shown under inventories. All finance leases relate to investment properties. These bank loans and finance leases are otherwise non-recourse to the Group's assets.

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

	2017		2016	
	Group	Company	Group	Company
<b>Finance lease liabilities</b>				
Less than one year	14,940	-	3,622	-
Between two and five years	32,858	-	44,514	-
Later than five years	5,258	-	4,869	-
Future finance charges on future finance lease payments	(2,550)	-	(3,238)	-
	<b>50,506</b>	<b>-</b>	<b>49,767</b>	<b>-</b>

## 21. Financial Liabilities continued

The analysed present value of finance lease liabilities is as follows:

	2017		2016	
	Group	Company	Group	Company
Less than one year	14,313	-	2,813	-
Between two and five years	31,280	-	41,982	-
Later than five years	4,913	-	4,972	-
	<b>50,506</b>	<b>-</b>	<b>49,767</b>	<b>-</b>

## 22. Deferred Tax

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

	2017			2016		
	Group net assets £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
Accrued interest payable	(1,114)	457	(1,571)	(1,456)	151	(1,607)
Accrued income	(4)	-	(4)	(108)	9	(117)
Foreign bank loan	1,945	2,086	(141)	2,199	2,255	(56)
Investment properties and inventories	203	1,473	(1,270)	(393)	209	(602)
Other temporary differences	103	325	(222)	392	392	-
	<b>1,133</b>	<b>4,341</b>	<b>(3,208)</b>	<b>634</b>	<b>3,016</b>	<b>(2,382)</b>

Relevant Group companies are making taxable profits.

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

	2017			2016		
	Group net assets £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
At 1 April	634	3,016	(2,382)	1,172	3,803	(2,631)
(Charge)/credit in the year	608	1,350	(742)	(484)	(798)	314
Foreign exchange translation	(109)	(25)	(84)	(54)	11	(65)
<b>At 31 March</b>	<b>1,133</b>	<b>4,341</b>	<b>(3,208)</b>	<b>634</b>	<b>3,016</b>	<b>(2,382)</b>

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 23. Called-up Share Capital

	2017 £'000	2016 £'000	
<b>Authorised</b>			
240,000,000 (2016: 240,000,000) Ordinary Shares of 1 pence each	2,400	2,400	
<b>Issued and fully paid</b>			
116,601,115 (2016: 116,601,115) Ordinary Shares of 1 pence each of issued share capital, of which 608,416 Ordinary Shares (2016: 634,004) are held in treasury	1,166	1,166	
	Ordinary Shares number	Treasury shares number	Share options number
1 April 2016	115,967,111	634,004	2,700,000
Exercise of share options	-	-	-
Issue of new shares	-	-	-
Issue of shares to Non-Executive Director	25,588	(25,588)	-
Lapse of share options	-	-	-
<b>31 March 2017</b>	<b>115,992,699</b>	<b>608,416</b>	<b>2,700,000</b>
	Ordinary Shares number	Treasury shares number	Share options number
1 April 2015	113,792,541	1,058,574	4,850,000
Exercise of share options	400,000	(400,000)	(400,000)
Issue of new shares	1,750,000	-	(1,750,000)
Issue of shares to Non-Executive Director	24,570	(24,570)	-
Lapse of share options	-	-	-
31 March 2016	115,967,111	634,004	2,700,000

The Company had 2,700,000 options over Ordinary Shares outstanding at 31 March 2017 (2016: 2,700,000), including those noted in Directors' interests in the Directors' Report. 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	2017 Numbers	2016 Numbers
2008/09	11.50	Feb 2010 to Feb 2019	333,333	333,333
2008/09	11.50	Feb 2011 to Feb 2019	333,333	333,333
2008/09	11.50	Feb 2011 to Feb 2019	333,334	333,334
2009/10	16.50	Dec 2011 to Dec 2019	566,666	566,666
2009/10	16.50	Dec 2011 to Dec 2019	566,667	566,667
2009/10	16.50	Dec 2011 to Dec 2019	566,667	566,667

During the year no share options were granted or exercised. At the year-end there are 200,000 share options that have been issued under the HMRC Enterprise Management Incentive Scheme with the remaining 2,500,000 share options issued under the Company's Unapproved Share Option Scheme.

### 24. Contractual Commitments

The Group has contractual commitments relating to the development of investment properties at 31 March 2017 amounting to £3.2 million (2016: £1.7 million) which are expected to be expended over the next twelve months.

## 25. Financial Commitments

At 31 March 2017 the Group had total commitments under non-cancellable operating leases payable as follows:

	Land and buildings 2017 £'000	Land and buildings 2016 £'000
Total amounts due		
– within a year	84	84
– between one and five years inclusive	190	274
	<b>274</b>	<b>358</b>

The liability relates to a five year operating lease terminating in 2020 for the office in London. The Group has three finance leases that are described in Note 26.

## 26. 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, foreign exchange and credit. 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.

### 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.

### 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 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.

### Capital management

The 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 the sufficient capital to fulfil the contracted obligations.

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 26. Financial Instruments and Risk Management continued

#### 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. Under the Group and Company's foreign currency risk management policy hedging instruments can be used to hedge a proportion of specific items as specified in IAS 39.

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		
	Polish Zloty Poland £'000	Romanian Leu Romania £'000	Total £'000
Functional currency of operations			
<b>2017</b>			
<b>Sterling equivalent</b>	<b>(65,766)</b>	<b>(148)</b>	<b>(65,914)</b>
2016			
Sterling equivalent	(60,393)	(2,706)	(63,099)

All UK Group companies use Sterling as their functional currency, all Polish Group companies use the Polish Zloty as their functional currency, and both Romanian Group companies use the Romanian Leu 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.

	2017 Income statement £'000	2016 Income statement £'000	2017 Equity £'000	2016 Equity £'000
<b>Interest rate sensitivity analysis</b>				
UK interest rate +1%	108	35	108	35
EURO interest rate +1%	(726)	(674)	(726)	(674)
RON interest rate +1%	(23)	(22)	(23)	(22)
PLN interest rate +1%	8	8	8	8
	<b>(633)</b>	<b>(653)</b>	<b>(633)</b>	<b>(653)</b>
<b>Foreign currency sensitivity analysis</b>				
EURO exchange rate +5%	385	310	2,787	3,556
RON exchange rate +5%	34	48	(90)	(44)
PLN exchange rate +5%	48	45	922	974
	<b>467</b>	<b>403</b>	<b>3,619</b>	<b>4,486</b>

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% change in foreign currency rates.

#### Credit risk

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

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.

## 26. Financial Instruments and Risk Management continued

## Financial assets

The interest rate profile of the Group's financial assets at 31 March 2017 and 31 March 2016 was as follows:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Non-interest bearing £'000	Total £'000
Other receivables due after one year	-	-	-	-
Cash	6,484	-	-	6,484
Short-term deposits	-	9,462	-	9,462
<b>At 31 March 2017</b>	<b>6,484</b>	<b>9,462</b>	<b>-</b>	<b>15,946</b>
Other receivables due after one year	-	-	-	-
Cash	6,411	-	-	6,411
Short-term deposits	-	2,564	-	2,564
At 31 March 2016	6,411	2,564	-	8,975

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 2017 were £9.46 million (31 March 2016: £2.56 million).

## Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2017 and 31 March 2016 was as follows:

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Non-interest bearing £'000	Total £'000
Bank loans	20,366	46,664	-	67,030
Finance lease obligations	50,506	-	-	50,506
Other financial liabilities	-	-	2,148	2,148
<b>At 31 March 2017</b>	<b>70,872</b>	<b>46,664</b>	<b>2,148</b>	<b>119,684</b>
Bank loans	25,393	39,659	-	65,052
Finance lease obligations	46,794	2,973	-	49,767
Other financial liabilities	-	-	1,841	1,841
At 31 March 2016	72,187	42,632	1,841	116,660

The Group's debt maturity other than short-term trade creditors and accruals at 31 March 2017 and 31 March 2016 was as follows:

	Bank loans £'000	Finance lease £'000	Other financial liabilities £'000	Total £'000
In one year or less	3,180	14,314	2,148	19,642
Between one and five years	34,446	31,279	-	65,725
Over five years	29,404	4,913	-	34,317
<b>Total at 31 March 2017</b>	<b>67,030</b>	<b>50,506</b>	<b>2,148</b>	<b>119,684</b>
In one year or less	3,014	2,813	1,841	7,668
Between one and five years	51,168	41,982	-	93,150
Over five years	10,870	4,972	-	15,842
Total at 31 March 2016	65,052	49,767	1,841	116,660

Loans repayable by Fprop Opportunities plc (FOP) to third party Shareholders are unsecured and repayable on demand.

## Notes to the Financial Statements continued

for the year ended 31 March 2017

### 26. Financial Instruments and Risk Management continued

Eight bank loans and three finance leases all denominated in Euros totalling £117.54 million (2016: £114.82 million) and included within financial liabilities are secured against investment properties owned by the Group and Fprop Opportunities plc (FOP) and the property owned by the Group shown under inventories. These bank loans and finance leases are otherwise non-recourse to the Group's assets.

<b>Bank loans</b> £'000	Matures	Denominated		Capital repayments	Interest repayments	Secured
993	2019	Euro	Non-recourse	€5,015 per month	Annualised rate of one month EURIBOR plus an all in margin of 2.40%	Office building in central business district of Warsaw
14,973	2019	Euro	Non-recourse	€112,500 per quarter	89% of the loan – 2.75% plus three month EURIBOR and other 11% fixed at 3.595% plus three month EURIBOR	Shopping centre in Ostrowiec
8,924	2020	Euro	Non-recourse	€141,000 per quarter	3.45% over one month EURIBOR	Office block in Lublin
26,179	2023	Euro	Non-recourse	€387,000 per quarter	Payable quarterly fixed at 2.49%	Oxford Tower in Warsaw
2,688	2024	Euro	Non-recourse	€84,000 per quarter	Annualised rate of three month EURIBOR plus an all in margin of 4.5%	2 Romanian properties
7,374	2025	Euro	Non-recourse	€31,000 per month	Annualised rate of six month EURIBOR plus an all in margin of 2.40%	28% share of Blue Tower office building owned by FPG
3,340	2029	Euro	Non-recourse	€17,700 per month	Annualised rate of six month EURIBOR plus an all in margin of 2.90%	Krasnystaw shopping centre owned by FOP
2,559	2033	Euro	Non-recourse	€12,750 per month	2.60% over three month EURIBOR	20% share of Blue Tower office building owned by FPG
<b>67,030</b>						
<b>Finance leases</b> £'000	Matures	Denominated		Capital repayments	Interest repayments	Secured
11,852	2017	Euro	Non-recourse	€64,000 per month	Payable monthly on a floating rate based on an annualised rate of one month EURIBOR plus an all in margin of 2.68%	Lodz hypermarket
31,242	2021	Euro	Non-recourse	€184,600 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
7,412	2024	Euro	Non-recourse	€46,750 per month	Annualised rate of one month EURIBOR plus an all in margin of 3.20%	Office building in central business district of Warsaw
<b>50,506</b>						

#### Borrowing facilities

At 31 March 2017 the Group had £Nil committed borrowing facilities available (31 March 2016: £Nil undrawn).

## 27. 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.

	2017 £'000	2016 £'000
<b>Related party transactions for the Group</b>		
Property management fees to associates	473	162
Amounts owed by associates at year-end	226	26
<b>Related party transactions for the Company</b>	<b>£'000</b>	<b>£'000</b>
Management charge to subsidiaries	60	-
Management charge paid to subsidiaries	-	-
Profit share charged to subsidiaries	-	-
Dividends received from subsidiaries during the year	6,709	3,357
Net funding transactions with subsidiaries & associates	(5,674)	6,185
Shareholder loan interest receivable from subsidiaries during the year	154	141
Shareholder loan interest payable to subsidiaries during the year	1	5
Amounts owed by subsidiaries at year-end	13,306	11,005
Amounts owed to subsidiaries at year-end	3,102	3,229
Amounts owed by associates at year-end	2,031	7,604
<b>Key management compensation</b>	<b>£'000</b>	<b>£'000</b>
Short-term employee benefits (see Note 6)	2,433	2,583

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 £8,305,000 (2016: £8,762,000) are unsecured and are interest free. All loans made by the Company to non-UK subsidiaries totalling £2,361,000 (2016: £2,243,000) are unsecured but interest bearing at commercial rates of interest. Short-term loans made by the Company to associates totalling £Nil (2016: £5,334,000) are unsecured but interest bearing at commercial rates of interest.

## 28. Five Year Financial Summary

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
<b>Continuing operations</b>					
Profit before tax	9,137	7,346	8,083	6,598	3,543
Performance fees	-	1,131	3,365	451	-
Net (borrowings)/cash	(101,590)	(105,844)	(95,537)	(38,053)	(10,772)
Net cash flow from operating activities	13,622	10,794	7,917	1,377	5,440
Net assets (excluding non-controlling interest)	40,413	32,184	29,925	22,567	18,142
Total assets under management	£477m	£353m	£327m	£357m	£353m
Basic earnings per share	6.75p	4.37p	7.21p	4.75p	2.31p
Dividend per share	1.55p	1.50p	1.35p	1.12p	1.08p
Dividend cover	4.4	2.9	5.3	4.2	2.1
Adjusted net asset value per share	47.64p	43.01p	35.75p	24.80p	21.10p

## 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 Cavalry and Guards Club, 127 Piccadilly, London, W1J 7PX on 21 September 2017 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 2017.
2. To declare and approve a final dividend of 1.15 pence per Ordinary Share of 1 pence each ("Ordinary Share") which makes a total dividend of 1.55 pence per Ordinary Share for the year.
3. To re-appoint Alasdair Locke as a Director who retires in accordance with Article 97 of the Company's Articles of Association ("Articles") and is entitled to be re-appointed in accordance with Article 97 of the Articles.
4. 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.
5. 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:

6. 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 ("the 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 £386,603 (being 33.33% of the issued share capital of the Company as at 14 July 2017, 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:

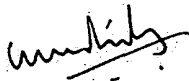
7. That the Directors be and are hereby generally authorised in accordance with Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company pursuant to the authority conferred by Resolution 7 above (including by way of a sale of treasury shares) as if Section 561(1) of the Act did not apply to any such allotment, provided that this authority shall be limited to:
  - a. the allotment of equity securities in connection with an offer by the way of rights in favour of the holders of equity securities in proportion (as nearly as may be possible) to the respective number of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems in respect of overseas holders or otherwise; and
  - b. the allotment of equity securities for cash or sale by the Company of treasury shares (otherwise than pursuant to Resolution 7 (a)) up to a maximum aggregate nominal amount of £231,985.

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.

8. 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 11,599,269 (representing just under 10% of the Company's issued Ordinary Share capital as at 14 July 2017);
  - b. the minimum price which may be paid for each Ordinary Share is 1 pence (exclusive of expenses);
  - c. unless a tender or partial offer is made to all holders of the Ordinary Shares on the same terms, the maximum price (exclusive of expenses) which may be paid for each Ordinary Share shall not exceed, in respect of a share contracted to be purchased on any day, the higher of:
    - (i) 5% above the average of the middle market quotation of an Ordinary Share of the Company taken from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the contract of purchase is made; and
    - (ii) the higher of the price of the last independent trade and the highest current independent bid for the Company's shares on the market where the purchase is carried out;
  - d. the Company may enter into one or more contracts to purchase Ordinary Shares under this authority before this authority expires which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts;
  - e. this authority will (unless renewed, varied or revoked) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, on the date twelve months from the date of passing this resolution.

By Order of the Board



George R W Digby  
Company Secretary  
17 August 2017

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

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

## Notes to the Notice of Annual General Meeting

---

### Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specified that only those members registered on the Company's register of members by:
  - › close of business on 19 September 2017 or,
  - › if this meeting is adjourned, at close of business on the day two business days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

### Appointment of proxies

2. If you are a member of the Company at the time set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. If you have not received a proxy form and intend to vote by proxy at the Meeting please contact Jill Aubrey at 32 St James's Street, London, SW1A 1HD as soon as possible.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section.
4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. Failure to specify the number of shares to which each proxy appointment relates or specifying more shares than the number of shares held by you at the time set out in Note 1 above will result in the proxy appointments being invalid.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

### Appointment of proxy using hard copy proxy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- › completed and signed;
- › sent or delivered to the Company's Registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
- › received by Capita Asset Services no later than 48 hours before the Annual General Meeting.

CREST members should use the CREST electronic proxy appointment service and refer to Note 8 below in relation to the submission of a proxy appointment via CREST.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the Meeting or adjourned meeting together (except in the case of appointments made electronically through CREST) with any authority (or notarially certified copy of such authority) under which it is signed.

#### Appointment of proxies through CREST

8. As an alternative to completing the hard copy proxy form, CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <http://www.euroclear.com/site/public/EUI>). 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.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or 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 agent (ID: RA 10) by not later than 48 hours prior to the time appointed for the Meeting or adjourned meeting. For this purpose, the time of the receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company'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.

CREST members and, where applicable, their CREST sponsors or voting service provider should note that EUI 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 voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such actions 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.

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.

#### Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

#### Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Asset Services not less than 48 hours before the time for holding the Meeting or adjourned meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

## Notes to the Notice of Annual General Meeting continued

---

### Corporate representatives

12. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

### Issued shares and total voting rights

13. As at midday on 14 July 2017, the Company's issued share capital comprised 115,992,699 Ordinary Shares of one pence each and 608,416 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 14 July 2017 is 115,992,699.

14. Resolution 7 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 7(b) is restricted (other than in relation to any rights issue, open offer or other pre-emptive issue pursuant to Resolution 7(a)), to shares having an aggregate nominal value of £231,985, which corresponds to 20% of the issued share capital of the Company at 14 July 2017.

### Communication

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

- › calling the Capita Asset Services shareholder helpline on 0871 664 0300. Calls cost 12 pence per minute plus your phone company's access charge. From overseas, +44 371 664 0300 calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales;

or

- › First Property Group plc on 0207 340 0270 available 24 hours a day, seven days a week.

You may not use any electronic address provided either:

- › in this notice of Annual General Meeting; or
- › any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

## Directors and Advisers

---

### Directors

**Alasdair J D Locke**  
(Non-Executive Chairman)

**Peter G Moon**  
(Non-Executive Director)

**Benjamin N Habib**  
(Group Chief Executive Officer)

**George R W Digby**  
(Group Finance Director)

Company Secretary  
**Georgé R W Digby**

Registered Office  
32 St James's Street  
London  
SW1A 1HD  
Registered No. 02967020  
Incorporated in England and Wales

Website: [www.fprop.com](http://www.fprop.com)

Registered Auditors  
**Haines Watts**  
Sterling House  
19-23 High Street  
Kidlington  
Oxford  
OX5 2DH

Registrars  
**Capita Asset Services**  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Bankers

**Handelsbanken**  
86 Jermyn Street  
3<sup>rd</sup> Floor  
London  
SW1Y 6JD

Nominated Adviser & Broker

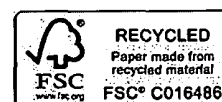
**Arden Partners Plc**  
5 George Road  
Edgbaston  
Birmingham  
B15 1NP

### Legal Advisers

**Mills & Reeve LLP**  
1 St James Court  
Whitefriars  
Norwich  
NR3 1RU

Public Relations

**Redleaf Polhill Ltd**  
First floor  
London Wall Buildings  
Blomfield Street  
London  
EC2M 5NT



**ckd**

Design & Production  
[www.carrkamasa.co.uk](http://www.carrkamasa.co.uk)

**First Property Group plc**  
32 St James's Street  
London  
SW1A 1HD

Tel +44 (0)20 7340 0270

[www.fprop.com](http://www.fprop.com)