

First Property Group plc

Annual Report and Accounts

2018

WEDNESDAY



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05/09/2018
COMPANIES HOUSE

Welcome to
First Property Group plc

We are a property fund
manager and investor, with
operations in the United
Kingdom, Poland and Romania.

Our Business Model

BOTH A PROPERTY FUND MANAGER AND PROPERTY INVESTOR

The Group operates via two divisions with shared overheads from offices in London, Warsaw and Bucharest:

1. Fund Management Division (FPAM)

Earns fees from investing for third parties in property via its FCA regulated and AIFMD approved subsidiary, First Property Asset Management Ltd (FPAM).

PBT: £1.00m

+148%

Before unallocated central overheads and tax.

- › 12 funds
- › 68 properties
- › Invested across the UK, Poland and Romania.

2. Group Properties Division

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

PBT: £11.18m

-3%

Before unallocated central overheads and tax.

Direct investments

- › 5 directly held commercial properties in Poland and Romania
- › Book value c£84 million
- › Market value c£97 million.

Interest in associates and investments

- › 9 funds
- › Book value c£9 million
- › Market value c£10 million

Fprop Opportunities plc (FOP)

- › Invested in 5 properties in Poland
- › 51% owned by the Group
- › Results therefore consolidated into that of First Property Group plc
- › Book value c£63 million
- › Market value c£74 million.

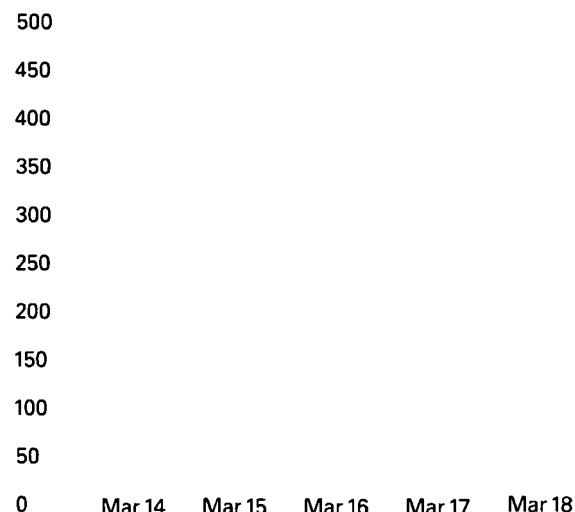
The Group has begun to sell its shares in FOP because it is not the Group's business model to be a controlling shareholder in funds managed by it, and to simplify the Group's structure.

Read the Performance Review for this Division on pages 10 to 11

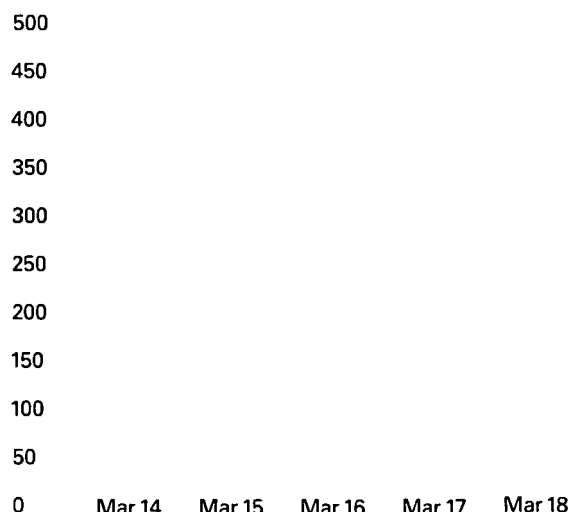
Read the Performance Review for this Division on pages 12 to 13

See Our Strategy on page 03

AUM £454.36m **+45%**



AUM £171.34m **+4%**



Assets Under Management

SIGNIFICANT GROWTH IN UK AUM

The Group operates in three key markets,
utilising our in-house local teams.

UK

53

Properties Managed

£390m

Third Party AUM

2018	£390m
2017	£245m
2016	£154m

Read more about this market on page 07

Poland

17

Properties Managed

£58m

Third Party AUM

£166m

Group Properties AUM

2018	£224m
2017	£217m
2016	£181m

Read more about this market on page 07

Romania

8

Properties Managed

£7m

Third Party AUM

£5m

Group Properties AUM

2018	£12m
2017	£15m
2016	£16m

Read more about this market on page 07

Financial Highlights

Total Assets Under Management

£626m +31.0%

Profit Before Tax

£9.23m +1.0%

Diluted Earnings per Share

5.70p -13.8%

Adjusted Net Assets per Share*

53.07p +11.4%

Total Dividend per Share

1.60p +3.2%

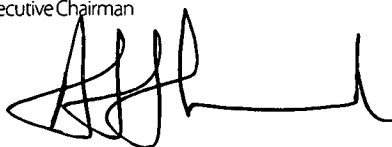
* Calculated according to EPRA triple net valuation methodology, which includes adjustments for fair values of i) financial instruments, ii) debt, and iii) deferred taxes

Investment performance
ranked No.1 versus MSCI's
Central & Eastern Europe
(CEE) Benchmark over the 12
years to 31 December 2017.

See our investment philosophy on page 04

"I am pleased to report substantial operational progress by our Fund Management Division, together with a stable performance from Group Properties."

Alasdair JD Locke
Non-Executive Chairman



Sheffield, United Kingdom (retail)

Blue Tower, Warsaw (office)

Tureni, Romania (warehouse)

Strategic Report

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Chief Executive's Statement

“The growth of our Fund Management Division continued apace with third party assets under management increasing by some 45%.”

Performance

I am pleased to report final results for the 12 months ended 31 March 2018.

Revenue earned by the Group increased to £25.46 million (2017: £23.66 million) contributing to a 1.0% increase in profit before tax of £9.23 million (2017: £9.14 million), a new record for the Group. The results benefitted from a stronger Euro which was, on average, 4.8% higher against Sterling at £0.881/€1 (2017: £0.841/€1) increasing profit before tax by some £435,000 than if on a constant currency basis.

Diluted earnings per share decreased by 13.77% to 5.70 pence (2017: 6.61 pence). The decline is mainly due to the impact of a deferred tax credit in 2017 (of £608,000) compared to a deferred tax charge in the current year of £90,000.

The Group ended the year with reported net assets up 21.86% to £52.92 million (2017: £43.43 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 excluding NCI, when adjusted to their market value less any deferred tax liabilities, increased by 11.41% to £63.00 million (2017: £56.55 million).

Dividend

The Directors have resolved to increase the final dividend to 1.18 pence per share (2017: 1.15 pence per share), an increase of 2.60%, which together with the interim dividend of 0.42 pence per share (2017: 0.40 pence per share), equates to a dividend for the year of 1.60 pence per share (2017: 1.55 pence per share), an increase of 3.23%.

The proposed final dividend will be paid on 28 September 2018 to shareholders on the register at 24 August 2018, and is subject to shareholder approval at the forthcoming Annual General Meeting.

Outlook

The year just ended was another one of substantial operational and financial progress.

The growth of our Fund Management Division continued apace with third party assets under management increasing by some 45%.

Both divisions are trading well and although we have had a significant vacancy in a Group Property, Chalubinskigo 8 (previously known as Oxford Tower) in February 2018, we have already re-leased some 26% of this space and are experiencing healthy interest in the remaining space which we expect to re-let in due course.

We have a number of exciting opportunities both in the UK and Central Europe and we hope to report positively on these as the year unfolds.



Ben N Habib
Group Chief Executive Officer
08 June 2018

Profit before tax

£9.23m

(2017: 9.14m)

A new record high.

Adjusted NAV per share

53.07p

(2017: 47.64p)

Aided by Euro strength.

Average unexpired fund life

6yrs, 5mths

(2017: 6yrs, 5mths)

Weighted average unexpired fund life remained consistent with 2017.

See our KPIs on page 15

Total dividend (pence per share)

2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2

0 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18

Our Strategy

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

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

Why Invest in Fprop?

OUR INVESTMENT PHILOSOPHY

We invest in higher yielding commercial investment property. When property values fall, yields increase and we consider buying. When property values rise, yields reduce and we consider selling.

1

Expertise

- › Experienced, nimble management team
- › Excellent investment track record: 25% annualised growth in net assets (adjusted for dividends paid out) 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
- › Cash generative with a strong balance sheet
- › Progressive dividend policy. Currently circa three times covered by earnings.

3

Growth

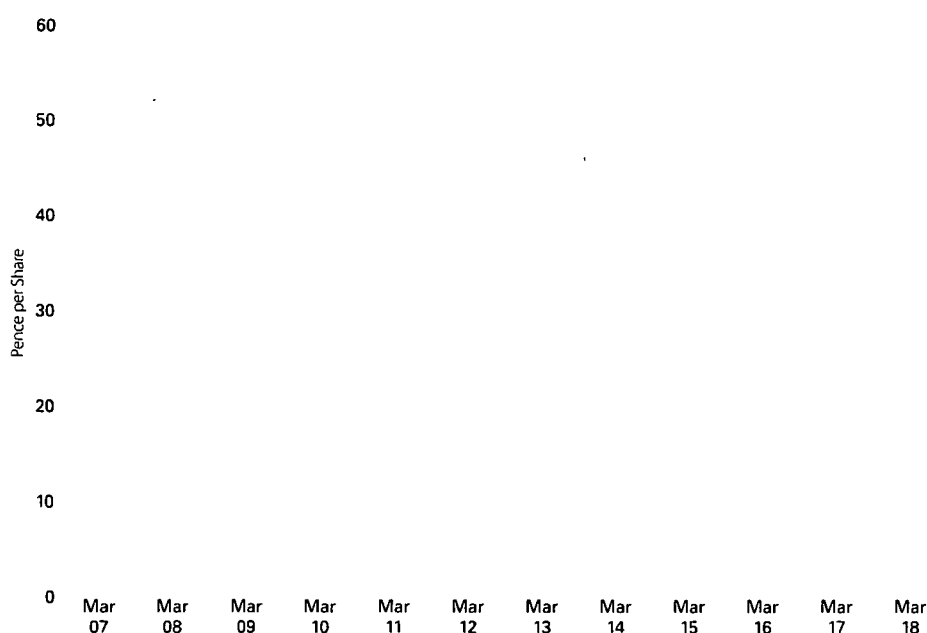
- › In-built growth in net assets from high return on equity invested
- › All fund management clients have had good experiences which should lead to more fund management contracts
- › Operationally geared – can take on new business without material increases in overheads.

4

Geographically Diversified

- › Operations in UK, Poland and Romania
- › All three countries are performing well economically and have shown steady to robust growth
- › Our mix of jurisdictions provides a natural hedge for Brexit volatility.

NAV per Share 2007-2018



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 (at cost per accounts)

Adjusted NAV (at market value EPRA basis)

Cash

Our Markets

WHY POLAND?

Poland's GDP is rising some three times faster than the average in Europe and its economy never suffered recession during the credit crunch years.

Population

38.1m

Largest in CEE. Competitive labour costs and a well-educated and hardworking workforce.

GDP Growth

4.15%

Average annual GDP Growth Rate from 1995 until 2018. 2017: 4.6% (est), 2018: 3.9% (forecast).

EU Transfer Funding

€105.8bn

Making it the single largest recipient of EU transfer funding.

Polish Commercial Property Market

€5bn

Turnover in Polish commercial real estate in 2017. The Polish market offers superior yields for all types of primary and secondary property compared to Western European markets.

Total Office Stock

9.9m m²

New supply in Warsaw in 2017: 0.7m m² vs 1.2m m² taken up. Vacancy rate 11.7% in Warsaw, lower in some regions.

Total Retail Stock

11.6m m²

Total new supply in Poland in 2017: 380,000m². Vacancy rate 4%.

Total Warehouse Stock

13.6m m²

Total new supply in Poland in 2017: 2.2m m² vs 3.8m m² taken up. Vacancy rate 3.8%.

Polish Properties

Map key

Offices/Office Parks

Retail/Retail Warehousing

Galeria Ostrowiec, Poland

Retail

Dominant shopping centre (19,410 m² + 610 parking places) anchored by Tesco until 2030:

- › Extended by 4,320 m² in FY2018 at a cost of some €5 million which resulted in the valuation rising by €8.2 million to €36.2 million;
- › When fully let the net operating income should rise from €2.2 million to >€2.7 million per annum.

Our Markets

GEOGRAPHICALLY DIVERSIFIED

We are experts in our chosen geographical markets, all of which have shown steady to robust economic growth.

Clarendon Road, Watford
Office

UK Properties

Map key

- Offices/Office Parks
- Retail/Retail Warehousing
- Industrial
- Acquired Office/Office Parks during the year ended 2018
- Acquired Retail/Retail Warehouses during the year ended 2018
- Sold property during the year ended 2018

Imperial Place, Borehamwood
Office

Griffin House, Crawley
Office

The Crown, Westerham
Office

The UK Market

GDP growth in the UK slowed in the first quarter of 2018 to 0.1% per annum but the forecast rate for the year is still around 1.2%.

Commercial property transactions in 2017 exceeded £65 billion, up 25% from £52 billion in 2016. The office sector accounted for 37% (£24 billion) of all investment whilst retail volumes declined to £11.5 billion and are forecast to remain under pressure this year.

Offices/Office Parks

Our focus is on secondary and tertiary offices where supply is diminishing due to legislative change. In response, rents are now rising which in turn is stimulating both investment in the remaining office stock and new office development. We aim to invest in offices where rents are below that required for profitable speculative development.

Dukes Meadow, Bourne End

Retail/Retail Warehouses

Retail property generally is under pressure but our strategy is to focus on retail warehousing where rent levels tend to be lower than on the high street. Retail warehouse volumes were virtually unchanged in 2017 at £2.8 billion, reflecting ongoing appetite for relatively stable long income, coupled with vacancy rates falling to their lowest level since 2007.

AUM by property type in UK

	Offices/Office Parks Total properties 16 at 31/03/18	Industrial Total properties 1 at 31/03/18
Total Properties 53	Retail/Retail Warehousing Total properties 36 at 31/03/18	

Chalubinskiego 8 (formerly Oxford Tower), Warsaw

Poland

GDP growth in Poland, which is forecast at 3.8% in 2018 and 3.1% in 2019, continues to exceed that of most other EU member states, as it has done since its entry into the EU.

Investor demand for commercial property remains robust. Investment volumes in 2017 exceeded €5 billion, the highest since 2006. The yield for prime offices and retail properties is sub 6% per annum but the yields available on good secondary property, of the sort we favour, remain attractive at around 7.5% plus per annum.

AUM by property type in Poland

	Offices/Office Parks Total properties 7 at 31/03/18	
Total Properties 17	Retail/Retail Warehousing Total properties 10 at 31/03/18	

Tureni, Romania

Romania

GDP growth in Romania surged in 2017 to 6.7% and is forecast at 4.5% in 2018 and 4.0% in 2019.

Investor demand for commercial property is increasing but remains low. Transaction volumes in 2017 amounted to some €1 billion (2016: €0.9 billion), of which c40% was invested in Bucharest.

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.

AUM by property type in Romania

	Offices/Office Parks Total properties 1 at 31/03/18	Industrial Total properties 1 at 31/03/18
Total Properties 8	Retail/Retail Warehousing Total properties 6 at 31/03/18	

Our Markets continued

PORTFOLIO OVERVIEW

Our portfolio represents our purchasing philosophy which is generally to acquire prime properties in secondary locations, or secondary properties in prime locations.

Galeria Corso (Share in an associate)

Blue Tower, Warsaw (Group Property)

Centrum Zana, Lublin
(Group Property, FOP)

Galeria Ostrowiec
(Group Property, FOP)

Pilot Tower, Krakow
(Share in an associate)

Selection of properties held in managed funds:

Widewater, Harefield, Uxbridge Antelope Park, Southampton

Wetherspoons, Kingston

The Crown, Westerham

Performance Review: Fund Management Division

A YEAR OF AUM GROWTH

Momentum is building as we win new fund management contracts and broaden our pool of third party investors.

Fund Management Division

First Property Asset Management Ltd (FPAM)

Revenue for Division

£2.92m

+43%

From which we earned a profit before unallocated central overheads and tax of £1 million (2017: £404k).

Third party AUM

£454m

+45%

An increase of 45% from the prior year (2017: £313 million).

As at 31 March 2018 aggregate assets under management stood at £626 million (2017: £477 million), an increase of 31% from the prior year. Of this, £454 million (2017: £313 million) was managed on behalf of third party clients, an increase of 45% from the prior year. A further £67 million of equity commitments is still available for investment in funds managed on behalf of third parties.

The reconciliation of movement in funds under management during the year is shown in Table 1.

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 realised in full until the financial year following investment (or sale), because of the timing of draw down (or sale) during the year. In the case of Fprop Offices LP, the Group is entitled to a share of profits in lieu of fund management fees. Fprop Offices LP is still in its investment phase and with property purchase costs in the UK at 6.8% of the purchase price, insufficient profits were earned in the year to completely absorb these acquisition costs.

Revenue earned by this division amounted to £2.92 million (2017: £2.05 million), resulting in a profit before unallocated central overheads and tax of £1.00 million (2017: £404,000). The increase in revenue and profit earned by this division results

from the growth in funds under management and the payment of a performance fee of £189,000 (2017: £ Nil).

At the year-end FPAM's fund management fee revenue, excluding performance fees, was being earned at an annualised rate of £2.60 million (2017: £2.45 million), an increase of some 6% from the prior year, a level that would have been higher if Fprop Offices LP had earned a performance fee. The corresponding weighted average unexpired fund management contract term at the year-end was six years, five months (2017: six years, five months). We expect the contribution to Group profit from fund management to increase as we continue to invest fund management mandates.

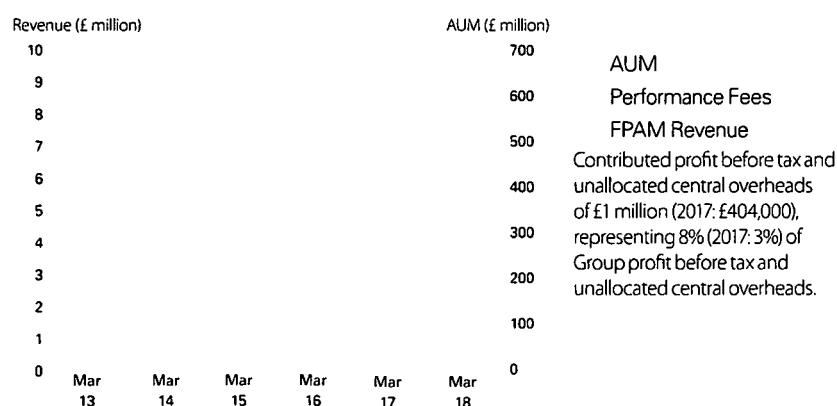
First Property Asset Management Ltd (FPAM) now manages 12 (2017: 11) property investment funds, following the establishment of one new fund during the year, Fprop Offices LP. A brief synopsis of the value of assets and maturity of each of these funds is set out in Table 2.

Independent fund performance analysis

Our investments in Poland and Romania once again ranked No.1 versus MSCI's Central & Eastern Europe (CEE) Benchmark, now for the 12 years from the commencement of our operations in Poland in 2005 to 31 December 2017.

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

Segmental Analysis Fund management (FPAM)



See how our performance is in line with our strategy on page 03

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

Analysis by Fund

SIPS: 26.5%
 OFFICES: 18.3%
 GRP PROPS: 15.5%
 UK PPP: 14.9%
 FOP: 11.9%
 FKR: 3.7%
 FGC: 3.5%
 SPEC OPPS: 2.6%
 SPT: 1.2%
 FRS: 1.1%
 RPT: 0.8%

Analysis by Investor Category

Pension Funds: 59%
 Fprop: 25%
 Private Clients: 13%
 Endowments: 3%

Analysis by Geography

UK: 62%
 Poland: 36%
 Romania: 2%

Table 1: Reconciliation of Movement in Funds under Management FY2018:

	Funds managed for third parties (including funds in which the Group is a minority shareholder)				Group Properties (including FOP)		Total	
	UK £m	CEE £m	Total £m	Number of properties	All CEE £m	Number of properties	AUM £m	Number of properties
As at 31 March 2017	245.3	67.7	313.0	63	164.5	10	477.5	73
Purchases:								
Existing funds	34.0	–	34.0	5	–	–	34.0	5
New funds	114.4	–	114.4	4	–	–	114.4	4
Property sales	(11.4)	(3.7)	(15.1)	(4)	–	–	(15.1)	(4)
Capital expenditure	0.2	–	0.2	–	2.6	–	2.8	–
Property depreciation	–	–	–	–	(2.3)	–	(2.3)	–
Property revaluation	7.4	(1.3)	6.1	–	4.5	–	10.6	–
FX revaluation	–	1.8	1.8	–	2.0	–	3.8	–
As at 31 March 2018	389.9	64.5	454.4	68	171.3	10	625.7	78

Table 2: Funds under Management FY2018:

Fund	Country of investment	Fund expiry	Assets under management at market value at 31 March 2018 £m	% of total assets under management	Assets under management at market value at 31 March 2017 £m
SAM & DHOW	UK	Rolling	*	*	*
RPT & EAS	Poland	Aug 2020	5.31	0.85%	6.88
SPT	Poland	Dec 2022	7.63	1.22%	8.46
UK PPP	UK	Feb 2022	93.53	14.95%	93.13
PDR	UK	May 2018	–	–	–
SIPS	UK	Jan 2025	165.74	26.49%	152.15
FRS	Romania	Jan 2026	6.69	1.07%	10.08
FGC	Poland	Mar 2026	21.84	3.49%	20.66
SPEC OPPS	UK	Jan 2027	16.28	2.60%	–
FKR	Poland	Mar 2027	22.99	3.67%	21.64
OFFICES	UK	Jun 2024	114.35	18.28%	–
Sub total			454.36	72.62%	313.00
FOP**	Poland	Oct 2025	74.46	11.90%	68.52
GRP PROPS	Poland & Romania	n/a	96.88	15.48%	95.96
Sub total			171.34	27.38%	164.48
Total			625.70	100.00%	477.48

* Not subject to recent revaluation.

** Fprop Opportunities plc, a fund which is invested in five commercial properties in Poland in which the Group is a 51.46% shareholder.

STABLE PORTFOLIO

Another solid performance from the ten directly held properties located in Poland (includes five held by FOP) and Romania.

Revenue for division

£22.54m

+4%

Group Properties comprised ten (2017: ten) commercial properties held directly by the Group (including five held by FOP, in which the Group is a 51.46% shareholder), and non-controlling interests in nine of the 12 funds and joint ventures managed by FPAM, as set out in Table 3. It is the Group's accounting policy to carry its direct properties at the lower of cost or market value and its investments in associates at cost plus its share of post-acquisition profits/(losses) less dividends paid.

The contribution to Group profit before tax prior to the deduction of unallocated central overheads by the ten directly held properties is detailed in Table 1

The year on year reduction in net operating income by €700,000 (or 3.6%) was caused mainly by the sale of a warehouse in Ploiesti, Romania, in March 2017, and the subsequent lease expiry of another warehouse in Tureni, Romania, in December 2017. Around 40% of the vacant space at Tureni has been re-let (for some €135,000 per annum) to a UK manufacturer of automotive control systems and we are currently marketing the remainder of the space.

The loans secured against our Group 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 (49%) of these loans. A one percentage point increase from current market interest rates would increase the annual interest bill by £610,000 per annum (2017: £825,000). The current weighted average borrowing cost is 2.34% (2017: 2.35%).

In February 2018 we obtained vacant possession of 10,000 m² of space in Chalubinskiego 8, Warsaw (previously known as Oxford Tower) following the expiry of a lease which previously generated some €3.00 million of income per annum. Encouragingly, we have already re-let some 26% of this newly vacant space which, together with existing occupied space re-let, will generate some €1.21 million per annum, though this will not be payable until we have re-fitted out the space. As a result of this vacancy we expect the Group's earnings from this property to reduce for the year to 31 March 2019. There is also other tenant demand for the remaining vacant space and we hope to report positively on this in due course.

Fprop Opportunities plc (FOP)

The contribution by FOP to Group profit before tax amounted to £2.16 million (2017: £2.26 million). FOP is earning a pre-tax rate of return on equity invested (at current market values) of some 16% per annum. We expect this rate to increase this year as new tenants at Galeria Ostrowiec begin to pay rent.

We have continued to sell shares held by the Group in FOP. Such sales during the year amounted to £4.27 million (2017: £1.70 million), representing 17.77% of FOP's issued share capital and resulting in a capital profit for the Group of £1.11 million (2017: £552,000).

The Group's shareholding in FOP at the year-end represented 51.46% (2017: 69.23%) of FOP's issued share capital.

Associates and investments

The contribution to Group profit before tax, prior to the deduction of unallocated central overheads, from our nine minority shareholdings in funds managed by FPAM increased by 75% to £1.01 million (2017: £579,000). The increased contribution largely arose from the Group's share of profits in Fprop Romanian Supermarkets Ltd, which sold three of its nine properties at a profit. The contribution from associates and investments represented 9.06% of the total contribution by Group properties.

Krakow Business Park (KBP)

On 20 September 2017 the Group acquired a number of Polish companies which own properties located in Krakow Business Park in Krakow for a total consideration of £900,000. These properties mainly comprised four office buildings with a gross leasable area of some 50,000 m², half of which was vacant. At the time of purchase the value of these properties was compromised by the debt secured on them, which was in default. As a result of this default, the results of these companies have not been consolidated into the results of the Group as at 31 March 2018. Instead they have been accounted for as a trade investment.

On 25 May 2018, after the year end, the bank loan was restructured and is no longer in default. The current value of the debt secured on these properties is €47 million.

With effect from September 2018 the park is to be renamed Eximius Park.

Segmental Analysis Group Properties Division

Contribution to PBT (£ million)

12	Contribution to PBT from Non-controlling Interests in Funds managed by FPM
10	Contribution to PBT from Group's Share in FOP
8	Contribution to PBT from five directly held properties
6	
4	Contributed £11.18 million (2017: £11.53 million) to PBT & unallocated central overheads.
2	
0	Represents 91.8% (2017: 96.6%) of Group PBT & unallocated central overheads.

Mar 13	Mar 14	Mar 15	Mar 16	Mar 17	Mar 18
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See how our performance is in line with our strategy on page 03

Analysis of Group Properties Division

Table 1 – Directly Held Properties at 31 March 2018:

Property/Country	No. of properties	Book value £m	Market value £m	Contribution to Group profit before tax - year to 31 March 2018 £m	Contribution to Group profit before tax - year to 31 March 2017 £m
Poland	3	79.9	91.7	6.9	6.0
Romania	2	4.2	5.1	0.6	0.9
FOP	5	63.7	74.5	3.4	3.4
Total	10	147.8	171.3	10.9	10.3

Table 2 – The Contribution to Group Earnings by the ten Directly Held Properties:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Net operating income (NOI)	18.77	19.47
Interest expense on bank loans/finance leases	(3.15)	(3.42)
NOI after interest expense	15.62	16.05
Current tax	(1.40)	(1.40)
Debt amortisation	(7.84)	(7.20)
Capital expenditure	(2.83)	(2.47)
Free cash	3.55	4.98
Market value of properties	195.43	192.29
Average yield on market value	9.60%	10.13%
Bank loans/finance leases outstanding	134.16	137.41
Loans to value (LTV)	68.65%	71.46%
Weighted average unexpired lease term (WAULT)	3yrs, 9mths	3yrs, 7mths
Vacancy rate	13.77%	2.18%

Table 3 – Non-controlling Interests in Funds and Joint Ventures Managed by FPAM at 31 March 2018:

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 2018 £'000	Group's share of pre-tax profits earned by fund 31 March 2017 £'000
Interest in associates					
SPT	37.8%	721	824	113	129
RPT	28.6%	105	105	(87)	45
EAS	27.0%	116	116	(6)	–
FRS	24.1%	624	782	539	125
FGC	28.2%	1,920	2,214	270	220
FKR	18.1%	1,239	1,695	121	–
Share of results in associates		4,725	5,736	950	519
Investment					
UKPPP	0.9%	887	887	63	60
PDR	4.9%	2	2	–	–
SPEC OPPS	4.0%	768	768	–	–
OFFICES	1.6%	1,960	1,960	–	–
KBP	–	900	900	–	–
Sub total		4,517	4,517	63	60
Total		9,242	10,253	1,013	579

Financial Review

“A year in which NAV growth exceeded earnings growth.”

The financial year ended 31 March 2018 was a second successive record one for the Group with profit before tax advancing to £9.23 million from £9.14 million and a more significant increase in net assets (with properties held at cost) of 21.86% to £52.92 million (2017: £43.43 million). The results were aided by an improved performance from the Fund Management Division and again by a stronger Euro.

The annualised growth in adjusted net assets together with dividends paid to shareholders over the last five years equates to 25.26% per annum (2017: 24.68% per annum).

Revenue and gross profit

An operating and financial review of the two trading divisions' results for the year is included in the Chief Executive's Statement.

Operating expenses

An overall increase in expenses of 11.59% to £9.16 million was incurred as the Group continued to invest in its employees. This included the costs of an increased headcount in the UK and Poland. Wage inflation in Poland and Romania is increasing more rapidly than the UK. In relation to last year the overall cost of all staff incentives increased by 4.00%. The overseas overhead costs also suffered from a stronger Polish and Romanian local currency when these costs are translated into Sterling (our reporting currency) to the extent of £473,000 compared to last year.

Profit on sale of shares in 'FOP'

As part of the Group's aim to simplify its structure and achieve a more balanced contribution from each of its two trading divisions the Group continued to sell shares in FOP reducing the Group's holding from 69.23% to 51.46%. These sales resulted in a profit of £1.11 million (2017: £552,000).

Impairment loss to investment property

The charge of £183,000 (2017: £219,000) relates to the reduction in fair value below original cost of one property located in Poland owned by the FOP fund.

Share of results of associates

The Group's share of profits after tax of its associates of £950,000 (2017: £519,000) included the Group's share of profit from the sale of three of the nine supermarkets owned by Fprop Romanian Supermarkets Ltd, of £397,000, the first year of contribution from Fprop Krakow Ltd, a fund

launched in April 2017 and a £193,000 impairment loss (2017: Nil) associated with the Group's investments in Regional Property Trading Ltd and E & S Estates Ltd.

Financing costs

The Group's finance costs are in line with previous years. All bank loans and finance leases are denominated in Euros and all are used to finance properties which are all valued in Euros.

Current tax

The current tax charge of £1.38 million (2017: £1.16 million) is in line with previous years and is incurred entirely in Poland and Romania where the mainstream tax rates are 19% and 16% respectively. No UK corporation tax was incurred by the Company as brought forward losses of £6.35 million (2017: £4.60 million) were available to be utilised.

Deferred tax

A deferred tax charge of £90,000 (2017: credit of £608,000) is the main cause of the increase in the total tax charge. This was due to a reduction in the net deferred tax asset position in respect of foreign currency loans and investment properties (both denominated in Euros).

Non-controlling interests

The sale of shares in FOP has increased the non-controlling interest in FOP from 30.77% to 48.54%. The effect has been to increase the profit for the year attributable to the non-controlling interest to £1.00 million (2017: £757,000).

The other non-controlling interest in CORP of 10% has remained the same as last year.

Earnings per share

Basic earnings per share decreased by 13.78% to 5.82 pence per share (2017: 6.75 pence per share), a larger decrease than the 9.66% decrease in the profit (after tax) for the year. This is due to the increase in the non-controlling interest mentioned above.

Balance sheet and cash flows

Investment Properties and Property held under inventory (all held at cost)

All properties have been revalued at the year end, the result of which was a net increase in value of €3.14 million compared to 2017. This increase was primarily due to an increase in the values of the

shopping centre at Ostrowiec and Blue Tower, the office block in Warsaw, both independently valued by professional valuers.

Capital expenditure (investment and trade properties)

Capital expenditure of £2.48 million (2017: £2.12 million) included development expenditure of £2.00 million (2017: £1.64 million) on the expansion of the shopping centre located in Ostrowiec, Poland. This development was completed during the year and has been open for trade since the autumn of 2017. The development has been reflected in an upward revaluation of the shopping centre from €28 million to €36.20 million but is carried at cost in these accounts.

Cash, cash flow and liquidity

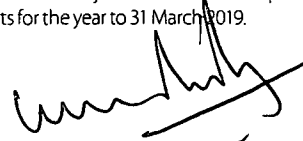
Cash levels decreased by £630,000 from £15.95 million to £15.32 million despite total capital expenditure of £2.48 million, bank loan and finance lease repayments of £6.90 million, new investments in new UK and Polish funds of £3.75 million and dividends paid of £1.80 million. Despite this decrease the Group retains its ability to exploit investment opportunities as they arise.

Borrowings

All bank and finance lease borrowings are denominated in Euros. The overall level of debt decreased from €137.41 million to €134.16 million after scheduled bank loan repayments of €7.84 million and taking into account a new top-up loan of €4.50 million in FOP and accrued interest. All loan-to-value covenants to which these loans are subject have been respected. On an adjusted NAV basis, the Group's total gearing ratio was 65.12%.

Post balance sheet event

After the year end, on 6 April 2018, the Company purchased into treasury 4,775,000 Ordinary Shares of 0.01p each which reduced the number of shares in issue to 111,241,546 Ordinary Shares, a reduction of 4.1%. This should serve to enhance our earnings per share and adjusted net asset value per share results for the year to 31 March 2019.



George R W Digby
Group Finance Director
08 June 2018

The management team remain focused on the following key metrics:

Key Performance Indicator

Progress in 2017/18

Comment

Assets Under Management

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

£626m

2018	£626m
2017	£477m
2016	£353m

Increase attributed to new fund mandate, Fprop Offices LP and further investment of Fprop UK Special Opportunities LP.

[Link to Strategy](#)

Contractual Revenue

Core revenue from both divisions is of a contractual nature.

99.3%

2018	99.3%
2017	100%
2016	94.8%

A performance fee of £189,000 was paid in the year which reduced recurring contractual revenue to 99.3%.

[Link to Strategy](#)

Cash Levels

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

£15.32m

2018	£15.32m
2017	£15.95m
2016	£8.98m

The Group has continued to sell its shares in FOP because it is not its business model to hold controlling interests in funds which it manages.

[Link to Strategy](#)

Adjusted Net Asset Value (NAV) per share

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

53.07p

2018	53.07p
2017	47.64p
2016	43.01p

Aided by continued Euro strength.

[Link to Strategy](#)

Weighted Average Unexpired Lease Term

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

3yrs 9mths

2018	3yrs 9mths
2017	3yrs 7mths
2016	4yrs 1mth

Provides good visibility of future revenue streams.

[Link to Strategy](#)

Weighted Average Unexpired Fund Life

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

6yrs 5mths

2018	6yrs 5mths
2017	6yrs 5mths
2016	6yrs 6mths

Provides good visibility of future revenue streams.

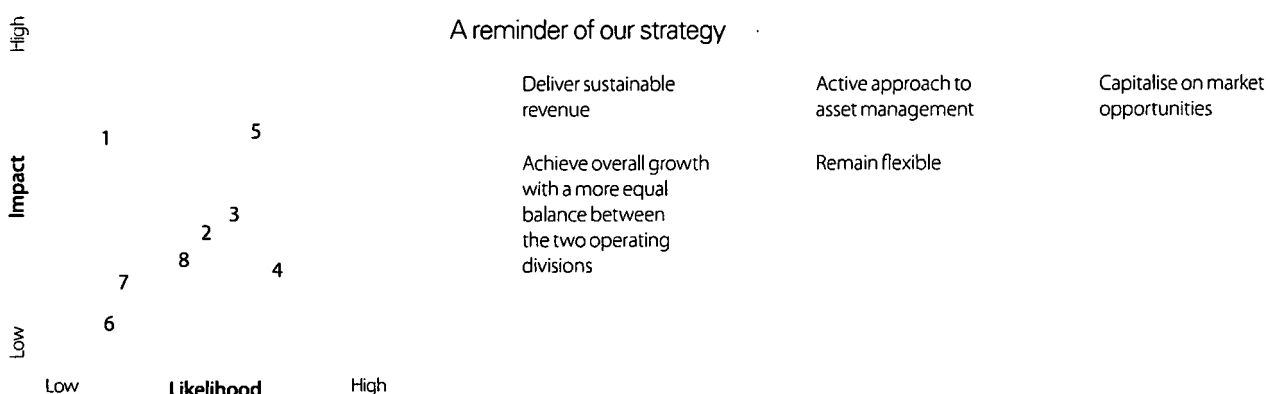
[Link to Strategy](#)

Principal Risks and Uncertainties

UNDERSTANDING OUR PRINCIPAL RISKS

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

Economic risk	Description	Mitigation	Direction of change for the Group
1 Slowdown in the economies of the UK, Poland and Romania	A slowdown in overall economic activity could lead to a reduction in demand for commercial property, which could result in falls in both rent levels and capital values. A slowdown could also adversely impact existing occupier's ability to meet their existing rental commitments.	The Group closely monitors the economic health of the markets in which it operates and acts pre-emptively in accordance with its pro-active property management policy. The Group ensures it and the funds it manages have a well diversified spread of property interests classified by region, by property type, by lot size and by sector (tenant mix).	↓
2 Weakening in the Euro and Polish Zloty against Sterling	100% of revenue from the Group Properties Division is derived in foreign currencies and profits from it are converted to Sterling (the reporting currency) on remission to the UK. Sterling strength therefore leads to a reduction in reported profits.	The Group closely monitors both movements and forecast movements in the pertinent foreign exchange rates against its budgeted rates. Wherever possible, overseas investment is financed in the local currency and matched so that exposure to currency markets is limited. Under the Group's foreign currency risk management policy hedging instruments can be used to hedge a proportion of specific items as specified in IAS 39.	↑
3 Extended period of interest rate tightening in the EU	The Group operates a geared (leveraged) strategy for its Group Property Division which increases returns on equity. Prolonged interest rate tightening will decrease this return disproportionately due to the leveraged effect. Higher interest payments will reduce the Debt Service Covenant Ratios (DSCR) and could cause a breach of the covenant as set out in the loan agreements, which could require additional funds to remedy.	The Board regularly reviews forward interest rates and where possible adjusts its geared strategy according to changing market conditions. The Board also regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet its cash requirements. The Board regularly monitors and reports on its DSCRs against its relevant bank covenants so that it can act pre-emptively. Interest rate fixes and caps may be 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.	↑
4 Political risk	Macroeconomic conditions and future political events (whilst uncertain in outcome) bring risks to the property market generally and to our occupiers.	The Board considers economic conditions when setting strategy and making its investment decisions. The Group has a natural 'Brexit' hedge whereby AUM is split between the UK and EU member states Poland and Romania.	↑



Operation risk

5 Rent void periods

Description

Poor asset management could lead to long void periods, high vacancy rates, low occupier retention, high occupier arrears and defaults.

Mitigation

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.

Direction of change for the Group



6 Credit risk

Related to tenants defaulting on their rental obligations.

A proactive approach to asset management is taken to avoid long void periods. We aim to visit and inspect each property at least once per year.

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 thereby enabling swift remedial action.



7 Liquidity risk

Related to the repayment of financial liabilities. Most loans are subject to loan-to-value (LTV) ratio restrictions. If 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.

Our asset managers maintain close contact with tenants.

Long-term loans are incurred in the same currency used to value the property asset, hence ensuring a natural hedge.

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

The Group is structured whereby each investment property is held in a special purpose vehicle so that the lender has no recourse to the parent entity.

The Board regularly monitors and reports its LTV ratios against the relevant bank covenant so that it can act in a pre-emptive manner.



8 Cyber security risk

A major cyber attack on the Group's computer systems could lead to theft of sensitive data and periods of down time leading to reputational damage and consequent loss of future fund mandates.

The Group employs a full time in-house Chief Technical Officer, part of whose role is to ensure that protections against data theft and corruption are in place and effective, utilising the latest anti viral software and technologies.

The Group from time to time commissions an independent IT review to assess the robustness of its security protection and the effectiveness of its Disaster Recovery Plan (DRP).

The DRP is tested annually.



Chairman's Introduction to Governance

"Committed to high standards of corporate governance."

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

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 page 19. 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 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

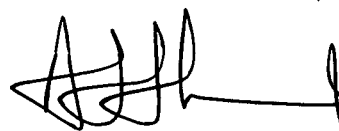
The Remuneration Committee comprises the two Non-Executives who are solely responsible for reviewing the performance of the Executive Directors and making recommendations to the Board on matters relating to remuneration and terms of employment. They are responsible for setting and reviewing performance 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 20 September 2018. 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 JD Locke
Non-Executive Chairman
08 June 2018

Board of Directors

Ben Habib MA (Cantab)
Group Chief Executive Officer

George Digby ACA BA (Hons)
Group Finance Director and
Company Secretary

Alasdair Locke MA (Oxon)
Non-Executive Chairman

Peter Moon BSc (Econ)
Independent Non-Executive
Director

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.

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 as a chartered accountant 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.

Sectors and experience

Alasdair's career started in investment banking at Citigroup in 1974, where he specialised in shipping and oil. 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 circa US\$1.8 billion.

Alasdair maintains a wide portfolio of business interests. He is Non-Executive Chairman of Hardy Oil & Gas plc, Chairman of Motor Fuel Group and Non-Executive Chairman of Well-Safe Solutions Ltd.

He holds a degree in History and Economics from Oxford University. He was the recipient of the Grampian Industrialist of the Year (2001) award, the Scottish Business Achievement Awards Trust International Business Achievement Award (2000) and the Scottish Business Achievement Awards Entrepreneur of the year (1999).

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

EXPERIENCED REGIONAL TEAMS

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

London

Martin Pryce, MRICS, IMC, BSc

Director, Fund Manager

Sectors and experience

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

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

Jeremy Barkes, BA (Hons)

Director, Business Development

Sectors and experience

Jeremy joined Fprop in 2009 to raise equity for investment on behalf of FPAM and to coordinate Shareholder communications on behalf of the Group and its managed funds. His background 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.

Jill Aubrey

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.

Laura James, BA (Hons), ACA

Group Financial Controller

Sectors and experience

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

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

Anthony Griffin, BA (Hons), MSc, IMC

Senior Fund Manager

Sectors and experience

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

John Dunkley BSc MBCS MIET

Chief Technical Officer

Sectors and experience

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

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

Our in-house team of professionals differentiates us from other property investors, and gives us a competitive advantage.

Warsaw

Przemysław Kiszka, CFA

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

Sectors and experience

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

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

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

Jeremi Słominski, MA, BA

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

Sectors and experience

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

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

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

Robert Wozniak

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

Sectors and experience

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

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

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

Barbara Komendowska

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

Sectors and experience

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

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

Catalin Ana, CFA, CAIA

General Manager,
First Property Asset
Management Romania
SRL

Sectors and experience

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

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

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

Bucharest

Directors' Report

for the year ended 31 March 2018

The Directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal activities and review of the business

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

The consolidated income statement is set out on page 28.

A summary of likely future developments in the business of the Group is included in the Chief Executive's Statement.

Results and dividends

The Group made a total profit before taxation of £9.23 million (2017: £9.14 million). The retained profit was £4.93 million (2017: £6.08 million) after dividend, non-controlling interest and sale of treasury shares, but before the decrease in the fair value on available-for-sale financial assets. The Directors recommend the payment of a final dividend of 1.18 pence per share (2017: 1.15 pence) payable on 28 September 2018 to shareholders on the register at 24 August 2018, making a total for the year of 1.60 pence per share (2017: 1.55 pence per share), after including the interim dividend of 0.42 pence per share paid in December 2017.

Diluted earnings per share decreased to 5.70 pence from 6.61 pence on the same basis.

The Group held cash of £15.32 million at 31 March 2018 (2017: £15.95 million) and bank borrowings of £117.62 million (2017: £117.54 million). Net assets increased to £52.92 million (2017: £43.43 million).

Employees

First Property Group employed 49 staff on average during the year ended 31 March 2018 (2017: 47); of these, 29 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.

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

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 16 and 17, 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 the Finance Director's 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 reasonable expectations that the Group can continue in 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 2018, the Company's share capital comprised 116,601,115 Ordinary Shares of 1 pence each, including 584,569 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 2018, the following share issues and share transfers from treasury were made:

On 29 September 2017 the Company sold 11,765 of its own Ordinary Shares held in treasury at a price of 50.99 pence per ordinary share, thereby reducing the number of shares held in treasury to 596,651.

On 27 March 2018 the Company sold 12,082 of its own Ordinary Shares held in treasury at a price of 49.66 pence per ordinary share, thereby reducing the number of shares held in treasury to 584,569.

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

No share options were issued or exercised during the year. Details of share options outstanding are set out in Note 24 on page 53.

On 6 April 2018, after the year-end, the Company purchased 4,775,000 Ordinary Shares into treasury, thereby reducing the number of shares in issue to 111,241,546 and increasing the number of shares in treasury to 5,359,569.

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 2017, 31 March 2018 and 16 July 2018, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act, were as follows:

	Ordinary Shares of 1 pence			Option over Ordinary Shares of 1 pence		
	16/7/2018	31/3/2018	1/4/2017	14/7/2017	31/3/2017	1/4/2016
A J D Locke	8,571,990	8,571,990	8,571,990	–	–	–
P Moon	446,019	446,019	422,172	–	–	–
B N Habib	16,850,000	16,850,000	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 45.8 pence and the range of market prices during the year was between 44.0 pence and 58.0 pence.

Substantial shareholdings

At 16 July 2018 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	16,850,000	15.1
New Pistoia Income Ltd	15,757,500	14.2
JC Kottler	9,664,283	8.7
A J D Locke	8,571,990	7.7

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

Health and safety at work

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

Annual General Meeting

The notice convening the Annual General Meeting to be held on Thursday 20 September 2018, which can be found on pages 59 and 60, 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 370,768 (representing 33.33% of the issued ordinary share capital of the Company, less the number of Ordinary Shares held in treasury) outside the pre-emption provisions contained in the Companies Act 2006 and the Articles, provided that such securities shall only be:
 - (i) issued or transferred from treasury in connection with a rights offer (Resolution 8(a)); or
 - (ii) issued or transferred from treasury otherwise than in connection with a rights issue where the aggregate nominal value of all Ordinary Shares so issued or transferred does not exceed £222,483 (representing 20% of the issued Ordinary Share capital of the Company, less the number of Ordinary Shares held in treasury) (Resolution 8(b)).

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

Directors' Report continued

for the year ended 31 March 2018

Annual General Meeting continued

2. Purchase of up to 10% of its own issued Ordinary Shares of 1 pence each (Resolution 9).

The Directors now propose that the Company be authorised to purchase a maximum of 11,124,154 Ordinary Shares of 1 pence each (representing just under 10% of the Company's issued ordinary share capital as at 16 July 2018) within the limits described in Resolution 9 contained in the notice of the Annual General Meeting. It is intended that purchases will only be made on the AIM market of the London Stock Exchange. This should not be taken to imply that Ordinary Shares will be purchased. The Directors will only exercise the authority to purchase the Company's own Ordinary Shares if to do so would be in the best interests of its shareholders generally.

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

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Chief Executive's Statement and the financial statements in accordance with applicable laws and regulations. The Directors are required by UK Company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit and loss of the Group for that period having regard to the commercial substance of transactions. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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

The Directors confirm that suitable accounting policies have been used and applied consistently, except as discussed in Note 1 on page 33 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 2018. 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.

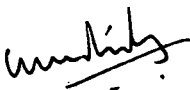
The Directors confirm that this Annual Report and these financial statements taken as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's performance, business model and strategy.

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
16 August 2018

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 2018 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements, 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.

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 2018 and of the Group's profit for the year then ended;
- › the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- › the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of investment property:

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

The valuation of the property portfolio is a significant judgement area and is underpinned by a number of assumptions, including capitalisation yields and future rental income. The Group uses professionally qualified external valuers to fair value the majority of the Group's property portfolio at regular intervals.

Any input inaccuracies or unreasonable assumptions used in these judgements could result in a material misstatement of the income statement and balance sheet.

- › We assessed management's process for reviewing and assessing the valuer.
- › We assessed the competence, objectivity and integrity of the valuer.
- › We obtained the external valuation reports and assessed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement areas.
- › We performed audit procedures to assess the integrity of a sample of the information provided to the valuer by agreeing that information to underlying lease agreements.

Revenue recognition:

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

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

- › We performed detailed testing for a sample of leases by agreeing the annual rent back to the terms of the lease agreements.
- › For a sample of leases, we tested that the lease income, including the treatment of lease incentives, is recorded on an appropriate basis and in accordance with relevant regulations.
- › We performed substantive analytical procedures and found that the revenue recognised by the Group and each of the operating companies was materially consistent with our expectations.
- › We assessed whether the revenue recognition adopted complied with IFRSs as adopted by the European Union.

Independent Auditor's Report continued

to the Members of First Property Group plc

Our application of materiality

We define materiality as the magnitude of an omission or misstatement in the financial statements that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £1.35 million (2017: £1.30 million) based on 3% of net asset values. This provided a basis for determining the nature, timing and extent of risk assessment procedures. We determined that net assets would be the most appropriate basis for determining overall materiality given that the key users of the Group financial statements are likely to be primarily focussed on the valuation of Group assets and the related financing.

An overview of the scope of our audit

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

The Group is audited by one audit team in the UK, directly responsible for the audit of the Parent Company and certain subsidiaries, in conjunction with locally-based auditors of the material subsidiaries based overseas. The audit work on subsidiaries and associates is carried out to a materiality which is lower than, and in some cases substantially lower than, Group materiality as set out above. Our audit work also included testing of the consolidation process.

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 Chief Executive's Statement and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- › the Chief Executive's Statement and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

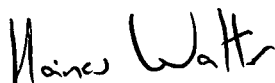
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Jonathan Moughton FCA
(Senior Statutory Auditor)

For and on behalf of Haines Watts
Chartered Accountants and Statutory Auditors
Oxford
16 August 2018

Consolidated Income Statement

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018 Total results £'000	Year ended 31 March 2017 Total results £'000
Revenue	4	25,460	23,663
Cost of sales		(6,030)	(5,065)
Gross profit		19,430	18,598
Profit on sale of an investment property		–	890
Profit on the sale of FOP shares		1,112	552
Impairment loss to an investment property	13	(183)	(219)
Operating expenses		(9,158)	(8,207)
Operating profit		11,201	11,614
Share of results in associates	18	950	519
Investment income		63	60
Interest income	5	82	135
Interest expense	5	(3,063)	(3,191)
Profit before tax		9,233	9,137
Tax charge	9	(1,473)	(547)
Profit for the year		7,760	8,590
Attributable to:			
Owners of the parent		6,755	7,833
Non-controlling interests		1,005	757
		7,760	8,590
Earnings per share:			
Basic	12	5.82p	6.75p
Diluted	12	5.70p	6.61p

All operations are continuing.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2018

	Year ended 31 March 2018 Total results £'000	Year ended 31 March 2017 Total results £'000
Profit for the year	7,760	8,590
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on retranslation of foreign subsidiaries	1,590	2,008
Revaluation of available-for-sale financial assets	(3)	(29)
Taxation	–	–
Total comprehensive income for the year	9,347	10,569
Total comprehensive income for the year attributable to:		
Owners of the parent	8,131	9,974
Non-controlling interests	1,216	595
	9,347	10,569

All operations are continuing.

Company income statement

The Company is taking advantage of the exemption in s.408 of The Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved Financial Statements.

Balance Sheets

as at 31 March 2018

Strategic Report

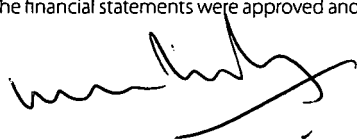
Governance

Financial Statements

		2018	2018	2017	2017
	Notes	Group £'000	Company £'000	Group £'000	Company £'000
Non-current assets					
Goodwill	15	153	-	153	-
Investment properties	13	132,180	-	128,428	-
Property, plant and equipment	16	66	-	97	-
Investments in Group undertakings	17	-	3,077	-	3,260
Interest in associates	18 a)	4,725	2,756	4,347	3,274
Other financial assets	18 b)	4,517	3,617	897	897
Other receivables	20 b)	1,766	12,908	2,108	13,306
Deferred tax assets	23	4,518	-	4,341	-
Total non-current assets		147,925	22,358	140,371	20,737
Current assets					
Inventories – land and buildings	19	15,586	-	15,115	-
Current tax assets		100	-	160	-
Trade and other receivables	20 a)	5,154	65	4,890	58
Cash and cash equivalents		15,315	9,774	15,946	8,279
Total current assets		36,155	9,839	36,111	8,337
Current liabilities					
Trade and other payables	21	(8,298)	(5,640)	(9,848)	(6,624)
Financial liabilities	22	(8,319)	-	(19,641)	-
Current tax liabilities		(230)	(9)	(314)	-
Total current liabilities		(16,847)	(5,649)	(29,803)	(6,624)
Net current assets		19,308	4,190	6,308	1,713
Total assets less current liabilities		167,233	26,548	146,679	22,450
Non-current liabilities:					
Financial liabilities	22	(110,768)	-	(100,043)	-
Deferred tax liabilities	23	(3,543)	-	(3,208)	-
Net assets		52,922	26,548	43,428	22,450
Equity					
Called up share capital	24	1,166	1,166	1,166	1,166
Share premium		5,789	5,789	5,781	5,781
Share-based payment reserve		203	203	203	203
Foreign exchange translation reserve		1,398	-	19	-
Investment revaluation reserve		(70)	(70)	(67)	(67)
Retained earnings		38,249	19,460	33,311	15,367
Equity attributable to the owners of the parent		46,735	26,548	40,413	22,450
Non-controlling interests		6,187	-	3,015	-
Total equity		52,922	26,548	43,428	22,450
Net assets per share	12	40.29p		34.84p	

The Company's profit for the year was £5.91 million (2017: £5.84 million).

The financial statements were approved and authorised for issue by the Board of Directors on 16 August 2018 and were signed on its behalf by:



George R W Digby
Finance Director

Consolidated Statement of Changes in Equity

for the year ended 31 March 2018

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 2017	1,166	5,781	203	19	(99)	(67)	33,410	3,015	43,428
Profit for the year	–	–	–	–	–	–	7,760	–	7,760
Fair value (or revaluation) gains/(losses) on available-for-sale financial assets to profit or loss	–	–	–	–	–	(3)	–	–	(3)
Movement on foreign exchange	–	–	–	1,379	–	–	–	211	1,590
Total comprehensive income	–	–	–	1,379	–	(3)	7,760	211	9,347
Change in proportion held by non-controlling interests	–	–	–	–	–	–	–	2,000	2,000
Sale of treasury shares	–	8	–	–	4	–	–	–	12
Non-controlling interests	–	–	–	–	–	–	(1,005)	1,005	–
Dividends paid	–	–	–	–	–	–	(1,821)	(44)	(1,865)
At 31 March 2018	1,166	5,789	203	1,398	(95)	(70)	38,344	6,187	52,922
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/(losses) on available-for-sale financial assets to profit or loss	–	–	–	–	–	(29)	–	–	(29)
Movement on foreign exchange	–	–	–	2,170	–	–	–	(162)	2,008
Total comprehensive income	–	–	–	2,170	–	(29)	8,590	(162)	10,569
Change in proportion held by non-controlling interest	–	–	–	–	–	–	–	556	556
Sale of treasury shares	–	8	–	–	4	–	–	–	12
Non-controlling interests	–	–	–	–	–	–	(757)	757	–
Dividends paid	–	–	–	–	–	–	(1,757)	(42)	(1,799)
At 31 March 2017	1,166	5,781	203	19	(99)	(67)	33,410	3,015	43,428

Company Statement of Changes in Equity

for the year ended 31 March 2018

Company	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Purchase of own shares £'000	Investment revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2017	1,166	5,781	203	(99)	(67)	15,466	22,450
Profit for the year	–	–	–	–	–	5,910	5,910
Fair value (or revaluation) gains/(losses) on available-for-sale assets to the profit or loss	–	–	–	–	(3)	–	(3)
Total comprehensive income	–	–	–	–	(3)	5,910	5,907
Sale of treasury shares	–	8	–	4	–	–	12
New shares issued	–	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	(1,821)	(1,821)
At 31 March 2018	1,166	5,789	203	(95)	(70)	19,555	26,548
At 1 April 2016	1,166	5,773	203	(103)	(38)	11,388	18,389
Profit for the year	–	–	–	–	–	5,835	5,835
Fair value (or revaluation) gains/(losses) on available-for-sale assets to the profit or loss	–	–	–	–	(29)	–	(29)
Total comprehensive income	–	–	–	–	(29)	5,835	5,806
Sale of treasury shares	–	8	–	4	–	–	12
New shares issued	–	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	(1,757)	(1,757)
At 31 March 2017	1,166	5,781	203	(99)	(67)	15,466	22,450

Foreign exchange translation reserve

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

Share-based payment reserve

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

Purchase of own Ordinary Shares

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

Investment revaluation reserve

The change in fair value of the Group's available-for-sale financial assets is held in this reserve, and is non-distributable.

Consolidated Cash Flow Statements

for the year ended 31 March 2018

	2018 Group £'000	2018 Company £'000	2017 Group £'000	2017 Company £'000
Cash flows from operating activities				
Operating profit	11,201	353	11,614	(948)
Adjustments for:				
Depreciation of investment property and property, plant & equipment	2,272	–	1,960	–
Profit on the sale of an investment property	–	–	(890)	–
Profit on the sale of FOP shares	(1,112)	(2,928)	(552)	(1,040)
Impairment loss to an investment property	183	–	219	–
(Increase)/decrease in inventories	(107)	–	(130)	–
Decrease/(increase) in trade and other receivables	240	2,992	305	925
Increase/(decrease) in trade and other payables	(1,746)	(944)	1,637	(87)
Other non-cash adjustments	263	–	615	–
Cash generated from/(used in) operations	11,194	(527)	14,778	(1,150)
Taxes paid	(1,407)	5	(1,156)	20
Net cash flow from/(used in) operating activities	9,787	(522)	13,622	(1,130)
Cash flow (used in)/from investing activities				
Capital expenditure on investment properties	(2,375)	–	(1,990)	–
Proceeds from partial disposal of available-for-sale assets	633	633	239	239
Purchase of property, plant & equipment	(19)	–	(26)	–
Investment in a subsidiary	–	–	–	(135)
Consideration from the sale of FOP shares	3,112	3,112	1,108	1,108
Investment in shares of new associates	(122)	(122)	(1,119)	(1,119)
Investment in funds	(3,623)	(2,723)	–	–
Interest received	82	192	135	204
Dividends from associates	61	61	96	96
Investment income received	68	1,513	64	4,262
Net cash flow (used in)/from investing activities	(2,183)	2,666	(1,493)	4,655
Cash flow from/(used in) financing activities				
Net repayment of shareholder loan in subsidiary	(1,841)	–	(227)	–
Proceeds from bank loan	3,994	–	–	–
Repayment of bank loans	(3,498)	–	(3,125)	–
Repayment from the sale of FOP shareholder loan	1,157	1,157	534	534
Repayment of a short-term loan to an associate	–	–	5,083	5,083
Repayment of finance leases	(3,403)	–	(2,950)	–
Sale of shares held in treasury	12	12	12	12
Proceeds from the issue of share capital	–	–	–	–
Interest paid	(2,915)	–	(3,100)	(1)
Dividends paid	(1,821)	(1,821)	(1,757)	(1,757)
Dividends paid to non-controlling interests	(44)	–	(42)	–
Net cash flow (used in)/from financing activities	(8,359)	(652)	(5,572)	3,871
Net increase/(decrease) in cash and cash equivalents	(755)	1,492	6,557	7,396
Cash and cash equivalents at the beginning of the year	15,946	8,279	8,975	883
Currency translation gains on cash and cash equivalents	124	3	414	–
Cash and cash equivalents at the year-end	15,315	9,774	15,946	8,279

Notes to the Financial Statements

for the year ended 31 March 2018

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 27 on page 55.

Standards and interpretations effective in the current period

The following standards and interpretations have been applied for the first time in these financial statements. None of them has had a material impact on these financial statements.

- › Annual Improvements to IFRSs (2014 – 2016 Cycle): IFRS 12 – Disclosure of interests in other entities;
- › IAS 12 Income Taxes (Amendment – Recognition of Deferred Tax Assets for Unrealised Losses);
- › IAS 7 Statement of Cash Flows (Disclosure Initiative Amendments).

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:

- › IFRS 15 Revenue from Contracts with Customers (effective p/c on or after 1 January 2018);
- › IFRS 9 Financial Instruments (effective p/c on or after 1 January 2018);
- › IFRIC 22 Foreign Currency Translations and Advance Consideration (effective 1 January 2018);
- › Amendments to IFRS 2 Classification and Measurement of Share-based payment Transactions (effective 1 January 2018);
- › Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018);
- › Amendments to IAS 40 Transfers of Investment Property (effective 1 January 2018);
- › Annual Improvements to IFRS Standards 2014-2016 cycle dealing with matters in IFRS 1 First-time Adoption and IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2018);
- › IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019);
- › Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019);
- › Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (effective 1 January 2019);
- › IFRS 16 Leases (effective p/c on or after 1 January 2019);
- › IFRS 17 Insurance Contracts (effective 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.

Notes to the Financial Statements continued

for the year ended 31 March 2018

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 2018. Intra-Group balances, sales and profits are eliminated fully on consolidation.

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

Investments in subsidiaries

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

Investments in associates

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

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

Other financial investments

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

Impairment

The carrying values of the Group's non-financial assets, excluding goodwill, are reviewed at each reporting date to determine whether there are any indications that an asset may be impaired. If there are any indications of impairment, the asset's recoverable value is estimated and any impairment loss, measured against its carrying value, is recognised in the income statement.

Property, plant and equipment

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

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

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

Investment properties

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

Inventories – land and buildings

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

2. Significant accounting policies continued

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. In the case where a performance fee is subject to potential claw back the Directors will carry out an income recognition test to determine the amount to be recognised in the accounts;
- › 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.

Lessor accounting

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

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

Operating profit

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

Share-based payments

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

Notes to the Financial Statements continued

for the year ended 31 March 2018

2. Significant accounting policies continued

Foreign currencies

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

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

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

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

Financial instruments

The Group'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.

Business combinations

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

Goodwill

Goodwill is stated at cost less, where appropriate, impairment in value. Under IAS 36 (para 10b), annual impairment tests are mandatory for goodwill and, as such, have been carried out. Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the net assets acquired.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, 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:

Sources of estimation uncertainty and assumptions:

- › Note 6: Valuation of share-based payments;
- › Note 13: Estimation of residual values of investment property;
- › Note 15: Impairment review of investments and goodwill;
- › Note 17: Impairment review of subsidiaries;
- › Note 18: Estimation of fair value of other investments;
- › Note 20: Estimation of accrued income, bad debt and other provisions and costs;
- › Note 23: Recognition of deferred tax liabilities;
- › Note 23: Recoverability of deferred tax assets.

Judgements in applying the Group's accounting policies:

- › Note 18: Classification of investments;
- › Determination of control and significant influence of investments.

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.

4. Segmental reporting

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

The Property Fund Management segment is organised into separate funds operating across all the Group's chosen geographic areas. It enjoys recurring income from managing commercial property on behalf of its various fund investors in the form of asset management fees, and performance fees when earned. It includes such fees from associates, but not Group Properties whose fees therefrom are eliminated at the Group level. A table of funds managed is listed in this report in the Review of operations section of the Chief Executive's Statement on page 02.

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

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

In 2016/17, management decided to sell down its interest in FOP, with the intention of reducing its stake to that of a non-controlling interest. At the current year-end the Group's interest was 51.46% (2017: 69.23%) and if, after further share sales, the Group's share does reduce to a non-controlling one then FOP will be deconsolidated and accounted for as an associate and reported under Group Properties, when this segment will no longer exist.

Direct costs incurred by First Property Group plc relating to the cost of the Board and the related share listing costs are shown separately under unallocated central overheads. All other overheads are allocated on a percentage basis across the three other segments.

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2018

4. Segmental reporting continued

Segment report 2018

	Fund Management Division	Group Properties Division			
	Property fund management £'000	Group properties and other co-investments £'000	Group fund properties FOP £'000	Unallocated central overheads £'000	Total £'000
Rental income	–	12,132	6,177	–	18,309
Service charge income	–	2,498	1,733	–	4,231
Asset management fees	2,731	–	–	–	2,731
Performance fees	189	–	–	–	189
Total revenue	2,920	14,630	7,910	–	25,460
Depreciation and amortisation	(40)	(1,983)	(249)	–	(2,272)
Operating profit	1,004	9,404	3,749	(2,956)	11,201
Share of results in associates	–	950	–	–	950
Investment income	–	63	–	–	63
Interest income	–	53	20	9	82
Interest payable	–	(1,455)	(1,608)	–	(3,063)
Profit/(loss) before tax	1,004	9,015	2,161	(2,947)	9,233
Analysed as:					
Underlying profit/(loss) before tax before adjusting for the following items:	1,329	9,975	2,843	(941)	13,206
Impairment losses	–	(193)	(183)	–	(376)
Profit on the sale of FOP shares	–	1,112	–	–	1,112
FPG's share in associate's profit on the sale of investment property	–	397	–	–	397
Depreciation	–	(1,739)	–	–	(1,739)
Performance and related fees	189	–	–	–	189
Staff incentives	(538)	(214)	(213)	(1,915)	(2,880)
Realised foreign currency (losses)/gains	24	(323)	(286)	(91)	(676)
Total	1,004	9,015	2,161	(2,947)	9,233
Assets – Group	1,362	100,072	68,147	9,774	179,355
Share of net assets of associates	–	5,033	–	(308)	4,725
Liabilities	(204)	(75,337)	(53,562)	(2,055)	(131,158)
Net assets	1,158	29,768	14,585	7,411	52,922
Additions to non-current assets					
Property, plant and equipment	19	–	–	–	19
Investment properties	–	371	2,004	–	2,375
Trading stock	–	107	–	–	107
Interest in associates	–	122	–	–	122

4. Segmental reporting continued

Segment report 2017

	Fund Management Division	Group Properties Division			
	Property fund management £'000	Group properties and other co-investments £'000	Group fund properties FOP £'000	Unallocated central overheads £'000	Total £'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	–	–	–	–	–
Total revenue	2,046	14,629	6,988	–	23,663
Depreciation and amortisation	(41)	(1,786)	(133)	–	(1,960)
Operating profit	404	10,192	3,866	(2,848)	11,614
Share of results in associates	–	519	–	–	519
Investment income	–	60	–	–	60
Interest income	–	37	48	50	135
Interest payable	–	(1,535)	(1,656)	–	(3,191)
Profit/(loss) before tax	404	9,273	2,258	(2,798)	9,137
Analysed as:					
Underlying profit/(loss) before tax before adjusting for the following items:	907	9,993	2,791	(857)	12,834
Impairment loss to investment properties	–	–	(219)	–	(219)
Profit on the sale of FOP shares	–	552	–	–	552
Profit on the sale of an investment 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)
Total	404	9,273	2,258	(2,798)	9,137
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)
Net assets	603	20,761	16,374	5,690	43,428
Additions to non-current assets					
Property, plant and equipment	26	–	–	–	26
Investment properties	–	325	1,665	–	1,990
Trading stock	–	130	–	–	130
Interest in associates	–	1,119	–	–	1,119

	Revenue		Non-current assets	
Geographic analysis	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK	2,056	1,548	10,142	7,316
Poland	22,234	20,219	128,949	124,402
Romania	1,170	1,896	4,163	4,159
	25,460	23,663	143,254	135,877

Notes to the Financial Statements continued

for the year ended 31 March 2018

5. Interest income/expense

	2018 Group £'000	2017 Group £'000
Interest income – bank deposits	28	35
Interest income – other	54	100
Total interest income	82	135
	2018 Group £'000	2017 Group £'000
Interest expense – property loans	(2,078)	(2,192)
Interest expense – bank and other	(142)	(160)
Finance charges on finance leases	(843)	(839)
Total interest expense	(3,063)	(3,191)

6. Employee information

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

	2018 Number	2017 Number
Management	10	10
Property operations	17	16
Technical operations	22	21
	49	47

An analysis of staff costs is set out below:

	2018 £'000	2017 £'000
Wages and salaries	5,329	4,768
Social security costs	566	458
Share-based payments	–	–
	5,895	5,226

The Company employs two Directors and two Non-Executive Directors only. Analysis of these costs can be found in Note 7.

7. Directors' remuneration and emoluments

The remuneration of the Directors was as follows:

	2018 £'000	2017 £'000			
Basic pay	561	545			
Pension	16	13			
Fees	60	60			
Benefits	20	18			
Exercise of share options	–	–			
Annual bonus	1,662	1,797			
	2,319	2,433			
	Salary & benefits £'000	Annual bonus £'000	Fees £'000	2018 £'000	2017 £'000
A J D Locke	–	–	30	30	30
P Moon	–	–	30	30	30
B N Habib	368	1,382	–	1,750	1,861
G R W Digby	229	280	–	509	512
	597	1,662	60	2,319	2,433

There are no retirement benefits accruing to Directors (2017: none) under money purchase pension schemes run by the Company.

8. Profit on ordinary activities before taxation

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment	68	68
– Depreciation on investment properties	2,204	1,891
– Net foreign exchange losses	676	444
– Staff costs (see Note 6)	5,895	5,226
– Group audit (Company (2018: £52,000))	170	142
– Non-audit fees (bureau services – Romania)	22	19
– Operating lease rentals	94	94
– Rental income from investment properties	15,914	15,583
– Direct operating expenses arising from investment property that generated rental income during the period	5,086	4,167
– Direct operating expenses arising from investment property that did not generate rental income	4,049	4,087
– Cost of inventories	107	130

9. Tax expense

	2018 £'000	2017 £'000
Analysis of tax charge for the year		
Current tax:		
Current period profits	(1,383)	(1,188)
Prior period adjustments	–	33
Change in tax rates	–	–
Total current tax	(1,383)	(1,155)
Deferred tax (see note 23)	(90)	608
Total tax charge for the year	(1,473)	(547)

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 profits being earned in the UK.

Factors affecting the tax charge for the period

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

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	9,233	9,137
Profit on ordinary activities multiplied by the standard rate of 19% (2017: 20%)	1,754	1,828
Effects of:		
– Expenses not deductible for tax purposes	1	12
– Depreciation in excess of capital allowances on plant and equipment	3	2
– Prior year adjustments	–	(61)
– Movement on deferred tax unprovided	(27)	315
– Effect of overseas mainstream tax rates	(13)	(44)
– Other adjustments (including overseas tax allowable depreciation on property)	(335)	(897)
Total tax charge for the period	1,383	1,155

Unrecognised deferred tax

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	(4)	–	(5)	–
Tax losses carried forward	1,206	1,206	1,233	1,233
Unrecognised deferred tax asset	1,202	1,206	1,228	1,233

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 2018 and 2017.

Notes to the Financial Statements continued

for the year ended 31 March 2018

10. Parent Company result for the year

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's profit for the year was £5.91 million (2017: £5.84 million).

11. Dividend on Ordinary Shares

	2018 £'000	2017 £'000
Interim dividends paid during the year 2018: 0.42 pence (2017: 0.40 pence)	487	464
Final dividend paid for the year-ended 31 March 2017: 1.15 pence per share (2016: 1.115 pence per share)	1,334	1,293
	1,821	1,757

The total dividend for the current year-ended 31 March 2018 of 1.60p (2017: 1.55p) will be subject to shareholder approval at the Annual General Meeting to be held on 20 September 2018.

12. Earnings/NAV per share

	2018 £'000	2017 £'000
Basic earnings per share	5.82p	6.75p
Diluted earnings per share	5.70p	6.61p

	2018 £'000	2017 £'000
Basic earnings	6,755	7,833
Diluted earnings assuming full dilution	6,763	7,841

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

	2018 Number	2017 Number
Weighted average number of Ordinary Shares in issue (used for basic earnings per share calculation)	116,004,730	115,975,959
Number of share options	2,700,000	2,700,000
Total number of Ordinary Shares used in the diluted earnings per share calculation	118,704,730	118,675,959

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

	2018 £'000	2017 £'000
Basic earnings per share		
Basic earnings	6,755	7,833
Diluted earnings per share		
Basic earnings	6,755	7,833
Notional interest on share options assumed to be exercised	8	8
Diluted earnings	6,763	7,841

	2018	2017
Net assets per share	40.29p	34.84p
Adjusted net assets per share	53.07p	47.64p

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

12. Earnings/NAV per share continued

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

	2018 £'000	2017 £'000
For net assets per share		
Net assets excluding non-controlling interest	46,735	40,413
	2018 Number	2017 Number
Number of shares in issue at year-end	116,016,546	115,992,699
	2018 £'000	2017 £'000
For adjusted net assets per share		
Net assets excluding non-controlling interests	46,735	40,413
Investment properties at fair value net of deferred tax	10,272	10,740
Inventories at fair value net of deferred tax	4,582	4,128
Other items	1,409	1,267
Total	62,998	56,548
	2018 Number	2017 Number
Number of shares in issue at year-end	116,016,546	115,992,699
Number of share options assumed to be exercised	2,700,000	2,700,000
Total	118,716,546	118,692,699

13. Investment properties

	2018 Group £'000	2017 Group £'000
Investment properties		
At 1 April	128,428	120,718
Capital expenditure	2,375	1,990
Disposal	–	(1,711)
Depreciation	(2,204)	(1,891)
Impairment loss to an investment property	(183)	(219)
Foreign exchange translation	3,764	9,541
At 31 March	132,180	128,428

Investment properties owned by the Group, and indirectly via FOP are stated at cost less depreciation and accumulated impairment losses. The properties were valued at the Group's financial year-end at €171.20 million (2017: €168.66 million), the Sterling equivalent at closing foreign exchange rates being £150.10 million (2017: £144.26 million).

On acquisition of the Gdynia Podolska property the Directors took the decision to depreciate the property over the lease term which expires in 2021. 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. The gross carrying value of this property is currently €42.70 million less accumulated depreciation of €6.42 million (2017: €4.44 million). 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 all three investment properties that are held under a finance lease is £56.93 million (2017: £57.10 million).

Notes to the Financial Statements continued

for the year ended 31 March 2018

14. Leases

	2018 Group £'000	2017 Group £'000
Minimum lease receipts under non-cancellable operating leases to be received:		
Not later than one year	15,757	15,776
Later than one year and not later than five years	32,134	36,982
Later than five years	9,461	7,483
	57,352	60,241

Investment properties are comprised of a number of commercial properties that are leased to third parties. The Group has approximately 230 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 9 months (2017: 3 years and 7 month). No contingent rents are charged.

15. Goodwill

	2018 Group £'000	2017 Group £'000
At 1 April	153	153
At 31 March	153	153

The goodwill arose on the acquisition of Corp Sp. z o.o., the management company of the Blue Tower in 2009. The amount represents the excess paid above the percentage share relating to the fair value of the net assets.

The Directors have carried out an annual impairment test by reviewing the cash generating unit in Corp Sp. z o.o. and concluded that no impairment write down is necessary because the estimated recoverable amount was higher than the value stated. The estimated recoverable amount was determined using the "value in use" basis. The "value in use" basis was calculated by applying a price earnings multiple of four to the average of the past three years earnings and next year's forecast earnings, which is based on information consistent with external sources.

16. Property, plant and equipment

Group 2018	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 April 2017	176	63	24	37	300
Foreign currency translation	2	1	1	–	4
Additions	10	9	–	–	19
Disposals/transfers	7	(5)	–	–	2
At 31 March 2018	195	68	25	37	325
Depreciation					
At 1 April 2017	139	36	24	4	203
Foreign currency translation	2	1	1	–	4
Charge for year	22	11	–	35	68
Disposals/transfers	–	(7)	–	(9)	(16)
At 31 March 2018	163	41	25	30	259
Net book value at 31 March 2018	32	27	–	7	66

16. Property, plant and equipment continued

	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Group 2017					
Cost					
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)
At 31 March 2017	176	63	24	37	300
Depreciation					
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)
At 31 March 2017	139	36	24	4	203
Net book value at 31 March 2017	37	27	–	33	97

The Company had no property, plant or equipment (2017: Nil). The Group holds no property plant and equipment under a finance lease.

17. Investment in Group undertakings

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Investment in consolidated subsidiaries				
Shares at cost	–	3,077	–	3,260
At 31 March	–	3,077	–	3,260

The movement represents the Company's change in its percentage ownership in Fprop Opportunities plc following the sale of some its shares, reducing its investment from 69.23% to 51.46%.

18. Investments in associates and other financial investments

The Group has the following investments:

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Associates				
At 1 April	4,347	3,274	3,044	2,394
Additions	122	122	1,119	1,119
Repayment of shareholder loan	(633)	(633)	(239)	(239)
Share of associates' profit after tax	1,143	–	519	–
Impairment	(193)	(7)	–	–
Dividends received	(61)	–	(96)	–
At 31 March	4,725	2,756	4,347	3,274

Notes to the Financial Statements continued

for the year ended 31 March 2018

18. Investments in associates and other financial investments continued

The Group's investments in associated companies are held at cost plus its share of post-acquisition profits less dividend received, adopting the cost model for accounting for investment properties under IAS 40 and comprises the following:

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in associates				
5th Property Trading Ltd	1,029	53	916	53
Regional Property Trading Ltd	105	48	192	48
E and S Estates Ltd	116	116	–	–
Fprop Romanian Supermarkets Ltd	624	7	750	613
Fprop Galeria Corso Ltd	1,920	1,413	1,678	1,441
Fprop Krakow Ltd	1,239	1,119	1,119	1,119
	5,033	2,756	4,655	3,274
Less: Share of profit after tax withheld on sale of property to 5th Property Trading Ltd in 2007 (an associated company)	(308)	–	(308)	–
	4,725	2,756	4,347	3,274

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 £5.74 million (2017: £5.27 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 5th Property Trading Limited, an associate. The figure will reduce when there is a reduction in First Property Group's stake in 5th Property Trading Limited.

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Other financial investments				
At 1 April	897	897	914	914
Additions	3,623	2,723	12	12
Disposals	–	–	–	–
Decrease in fair value during the year	(3)	(3)	(29)	(29)
At 31 March	4,517	3,617	897	897

The Group holds four unlisted investments in funds managed by it. Included in additions are three new investments made during the year.

The first was for £760,000 in a fund, Fprop UK Special Opportunities LP, established in January 2017 in which First Property Group plc has a 4% interest.

The second was an investment of £1.98 million in the new Fprop Offices LP fund, established in July 2017, representing a 1.6% interest.

The third investment, made in September 2017, was the acquisition for £900,000 of 100% of the share capital in 11 operating companies which own the majority of the properties situated in Krakow Business Park (KBP), Poland.

These companies (listed on page 47) have not been consolidated into the Group because, in the opinion of the Directors, the Group did not exercise effective control over these companies at the year-end. The reason for non-consolidation was that the bank loans secured on these properties, and thus the companies, were in default. The lending bank had exercised its full powers through an officially appointed administrator.

On 25 May 2018, after the Group's financial year-end, the bank loans were restructured so that the debt was no longer in default. The current value of the total bank loans is €47 million.

On 6 June 2018, the Group secured third party investor commitment from a group of investors for some €33 million of new equity in Fprop Phoenix Ltd, the holding company for KBP. The Group, who did not participate in this fundraising, now owns some 23.4% of the issued share capital of Fprop Phoenix Ltd. The Group's share will be treated as an associate and, in keeping with its accounting policies, will be held at cost plus its share of post-acquisition profits and losses less dividends received.

18. Investments in associates and other financial investments continued

The names of the 11 companies are as follows:

KBP – 1 Sp. z o.o. (In bankruptcy)	KBP – 5 Sp. z o.o.	KBP – 10 Sp. z o.o.
KBP – 2 Sp. z o.o.	KBP – 6 Sp. z o.o.	KBP – 11 Sp. z o.o.
KBP – 3 Sp. z o.o.	KBP – 8 Sp. z o.o.	KBP – TT Sp. z o.o.
KBP – 4 Sp. z o.o.	KBP – 9 Sp. z o.o.	

At the year-end all 11 entities were 100% held by Scaup Sp. z o.o., an entity which was a Group undertaking, held 100% by First Property Group plc. The registered address of these entities is ul. Krakowska 280, 32-080 Zabierzów. On 6 June 2018, 100% of the equity in Scaup Sp. z o.o. was sold to Fprop Phoenix Ltd and transferred out of the Group.

The principal investments of the Group at 31 March 2018 are as follows:

		% of Ordinary Shares held by	
Principal activities		Company %	Subsidiary %
Group undertakings			
UK			
First Property Asset Management Limited	Property asset management	100	–
Fprop Corktree Limited	Property holding company	100	–
FPGP Limited	Property holding company	100	–
Fprop Opportunities plc	Property fund	51	–
UK Not consolidated			
Fprop UK General Partner Limited	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	–
Fprop Offices General Partner Limited	General partner of property fund	100	–
Fprop Phoenix Limited	General partner of property fund	100	–
Fprop Cluj Limited	General partner of property fund	100	–
First Property General Partner Limited	General partner of property fund	51	–
SIPS Property Nominee Limited	Nominee	100	–
The entities listed above have not been consolidated for the reason that they are not material to the Group. Fprop Phoenix Limited and Fprop Cluj Limited both became associate companies to the Group post year-end.			
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
Fprop Krakow 2 Sp. z o.o.	Property holding company	–	100
Romania			
First Property Asset Management Romania SRL	Property asset manager	90	10
Felix Development SRL	Property holding company	100	–
Fprop CJ SRL	Property holding company	–	100

Notes to the Financial Statements continued

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18. Investments in associates and other financial investments continued

Non-controlling interests that are material to the Group:

Subsidiary: Fprop Opportunities plc

Principal place of business: 32 St James's Street, London, SW1A 1HD

Non-controlling interests share – 48.54%

Profit and loss allocated to non-controlling interests during the reporting period: £969,000

Accumulated non-controlling interest in the subsidiary: £6.15 million

		% of Ordinary Shares held by	
	Principal activities	Company %	Subsidiary %
Group companies owned by Fprop Opportunities plc (FOP)			
UK			
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
Associates and other investments			
UK			
Regional Property Trading Limited	Property fund	26	–
Sth Property Trading Limited	Property fund	38	–
UK Pension Property Portfolio LP	Property fund	1	–
Fprop PDR LP	Property fund	5	–
Fprop Galeria Corso Limited	Property fund	28	–
Fprop Romanian Supermarkets Limited	Property fund	24	–
Fprop Krakow Limited	Property fund	18	–
E and S Estates Limited	Property fund	27	–
Fprop UK Special Opportunities LP	Property fund	4	–
Fprop Offices LP	Property fund	2	–
Poland			
E and S Estates Poland Sp. z o.o.	Property fund	–	26
Sth 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

See page 46 for contributions from associate and other investments.

18. Investments in associates and other financial investments continued

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

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

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

The Romanian companies are as follows:

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

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

Fprop CJ SRL – Str Principala, nr 41, Tureni

First Property Sterling General Partner Limited, First Property General Partner Limited, First Property General Partner (PDR) Limited, SIPS Property Nominee Limited, Fprop UK General Partner Limited, Fprop Offices General Partner Limited, Fprop Phoenix Limited, Fprop CJ SRL, Fprop Krakow 2 Sp. z o.o. and Fprop Cluj Limited have not been consolidated for the reason that they are not material to the Group.

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19. Inventories – land and buildings

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Group properties for resale at cost				
At 1 April	15,115	–	13,894	–
Capital expenditure	107	–	130	–
Foreign exchange translation	364	–	1,091	–
At 31 March	15,586	–	15,115	–

The Group's total interest in Blue Tower (an office block in Warsaw) is 48.2% of the building. The fair value of this interest is £21.24 million (€24.23 million) up from £20.21 million (€23.63 million) in 2017 but is stated at cost as above.

20. Trade and other receivables

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Current assets				
Trade receivables	2,070	–	2,003	–
Less provision for impairment of receivables	(640)	–	(626)	–
Trade receivables net	1,430	–	1,377	–
Other receivables	2,462	21	2,435	48
Prepayments and accrued income	1,262	44	1,078	10
	5,154	65	4,890	58

The estimated fair values of receivables are the amount of the estimated future cash flows expected to be received and approximate to their carrying amounts.

There is no significant concentration of credit risk with respect of trade receivables as the Group has a large number of tenants and the perceived overall credit quality is considered good.

A bad debt provision is recognised for amounts not expected to be recovered and all amounts over three months old. There are no unimpaired trade debts greater than three months old. Movements in the accumulated impairment losses on trade receivables were as follows:

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Accumulated impairment losses as at 1 April	(626)	–	(905)	–
Increase in provision	(347)	–	(461)	–
Provision used	179	–	459	–
Release of provision	173	–	362	–
Effect of translation on presentation currency	(19)	–	(81)	–
Accumulated impairment losses as at 31 March	(640)	–	(626)	–

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Non-current assets				
Other receivables	1,766	–	2,108	–
Amounts owed by subsidiaries and other undertakings	–	12,908	–	13,306

In 2018, other receivables include a balance of £1.77 million (2017: £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 net present value.

21. Trade and other payables

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Current liabilities				
Trade payables	3,405	12	2,941	9
Amounts due to subsidiary undertakings and associates	–	3,625	–	3,102
Other taxation and social security	946	–	799	–
Other payables and accruals	3,425	2,003	5,275	3,513
Deferred income	522	–	833	–
	8,298	5,640	9,848	6,624

22. Financial liabilities

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Current liabilities				
Loans repayable by subsidiary (FOP) to third party shareholders	1,464	–	2,148	–
Bank loan	3,411	–	3,180	–
Finance leases	3,444	–	14,313	–
	8,319	–	19,641	–
Non-current liabilities				
Bank loans	65,719	–	63,850	–
Finance leases	45,049	–	36,193	–
	110,768	–	100,043	–
Total obligations under bank loans and finance leases				
Repayable within one year	8,319	–	19,641	–
Repayable within one and five years	96,087	–	65,726	–
Repayable after five years	14,681	–	34,317	–
	119,087	–	119,684	–

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 £117.62 million (2017: £117.54 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:

	2018		2017	
Finance lease liabilities	Group £'000	Company £'000	Group £'000	Company £'000
Less than one year	4,377	–	14,940	–
Between two and five years	32,925	–	32,858	–
Later than five years	14,012	–	5,258	–
Future finance charges on future finance lease payments	(2,821)	–	(2,550)	–
	48,493	–	50,506	–

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

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Less than one year	3,444	–	14,313	–
Between two and five years	40,177	–	31,280	–
Later than five years	4,872	–	4,913	–
	48,493	–	50,506	–

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for the year ended 31 March 2018

23. Deferred tax

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

	2018			2017		
	Group net assets £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
Accrued interest payable	(1,082)	551	(1,633)	(1,114)	457	(1,571)
Accrued income	(4)	–	(4)	(4)	–	(4)
Foreign currency loans	1,678	2,121	(443)	1,945	2,086	(141)
Investment properties and inventories	99	1,534	(1,435)	203	1,473	(1,270)
Other temporary differences	284	312	(28)	103	325	(222)
	975	4,518	(3,543)	1,133	4,341	(3,208)

Relevant Group companies are making taxable profits.

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

	2018			2017		
	Group net assets £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
At 1 April	1,133	4,341	(3,208)	634	3,016	(2,382)
(Charge)/credit in the year	(90)	34	(124)	608	1,350	(742)
Foreign exchange translation	(68)	143	(211)	(109)	(25)	(84)
At 31 March	975	4,518	(3,543)	1,133	4,341	(3,208)

24. Called-up share capital

	2018 £'000	2017 £'000
Authorised		
240,000,000 (2017: 240,000,000) Ordinary Shares of 1 pence each	2,400	2,400
Issued and fully paid		
116,601,115 (2017: 116,601,115) Ordinary Shares of 1 pence each of issued share capital, of which 584,569 Ordinary Shares (2017: 608,416) are held in treasury.	1,166	1,166

	Ordinary Shares number	Treasury shares number	Share options number
1 April 2017	115,992,699	608,416	2,700,000
Exercise of share options	-	-	-
Issue of new shares	-	-	-
Issue of shares to Non-Executive Director	23,847	(23,847)	-
Lapse of share options	-	-	-
31 March 2018	116,016,546	584,569	2,700,000
	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	-	-	-
31 March 2017	115,992,699	608,416	2,700,000

The Company had 2,700,000 options over Ordinary Shares outstanding at 31 March 2018 (2017: 2,700,000). Once these share options are exercised, the Ordinary Shares issued will rank pari passu with the existing Ordinary Shares.

Year of grant	Exercise price (p)	Exercise period	2018 Numbers	2017 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. The weighted average contractual life of the share options is nine months.

25. Contractual commitments

The Group has contractual commitments relating to the development of investment properties at 31 March 2018 amounting to £1.6 million (2017: £3.2 million) which are expected to be expended over the next 12 months.

Notes to the Financial Statements continued

for the year ended 31 March 2018

26. Financial commitments

At 31 March 2018 the Group had total commitments under non-cancellable operating leases payable as follows:

	Land and buildings 2018 £'000	Land and buildings 2017 £'000
Total amounts due		
– within a year	94	94
– between one and five years inclusive	117	210
	211	304

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 27.

27. 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 16 and 17 the main areas of the Group and Company's exposure to economic and operational risk are interest rates, liquidity, capital management, foreign exchange and credit.

Interest rate risk

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

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

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

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

Liquidity risk

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

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.

Functional currency of operations	Net foreign currency monetary assets/liabilities		
	Polish Zloty Poland £'000	Romanian Leu Romania £'000	Total £'000
2018			
Sterling equivalent	(97,513)	109	(97,404)
2017			
Sterling equivalent	(98,754)	(147)	(98,901)

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 New Leu as its 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.

	2018 Income statement £'000	2017 Income statement £'000	2018 Equity £'000	2017 Equity £'000
Interest rate sensitivity analysis				
UK interest rate +1%	109	108	109	108
EURO interest rate +1%	(660)	(726)	(660)	(726)
RON interest rate +1%	(19)	(23)	(19)	(23)
PLN interest rate +1%	8	8	8	8
	(562)	(633)	(562)	(633)
Foreign currency sensitivity analysis				
EURO exchange rate +5%	416	385	1,899	2,787
RON exchange rate +5%	23	34	(77)	(90)
PLN exchange rate +5%	47	48	908	922
	486	467	2,730	3,619

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.

Notes to the Financial Statements continued

for the year ended 31 March 2018

27. Financial instruments and risk management continued

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2018 and 31 March 2017 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	5,330	–	–	5,330
Short-term deposits	–	9,985	–	9,985
At 31 March 2018	5,330	9,985	–	15,315
Other receivables due after one year	–	–	–	–
Cash	6,484	–	–	6,484
Short-term deposits	–	9,462	–	9,462
At 31 March 2017	6,484	9,462	–	15,946

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 2018 were £9.99m (31 March 2017: £9.46m).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2018 and 31 March 2017 was as follows:

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Non-interest bearing £'000	Total £'000
Bank loans	23,070	46,060	–	69,130
Finance lease obligations	36,922	11,571	–	48,493
Other financial liabilities	–	–	1,464	1,464
At 31 March 2018	59,992	57,631	1,464	119,087
Bank loans	20,366	46,664	–	67,030
Finance lease obligations	50,506	–	–	50,506
Other financial liabilities	–	–	2,148	2,148
At 31 March 2017	70,872	46,664	2,148	119,684

The Group's debt maturity other than short-term trade creditors and accruals at 31 March 2018 and 31 March 2017 was as follows:

	Bank loans £'000	Finance lease £'000	Other financial liabilities £'000	Total £'000
In one year or less	3,411	3,444	1,464	8,319
Between one and five years	55,910	40,177	–	96,087
Over five years	9,809	4,872	–	14,681
Total at 31 March 2018	69,130	48,493	1,464	119,087
In one year or less	3,179	14,314	2,148	19,641
Between one and five years	34,447	31,279	–	65,726
Over five years	29,404	4,913	–	34,317
Total at 31 March 2017	67,030	50,506	2,148	119,684

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

27. Financial instruments and risk management continued

Eight bank loans and three finance leases all denominated in Euros totalling £117.62 million (2017: £117.54 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.

Bank loans						
£'000	Matures	Denominated		Capital repayments	Interest repayments	Secured
965	2019	Euro	Non-recourse	€5,100 per month	Annualised rate of one month EURIBOR plus an all in margin of 2.40%	Office building in central business district of Warsaw
8,627	2020	Euro	Non-recourse	€152,000 per quarter	3.45% over one month EURIBOR	Office block in Lublin
18,909	2022	Euro	Non-recourse	€108,000 per quarter	72% of the loan fixed at 3.345% and other 28% floating at margin 2.5% plus three month EURIBOR	Shopping centre at Ostrowiec
25,392	2023	Euro	Non-recourse	€325,000 per quarter	Payable quarterly fixed at 2.323%	Chalubinskiego 8 (formally known as Oxford Tower)
2,262	2024	Euro	Non-recourse	€84,000 per quarter	Annualised rate of three month EURIBOR plus an all in margin of 3.75%	2 Romanian properties located in Bucharest and Tureni
7,224	2025	Euro	Non-recourse	€32,200 per month	50% of the loan fixed at 0.58% and other 50% floating at margin 2.4% plus six month EURIBOR	28% share of Blue Tower office building
3,264	2029	Euro	Non-recourse	€15,300 per month	50% of the loan fixed at 1.10% and other 50% floating at margin 2.9% plus six month EURIBOR	Krasnystaw shopping centre
2,487	2033	Euro	Non-recourse	€13,000 per month	50% of the loan 2.60% over three month EURIBOR and other 50% of the loan 2.79% over three month EURIBOR, 50% of the loan fixed at 1.40%	20% share of Blue Tower office building
69,130						
Finance leases						
£'000	Matures	Denominated		Capital repayments	Interest repayments	Secured
11,571	2021	Euro	Non-recourse	€61,000 per month	Payable monthly on a fixed rate of 2.49%	Lodz hypermarket
29,828	2021	Euro	Non-recourse	€228,000 per month	Payable monthly on a floating rate based on an annualised rate of one month EURIBOR plus a margin of 1.30%	Office building in Gdynia
7,094	2024	Euro	Non-recourse	€48,500 per month	Annualised rate of one month EURIBOR plus an all in margin of 3.20%	Office building in central business district of Warsaw
48,493						

Borrowing facilities

At 31 March 2018 the Group had £ Nil committed borrowing facilities available (31 March 2017: Nil undrawn).

Notes to the Financial Statements continued

for the year ended 31 March 2018

28. 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.

	2018 £'000	2017 £'000
Related party transactions for the Group		
Property management fees to associates	682	473
Amounts owed by associates at year-end	82	226
Related party transactions for the Company	£'000	£'000
Management charge to subsidiaries	200	60
Management charge paid to subsidiaries	–	–
Profit share charged to subsidiaries	–	–
Dividends received from subsidiaries during the year	5,321	6,709
Net funding transactions with subsidiaries & associates	(4,728)	(5,674)
Shareholder loan interest receivable from subsidiaries during the year	183	154
Shareholder loan interest payable to subsidiaries during the year	–	1
Amounts owed by subsidiaries at year end	12,908	13,306
Amounts owed to subsidiaries at year end	3,625	3,102
Amounts owed by associates at year end	2,505	3,139
Key management compensation	£'000	£'000
Short-term employee benefits (see Note 7)	2,319	2,433

Key managers are the Group Directors.

All transactions were made in the ordinary course of trading or funding of the Group's continuing activities.

All loans made by the Company to UK subsidiary companies totalling £3,054,000 (2017: £8,305,000) are unsecured and are interest free. All loans made by UK subsidiary companies to the Company totalling £3,094,000 (2017: £2,587,000) are unsecured and are interest free.

All loans made by the Company to non-UK subsidiaries totalling £3,440,000 (2017: £2,425,000) are unsecured but interest bearing at commercial rates of interest. All loans made by non-UK subsidiaries to the Company totalling £557,000 (2017: £579,000) are unsecured but interest bearing at commercial rates of interest.

29. Five year financial summary

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Continuing operations					
Profit before tax	9,233	9,137	7,346	8,083	6,598
Performance fees	189	–	1,131	3,365	451
Net (borrowings)/cash	(102,308)	(101,590)	(105,844)	(95,537)	(38,053)
Net cash flow from operating activities	9,787	13,622	10,794	7,917	1,377
Net assets (excluding non-controlling interest)	46,735	40,413	32,184	29,925	22,567
Total assets under management	£626m	£477m	£353m	£327m	£357m
Basic earnings per share	5.82p	6.75p	4.37p	7.21p	4.75p
Dividend per share	1.60p	1.55p	1.50p	1.35p	1.12p
Dividend cover	3.6	4.4	2.9	5.3	4.2
Adjusted net asset value per share	53.07p	47.64p	43.01p	35.75p	24.80p

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the "Meeting") of FIRST PROPERTY GROUP PLC (the "Company") will be held at the Cavalry and Guards Club, 127 Piccadilly, London, W1J 7PX on 20 September 2018 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 2018.
2. To declare and approve a final dividend of 1.18 pence per ordinary share of 1 pence each ("Ordinary Share") which makes a total dividend of 1.60 pence per Ordinary Share for the year.
3. To re-appoint George Richard Wingfield Digby 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 resolutions, each of 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 £370,768 (being 33.33% of the issued share capital of the Company as at 16 July 2018, 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.

7. That the Directors be authorised to amend rule 9.1 of the rules of the First Property 2000 Unapproved Discretionary Share Option Scheme (the "Scheme") by the deletion of the word "tenth" and the substitution in its place of the word "twentieth" and that the Directors be authorised to apply the amended rule 9.1 to all subsisting options granted under the Scheme (by agreement with the relevant option holder), which for the avoidance of doubt, shall include qualifying options granted under the Enterprise Management Incentive Scheme.

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

8. That the Directors be and are hereby generally authorised in accordance with Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company pursuant to the authority conferred by Resolution 6 above (including by way of a sale of treasury shares) as if Section 561(1) of the Act did not apply to any such allotment, provided that this authority shall be limited to:
 - a. the allotment of equity securities in connection with an offer by the way of rights in favour of the holders of equity securities in proportion (as nearly as may be possible) to the respective number of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems in respect of overseas holders or otherwise; and
 - b. the allotment of equity securities for cash or sale by the Company of treasury shares (otherwise than pursuant to Resolution 8 (a)) up to a maximum aggregate nominal amount of £222,483.

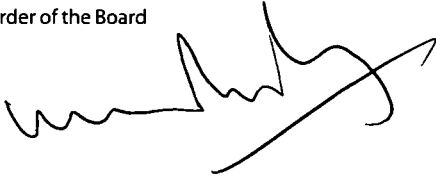
And this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed and the date fifteen months after the passing of this resolution save that the Company may make an offer or enter into an agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

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

Notice of Annual General Meeting continued

9. That in accordance with Article 57 of the Articles and Chapter 4 of Part 18 of the Act and subject to the following provisions of this resolution, the Company be and is hereby generally and unconditionally authorised (pursuant to Section 701 of the Act) to make market purchases (within the meaning of Section 693(4) of the Act) of any of its own Ordinary Shares on such terms and in such manner as the Directors may from time to time determine provided that:
- a. the maximum number of Ordinary Shares authorised to be acquired is 11,124,154 (representing just under 10 per cent of the Company's issued ordinary share capital as at 16 July 2018);
 - 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
16 August 2018

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

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 18 September 2018 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, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
- › received by Link 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.

Notes to the Notice of Annual General Meeting continued

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 Link 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 Link 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 Link 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.

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 16 July 2018, the Company's issued share capital comprised 111,241,546 Ordinary Shares of one pence each and 5,359,569 treasury shares. Each Ordinary Share (except the treasury shares) carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at midday on 16 July 2018 is 111,241,546.

14. Resolution 8 is a special resolution to renew the Directors' authority to allot shares for cash without first offering them to existing shareholders on a pro-rata basis. Although there is currently no intention to make use of this authority, the Directors consider that it is in the interests of the Company, in certain circumstances, for the Directors to have limited flexibility so as to be able to allot shares without having first to offer them to existing shareholders.

The authority sought in Resolution 8(b) is restricted (other than in relation to any rights issue, open offer or other pre-emptive issue pursuant to Resolution 8(a)), to shares having an aggregate nominal value of £222,483, which corresponds to 20% of the issued share capital of the Company (less the number of Ordinary Shares held in treasury) at 16 July 2018.

Communication

15. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
- › calling the Link Asset Services shareholder helpline on 0871 664 0300; calls cost 12p 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 020 7340 0270 available 24 hours a day, seven days a week;
 - › You may not use any electronic address provided either:
 - in this notice of Annual General Meeting; or
 - in any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

Directors and Advisers

Directors

Alasdair J D Locke

(Non-Executive Chairman)

Peter G Moon

(Non-Executive Director)

Benyamin N Habib

(Group Chief Executive)

George R W Digby

(Group Financial Director)

Company Secretary

George R W Digby

Registered Office

32 St James's Street

London

SW1A 1HD

Registered No. 02967020

Incorporated in England

Website: www.fprop.com

Bankers

Handelsbanken

86 Jermyn Street

3rd 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

Registered Auditors

Haines Watts

Sterling House

19-23 High Street

Kidlington

Oxford

OX5 2DH

Registrars

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