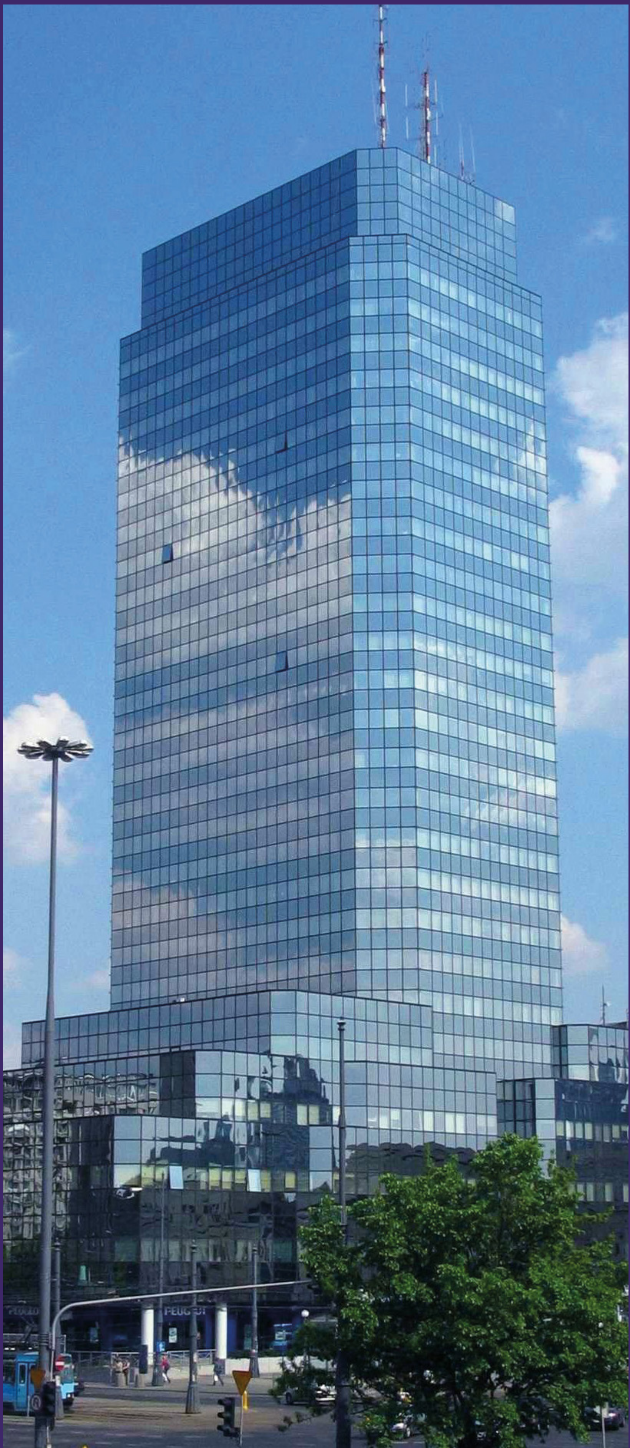


First Property Group plc

Annual Report & Accounts 2023

Welcome to First Property Group plc

We are an award-winning property fund manager and investor with operations in the United Kingdom, Poland and Romania.

Ranked No.1

Funds managed by First Property Group rank No.1 versus MSCI's Central & Eastern European (CEE) Benchmark for the 14 years from the commencement of its operations in Poland in 2005 to 31 December 2019.

AIM listed

Listed on AIM, the Company has offices in London and Warsaw. Around one third of the shares in the Company are owned by management and their families.

Contents

Our business at a glance

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

60
properties managed, of which 7 are directly owned by the Group.

59
employees in 2 offices in London and Warsaw.

12
funds under management.

£454m
total assets under management.

Highlights for the year ended 31 March 2023

Profit/(loss) before tax

£2.49m

2023	£2.49m
2022	£7.08m
2021	(£5.09m)

Total Assets Under Management

£454m

2023	£454m
2022	£559m
2021	£569m

Total Dividend

£0.50p (per share)

2023	£0.50p
2022	£0.50p
2021	£0.45p

Net assets with 7 directly held properties at book value

£43.44m

2023	£43.44m
2022	£42.77m
2021	£36.79m

Net assets with 7 directly held properties at market value

£52.54m

2023	£52.54m
2022	£52.05m
2021	£48.36m

Market value of Group investments in FPAM managed funds

£25.27m

2023	£25.27m
2022	£30.60m
2021	£27.47m

Our operations

First Property Group plc is an award-winning property fund manager and investor with operations in the United Kingdom and Central Europe. Its focus is on higher yielding commercial property with sustainable cash flow.

A key facet of successful property investing is local knowledge. Our local teams are capable of performing all aspects of property investing and subsequent asset management.

Investments include:

- 7 directly held properties in Poland and Romania;
- Non-controlling interests in nine of the twelve funds managed by FPAM.

Where we operate

The Group operates via two divisions:

Fund Management

FCA regulated and AIFMD approved subsidiary First Property Asset Management Ltd (FPAM) earns fees from investing for third parties in property. FPAM currently manages 12 funds which are invested across the United Kingdom, Poland and Romania.

Read more on pages 6 to 7

Group Properties

Principal investments by the Group to earn a return on its own capital, usually in partnership with third parties. Investments comprise seven directly owned properties in Poland and Romania and non-controlling interests in 9 of the 12 funds managed by FPAM.

Read more on pages 8 to 10

Why invest?

1 Expertise

- ✓ Experienced, nimble management team;
- ✓ Excellent track record.

2 Diversified earnings

- ✓ From properties and from fees;
- ✓ From mix of jurisdictions: UK, Poland and Romania.

3 Earnings growth

- ✓ Letting vacant space;
- ✓ Investing Group cash;
- ✓ New fund management mandates;
- ✓ Operationally geared – can take on new business without material increases in overheads.

4 Strength

- ✓ Strong balance sheet;
- ✓ Progressive dividend policy, based on it being covered by earnings, targeting a ratio in excess of 2.5x.

Chief Executive's statement

Financial performance

I am pleased to report the Company's results for the year ended 31 March 2023.

Revenue earned by the Group during the year amounted to £7.25 million (31 March 2022: £8.65 million) yielding a profit before tax of £2.49 million (31 March 2022: £7.08 million). The profit for the prior year, as explained in the accounts for that year, was bolstered by the restructuring of the loan secured on the Group's property in Gdynia.

The Group's profit was lower than in previous years due to the sale of income producing properties and the re-investing of some of these proceeds in the office block in Gdynia and in a further 32% of Blue Tower in Warsaw. Both investments were largely vacant at the time the investments were made and are now being leased up. Further details on these investments are set out below.

The Group ended the year with net assets calculated under the cost basis of accounting, excluding non-controlling interests, of £43.44 million (2022: restated £42.77 million), equating to 39.18 pence per share (2022: restated 38.74 pence per share). It is the accounting policy of the Group to carry its properties and interests in associates at the lower of cost or market value.

The net assets of the Group when adjusted to their market value less any deferred tax liabilities (EPRA basis), amounted to £52.54 million or 46.50 pence per share (31 March 2022: restated £52.05 million or 46.07 pence per share).

Gross debt amounted to £29.66 million at the year end (31 March 2022: £23.66 million), £17.02 million of which was non-interest bearing and represents deferred consideration payable for the purchase of two properties in Poland (in Gdynia and Warsaw, as referenced above). Net debt stood at £22.00 million (31 March 2022: £17.24 million). The debt was secured against six properties in Poland and one in Romania.

The Group's gearing ratio with its properties at their book value was 40.57% (31 March 2022: restated 35.62%) and with its properties at their market value was 36.08% (31 March 2022: restated 31.25%).

Group cash balances at the year end stood at £7.65 million (31 March 2022: £6.42 million), equivalent to 6.82 pence per share (31 March 2022: 5.81 pence per share).

Diluted earnings per share was 1.70 pence (2022: 6.01 pence).

As set out in previous accounts, the profit share earned by Fprop Offices LP is subject to clawback. As a result of reductions in the value of commercial property, an adjustment has been made to the net assets of the Group as at 31 March 2022 to reflect the likelihood of this clawback. No cash repayment has yet been made but the Directors consider it prudent to make this adjustment. In addition, the results for the year to 31 March 2023 include a provision of £0.59 million which represents the balance of any potential clawback.

Dividend

Instead of a final dividend (usually paid in September), a second interim dividend of 0.25 pence per share was paid on 5 April 2023 (2022: Final dividend 0.25 pence per share), which together with the first interim dividend of 0.25 pence per share equates to a dividend for the year of 0.50 pence per share (2022: 0.50 pence per share).

Current trading and prospects

These are a creditable set of results in extremely challenging times.

The end of lockdowns should have ushered in a more normal trading environment. Instead, we are experiencing the severe impact of broken supply chains and labour markets. Together with the war in Ukraine, the result has been rocketing inflation and a concomitant increase in interest rates.

Consequently, investment markets have been hit hard, with a sharp reduction in debt availability and the volumes of property being traded.

Occupational demand is generally holding up better than investment markets and we are making some inroads in letting the space available at our office blocks in Warsaw and Gdynia.

Given the general withdrawal of financing from the market, we have established a platform for the provision of debt to finance commercial property investments. It is too early to determine the likely success of this venture but we believe it to be the right product, launched at the right time.

BEN HABIB
Chief Executive

18 August 2023

Our strategy and markets

The strategy	Our strategic responses
Deliver sustainable revenue	• Establish new funds which will increase the Group's fund management fee income. • Invest in properties with sustainable income streams or loans which yield an attractive rate of interest.
Achieve overall growth with an equal balance between the two operating divisions	• Establish new funds. • Consider sale of directly owned Group Properties.
Active approach to asset management	• Drive income and in turn capital values by hands-on property management, relying as much as possible on internal capabilities.
Remain flexible	• Thinking from first principles. • In-house property teams employed in Poland and the UK.
Capitalise on market opportunities	• Maximise and exploit new opportunities arising.

Our markets	Commercial property markets outlook
United Kingdom	Economic growth in the United Kingdom is barely perceptible, compared to growth rates of 1-3% per annum in the years leading up to the pandemic. Inflation is the highest in the G7 group of developed nations, running at over 8% on an annualised basis. This in turn has led to successive increases in the Bank of England base interest rate to 5.25% at the date of these results with further rises forecast. The investment market for commercial property has weakened in the face of these headwinds. Offices have been particularly hard hit due to lockdowns and the development of a work from home culture. The cost of ensuring that buildings comply with net zero legislation is exacerbating the situation and is resulting in wide value dispersion between those buildings which do comply, those that can be made to comply and those for which compliance is too costly. Rental values should over time be sustained by inflation and a reduction in the supply of property in sectors which are over supplied, such as offices.
Poland	The rate of growth in Poland's GDP is expected to slow from a rate of 5.1% in 2022 to 1.5% in 2023, compared to a pre-pandemic 10-year average of 3.6% per annum, amidst high inflation, which peaked at over 17% per annum, and tighter monetary conditions. The rate of inflation has, since its peak, reduced to some 13% per annum. The National Bank of Poland's key policy interest rate is currently at 6.75% per annum. Commercial property markets in Poland have slowed dramatically as interest rates have increased and banks have withdrawn from lending to the sector. The development of new buildings has similarly reduced. However, continued economic growth and the influx of refugees and businesses from Ukraine are sustaining occupational demand. Rent review provisions in Polish leases are mostly contractually linked either to the rate of inflation in Poland or the Eurozone. This offers landlords some protection from inflation as long as the economy remains buoyant.

Investment Philosophy

1. Sustainability of income

When buying for income, sustainability of income is a priority. We target higher yielding properties with sustainable income streams, enabling us to boost returns by applying leverage.

2. Capital preservation

Capital is better protected if investments yield a high income. Over the long term it is income and not capital value movements which largely determine total returns.

3. A fundamental approach to investing

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

4. Flexibility in the light of market changes

Experienced management team with an excellent track record, including in challenging market conditions.

5. An active approach to asset management

Drive income and in turn capital values by hands-on property management, relying as much as possible on internal expertise. The quality of our people is a crucial factor in our continuing success.

Dynamic flexible approach as the market changes

2005: Largely exited the UK commercial property market.

2008: Reversed asset management policy of waiting until lease expiry to renew leases following the onset of the credit crunch.

2009: Re-entered the UK commercial property market – we act dynamically.

2016: Varied investment strategy in the UK with respect to offices, to invest for rental growth as opposed to for development due to the effects of permitted development rights (PDR) legislation resulting in diminishing office supply/rising rents.

2020: Entered the COVID pandemic with £23.6 million of cash following the sale of an office building (CH8) in Warsaw, Poland.

2022: Reduced Group debt to £23 million with 57% of the debt either interest free or with a fixed interest rate.

Performance review

Fund Management division

First Property Asset Management Ltd (FPAM)

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

Third-party assets under management ended the year at £400.4 million (31 March 2022: £516.5 million). The decrease was attributable to:

1. The sale by three funds of seven properties in the United Kingdom valued at £69.0 million offset by the purchase by another fund of one property, also in the United Kingdom, for £6.2 million;
2. A decrease in the value of the remainder of the portfolio of some £52.4 million offset by foreign exchange gains of £4.8 million; and
3. The consolidation of 5PT into the Group's accounts, a fund invested in three commercial properties in Poland with a value at the date of acquisition of £7.62 million.

Fund management fees are generally levied monthly by reference to the value of properties. In the case of Fprop Offices LP, the Group is entitled to a share of total profits in lieu of fund management fees and to receive annual payments on account equivalent to 10% of total cumulative income profits and capital gains. These payments are adjusted annually.

Revenue earned by this division decreased by 38% to £2.52 million (2022: £4.04 million), resulting in profit before unallocated central overheads and tax decreasing by £1.32 million to £0.12 million (2022: £1.44 million).

The decrease was due to the sale of properties held by three funds invested in the United Kingdom, a reduction in value of properties generally, and a provision for the possible clawback by Fprop Offices LP of £0.59 million in profit share.

At the year end fund management fee income, excluding performance fees, was being earned at an annualised rate of £2.55 million (31 March 2022: £2.66 million).

The weighted average unexpired fund management contract term at the year end was 2 years, 9 months (31 March 2022: 3 years, 7 months).

The reconciliation of movement in third-party funds managed by FPAM during the year is shown below:

Reconciliation of movement in third-party funds under management during FY 2023

Funds managed for third parties (including funds in which the Group is a minority shareholder)

	UK £m	CEE £m	Total £m	No. of properties
As at 1 April 2022	345.5	171.0	516.5	62
Purchases	6.2	–	6.2	1
Property sales	(69.0)	–	(69.0)	(7)
Reclassified as Group properties	–	(7.6)	(7.6)	(3)
Capital expenditure	0.3	1.6	1.9	–
Property revaluation	(41.6)	(10.8)	(52.4)	–
FX revaluation	–	4.8	4.8	–
As at 31 March 2023	**241.4**	**159.0**	**400.4**	**53**

Funds managed by asset class

	UK £m	Poland £m	Romania £m	Total £m	% of total
Offices	150.5	85.9	8.7	245.1	61.2%
Retail warehousing	62.3	–	–	62.3	15.6%
Supermarkets	28.6	12.6	–	41.2	10.3%
Shopping centres	–	51.8	–	51.8	12.9%
Total	**241.4**	**150.3**	**8.7**	**400.4**	**100.0%**
% of total third-party AUM	**60.3%**	**37.5%**	**2.2%**	**100%**	

Third-party funds under management FY 2023

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

Fund	Country of investment	Fund expiry	**Assets under management at market value at 31 March 2023 £m**	No. of properties	% of total third-party assets under management	Assets under management at market value at 31 March 2022 £m
SAM & DHOW	UK	Rolling	*****	*	*	*
5PT	Poland	Dec 2025	**–**	–	–	7.7
OFFICES	UK	Jun 2024	**84.9**	4	21.2	136.4
SIPS	UK	Jan 2025	**104.7**	21	26.1	140.6
FOP	Poland	Oct 2025	**64.5**	5	16.1	64.5
FGC	Poland	Mar 2026	**22.0**	1	5.5	21.3
UK PPP	UK	Jan 2027	**28.1**	10	7.0	41.5
SPEC OPPS	UK	Jan 2027	**14.9**	4	3.7	17.0
FKR	Poland	Mar 2027	**16.8**	1	4.2	19.4
FCL	Romania	Jun 2028	**8.7**	1	2.2	8.5
FPL	Poland	Jun 2028	**47.0**	4	11.8	49.6
FUL	UK	Indefinite	**8.8**	2	2.2	10.0
Total third-party AUM			**400.4**	**53**	**100.0**	**516.5**

* Not subject to recent revaluation.

Group properties division

At 31 March 2023, Group Properties comprised seven directly owned commercial properties in Poland and Romania valued at £53.97 million (31 March 2022: seven valued at £42.24 million) and interests in 9 of the 12 funds managed by FPAM (classified as Associates and Investments) in which the Group's share is valued at £25.27 million (31 March 2022: £30.60 million).

The contribution to Group profit before tax and unallocated central overheads from the Group Properties division was £3.43 million (31 March 2022: £8.60 million), representing 97% of Group profit before unallocated central overheads and tax. The profit in the prior year included the benefit of a £7.81 million debt restructuring. In addition, the Group's investments in largely vacant office property in Gdynia and Blue Tower with the proceeds from the sale of income producing property have not yet turned cash flow positive, though reasonable leasing progress is being made.

The contribution to Group profit before tax and unallocated central overheads from directly owned properties was £2.56 million (31 March 2022: £7.48 million) and the Associates and Investments contributed £0.87 million (31 March 2022: £1.12 million).

1. Directly owned Group Properties (all accounted for under the cost model)

The book value of the Group's seven directly owned properties was £47.01 million (31 March 2022: seven properties with a book value of £36.20 million). The increase was mainly due to an additional investment of £7.44 million in Blue Tower, Warsaw and the consolidation of 5PT, which owns three properties in Poland valued at £8.45 million, into the Group's accounts. Their market value, based on valuations at 31 March 2023, was £53.97 million (31 March 2022: seven properties valued at £42.24 million).

Two of the Group's seven directly owned properties account for 72% (£38.70 million) of their total market value. Both are office buildings in Poland of which one is Blue Tower (in which the Group's 80.3% share totals circa 18,000 square metres) and the other is in Gdynia (circa 13,500 square metres).

On 12 August 2022 the Group acquired some 7,171 square metres in Blue Tower in Warsaw at a price of £7.20 million. The purchase resulted in the Group's interest in the building increasing from 48.2% to 80.3%. Some 5,159 square metres of the newly acquired space was vacant at purchase.

The Group's office property in Gdynia is now 28% leased, up from 20% at 31 March 2022. When fully let it is anticipated that the building should generate net operating income of over £1.90 million per annum.

The Group's other directly owned properties include an office block in Bucharest, Romania valued at £3.87 million, and four properties in Poland held by consolidated undertakings valued at £11.40 million. These comprise a mini-supermarket in Warsaw held by E and S Estates Sp. Zo.o (E&S) (in which the Group owns an aggregate 88.5% interest), and two retail units in Warsaw, a mixed-use building in Warsaw, and an office block in Poznan all held by 5PT (in which the Group owns 47.2% but is deemed to have control).

In August 2022 the Group sold a warehouse in Tureni, Romania for £3.11 million which realised a profit of £1.10 million.

In December 2022 the Group sold two supermarkets in Poland held by E&S for £5.50 million which realised a profit of £0.68 million. The Group also refinanced the last remaining property held by E&S, a supermarket valued at £2.95 million, releasing some £1.50 million in cash.

The debt secured against these seven properties totalled £29.66 million (31 March 2022: £23.66 million), of which only £12.64 million was interest bearing. The remainder (£17.02 million) represents deferred consideration in respect of the Group's purchase of its additional share in Blue Tower and for the office block in Gdynia.

Interest costs on the Group's debt amounted to £0.53 million (2022: £0.33 million). This equates to an average borrowing cost of 1.8% per annum when expressed as a percentage of total outstanding Group debt of £29.66 million, or 4.2% per annum if the deferred consideration of £17.02 million, on which no interest is payable, is excluded.

Directly owned Group Properties as at 31 March 2023

Country	Sector	Property/Fund name	No. of properties as at 31 March 2023	Book value as at 31 March 2023 £m	Market value as at 31 March 2023 £m	***Contribution to Group profit before tax 31 March 2023 £m**	*Contribution to Group profit before tax 31 March 2022 £m
Poland	Offices	Gdynia	1	14.20	14.50	**(0.39)**	(0.86)
Poland	Office	Blue Tower	1	20.50	24.20	**1.13**	1.20
Poland	Supermarket	Praga	1	1.98	2.95	**0.12**	0.20
Romania	Office	Dr Felix	1	2.36	3.87	**0.27**	0.37
Poland	Multi use	5PT***	3	7.97	8.45	**0.28**	–
Total			7	47.01	53.97	**1.41**	0.91
Profit from the sale of three investment properties						**1.78**	–
Debt restructuring on finance lease**						**–**	7.81
Other overhead costs allocated to the Group Properties division						**(0.63)**	(1.24)
Total contributions to PBT from Group Properties						**2.56**	7.48

* Prior to the deduction of direct overhead, holding company and unallocated central overhead expenses.
** Includes €9.0 million (£7.81 million) debt reduction following restructuring of the finance lease at Gdynia.
*** 5PT, a fund in which the Group gained a controlling interest (previously recognised as an associate).

Debt secured against Group's directly owned properties

	31 March 2023 £m	31 March 2022 £m
Book value of directly owned properties	**47.01**	36.21
Market value of directly owned properties	**53.97**	42.24
Gross debt (all non-recourse to the Group)	**29.66**	23.66
LTV at book value	**63.09%**	65.34%
LTV at market value	**54.96%**	56.01%
Weighted average borrowing cost	**1.8%**	1.4%

The average vacancy rate across all seven properties is 23.60%.

The weighted average unexpired lease term (WAULT) as at 31 March 2023 was 5 years, 2 months (2022: 5 years, 7 months).

Group properties division cont.

2. Associates and investments

These comprise non-controlling interests in 9 of the 12 funds managed by FPAM and are valued at £25.27 million (31 March 2022: £30.60 million). Of these, five are accounted for as Associates and held at the lower of cost or fair value (the "cost model"), and four are accounted for as Investments in funds and held at fair value.

The contribution to Group profit before tax and unallocated central overheads from its Associates and Investments decreased by 22.3% to £0.87 million (31 March 2022: £1.12 million). The contribution was impacted by aggregate impairment provisions of £0.90 million in the value of Fprop Krakow Ltd (FKR) and Fprop Opportunities plc (FOP). In addition, another Associate, Fprop Phoenix Ltd (FPL), made a loss after tax of which the Group's share amounted to £0.85 million (2022: loss of £0.62 million).

An overview of the Group's Associates and Investments is set out in the table below:

Associates and investments

	% owned by First Property Group %	Book value of Group's share in fund £'000	Current market value of holdings £'000	**Group's share of post-tax profits earned by fund 31 March 2023 £'000**	Group's share of post-tax profits earned by fund 31 March 2022 £'000
a) Associates					
5PT	*	–	–	**–**	97
FRS	**	–	–	**–**	47
FOP	45.7	12,679	12,679	**293**	1,044
FGC	29.1	3,058	3,303	**289**	221
FKR	18.1	1,155	1,155	**(426)**	(12)
FPL	23.4	60	2,682	**(848)**	(617)
FCL	21.2	636	908	**64**	67
Sub total		17,588	20,727	**(628)**	847
b) Investments					
UK PPP	0.9	272	272	**40**	100
FULCRUM	2.5	185	185	**9**	–
SPEC OPPS	11.1	2,624	2,624	**1,353**	23
OFFICES	1.6	1,463	1,463	**95**	148
Sub total		4,544	4,544	**1,497**	271
Total		22,132	25,271	**869**	1,118

* Consolidated into the Group from May 2022
** In liquidation

3. New product: secured lending against commercial property

Post the year end the Group launched a senior debt product for secured lending against commercial property.

With interest rates increasing and banks retreating from lending to commercial property, the returns available in making relatively safe loans are potentially more attractive than investing in the underlying property.

The loans will likely be up to £20 million in value; 65% of loan to value (LTV); and interest only.

No new employees will, initially, be required to be employed to roll out this product and the Group does not intend to use its own cash to make such loans. It may, however, invest alongside third parties in any fund structures set up to make such loans.

Operating responsibly

Environmental, social and governance

First Property Group has long recognised that Environmental, Social and Governance issues (ESG) can affect the investment performance of the properties and funds which we manage. As a result, the consideration of ESG issues is an integral part of the Group's investment processes. The Group has formalised its commitment to incorporating ESG into its investment and asset management processes by creating a Responsible Investment Policy.

Our responsible investment targets

To measure and track performance against 6 core responsible investment targets

1. Improve the environmental performance of our buildings and reduce operational costs
Create an accurate baseline of energy, water & waste consumption, to enable reduction targets to be set.
Set building energy, water & waste data collection targets for 2025 by area (landlord & tenant).
Set energy reduction targets for 2025 & 2030 (aligned with CRREM & leading Net Zero Carbon frameworks) for buildings in our operational control.
2. Improve sustainability standards within our investment and asset management processes
Switch 85% of UK landlord electricity consumption to green tariffs by 2025.
Install smart metres (Automated Meter Reading) at 85% of our buildings by 2025.
Review the potential to install Solar PV panels and Electric Vehicle (EV) charging points across our portfolio.
Set installation targets for Solar PV panels and Electric Vehicle (EV) charging points for 2025.
Embed green lease clauses in leases wherever possible.
3. Enhance the health and wellbeing of our tenants
Conduct annual tenant forums to identify areas to enhance tenant experiences (via managing agents). Monitor and track improvements.
4. Contribute to our local communities
Measure our annual social impact from charitable giving, local community events and volunteering using the National TOMs* methodology.
5. Engage with our investors and supply chain partners on material sustainability issues
Complete 100% of investor requested ESG reports.
Set and report against fund specific ESG metrics in investor reports.
Submit pilot Fprop Fund to GRESB, an industry wide sustainability benchmark.
6. Ensure robust processes are in place to manage material legislative, environmental and social risks and opportunities
Create and maintain a sustainability risk matrix, identifying material risks and implementing mitigation measures where required.
Update the Employee Handbook to provide support and clarity to employees on internal policies.

* The National TOMs (Themes, Objectives, Measures) methodology is a social value standard across the UK. It provides a framework for measuring the value delivered and quantifying the wider value for society.

In 2022, our Environmental, Social and Governance (ESG) Committee developed a set of sustainability Key Performance Indicators (KPIs) to measure and track our performance, and to help drive continual improvement in our environmental, social, and governance (ESG) practices. Progress on our sustainability metrics, carbon footprint and case studies of our initiatives can be found on the Fprop website.

https://www.fprop.com/about-us/environment-social-and-governance/

Operating responsibly cont.

Sustainable communication practices

The Board regularly reviews the effectiveness and relevance of its communications strategy. Given technological advancements and the principles of sustainability, we encourage our shareholders to receive the Annual Reports online from the Company's website or by contacting the Registrar, Link, by visiting **www.signalshares.com** or by writing to them at Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL or by emailing them at **shareholderenquiries@link.co.uk**.

For the year to 31 March 2023, we will not be publishing a hard copy of the Annual Report. The physical publication of such a report is expensive, results in additional carbon emissions and serves no purpose which cannot be fulfilled by an online document. Those shareholders who wish to continue to receive a hard copy by post will receive a print of the online copy.

EPRA Sustainability report

The data disclosed in the tables below is reported in accordance with the methodology set out in the third edition of the European Public Real Estate Association (EPRA) Sustainability Best Practices Recommendations (sBPR). As per the methodology we have set our organisational boundary using the "operational control approach" as defined by the Greenhouse Gas (GHG) Protocol. The data covers the 2023 financial year.

	FY 2023		
Measure	Assets in operational control	Group	FPAM
Fuels-Abs	Coverage	4 of 4	18 of 18
	Total energy consumption from fuels from occupied buildings	5,346,670 kWh	7,993,085 kWh
	Total direct fuel consumption for landlord-controlled spaces	5,346,670 kWh	6,148,481 kWh
	Total direct fuel purchased sub-metered to occupiers	–	1,844,604 kWh
GHG-Direct-Abs	Scope 1 emissions from landlord obtained consumption of fuels	1,856 tCO_2e	1,551 tCO_2e
Elec-Abs	Coverage	4 of 4	24 of 24
	Total energy consumption electricity from occupied buildings	5,914,060 kWh	18,142,338 kWh
	Total landlord purchased grid electricity from renewable sources	–	4,960,867 kWh
	Total landlord purchased grid electricity from non-renewable sources	5,914,060 kWh	13,181,471 kWh
	Proportion of grid electricity from renewable sources	–	14%
	Total grid purchased electricity consumed in landlord-controlled spaces	4,787,862 kWh	8,461,692 kWh
	Total grid purchased electricity sub-metered to occupiers	1,126,198 kWh	9,680,645 kWh
	Grid electricity consumed within head office	–	26,609 kWh
GHG-Indirect-Abs	Scope 2 emissions (location-based) from landlord-obtained consumption of electricity	3,728 tCO_2e	4,896 tCO_2e
	Scope 2 emissions (market-based) from landlord-obtained consumption of electricity	3,728 tCO_2e	4,429 tCO_2e
Total Energy-Abs	Coverage	4 of 4	24 of 24
	Total energy consumption from occupied buildings	11,260,730 kWh	26,135,422 kWh
	Total building energy (electricity and fuel) consumption	11,260,730 kWh	26,135,422 kWh
	Total building energy sub-metered to occupiers	1,126,198 kWh	11,525,249 kWh
Energy-Int	Coverage	4 of 4	24 of 24
	Building energy intensity of occupied buildings		
	Gross internal floor area (m^2)	77,023 m^2	196,044 m^2
	Building intensity ($kWh/m^2/year$)	146 $kWh/m^2/yr$	133 $kWh/m^2/yr$
GHG-Int	Coverage	4 of 4	24 of 24
	Total carbon intensity of occupied buildings		
	Gross internal floor area (m^2)	77,023 m^2	196,044 m^2
	Building intensity – Scope 1 & 2 ($tCO_2e/m^2/yr$)	0.07 $tCO_2e/m^2/yr$	0.03 $tCO_2e/m^2/yr$
	Building intensity – Scope 1, 2 & 3 ($tCO_2e/m^2/yr$)	0.08 $tCO_2e/m^2/yr$	0.07 $tCO_2e/m^2/yr$

Group Finance Director's review

Profit before tax for the year was £2.49 million (2022: £7.08 million) largely driven by "one off" sales of properties owned directly by the Group which generated a profit of £1.78 million.

The profit in the prior year was bolstered due to an exceptional gain of €9.00 million (£7.81 million) from the restructuring of the finance lease secured against the Group's office block in Gdynia, Poland.

Group net assets excluding non-controlling interests increased to £43.44 million (31 March 2022 restated: £42.77 million).

During the year the Group gained control of 5PT, a fund managed by FPAM in which it owns a 47.2% share but is considered to have control in accordance with the provisions of IFRS 10, resulting in its consolidation into these accounts. The Group's share of its net assets at consolidation was £1.54 million. Previously, the Group's investment in this fund was accounted for as an associate (31 March 2022: £1.34 million).

On 31 March 2023, the Group granted to employees the option to subscribe for 10,450,000 new Ordinary Shares in the Company at an exercise price of 23.5 pence per Ordinary Share, being the mid-market closing price on 30 March 2023. The options granted resulted in an increase to 12,560,000 in the number of outstanding options over Ordinary Shares, representing approximately 11.33% of the Company's issued share capital. See Note 27 of the financial statements for further information on the terms of the options granted.

Gross debt, excluding lease liabilities, increased to £29.66 million (31 March 2022: £23.66 million) mainly due to the purchase of additional space in Blue Tower, Warsaw. Of this gross debt, £17.02 million is deferred consideration on which no interest is payable. Net debt, excluding lease liabilities, reduced to £22.00 million (31 March 2022: £17.24 million).

Going concern

Information on our approach and the result of our assessment is included in Note 1 of the financial statements.

Fprop Offices LP clawback

The Group is entitled to a share of total profits in Fprop Offices LP in lieu of fund management fees and to receive annual payments on account equivalent to 10% of total cumulative income profits and capital gains. These payments are adjusted annually, if necessary, for any overpayments made in previous years up to a maximum of total past cumulative payments received. As at 31 March 2022, the Group had recognised a cumulative total of £1.97 million as revenue in 2022 and prior years.

The combination of inflationary pressures, higher interest rates, a cost of living crisis in the UK and an increase in employees working from home has caused severe disruption to economic activity and a reduction in the value of commercial property. During the period between 1 April 2022 and 31 March 2023, the properties held by Fprop Offices LP reduced in value by 18%. As a result, the Group considers that £1.97 million of revenue previously recognised will need to be clawed back, with £1.38 million being the cumulative amount of revenue recognised to 31 March 2021, being shown as a restatement of the financial year 2022 and £0.59 million being reflected as a reduction to revenue for the year to 31 March 2023.

See further information on the impact of this adjustment in the Note 1 of the financial statements.

Income statement

A review of the operating and financial performance of the two trading divisions is included in the Chief Executive's Statement.

Revenue and gross profit

Revenue for the year decreased by £1.40 million or 16% to £7.25 million (2022: £8.65 million).

Gross profit (revenue less the cost of sales) reduced by £0.73 million or 13% to £4.99 million (2022: £5.72 million).

Performance fee income

Performance fees totalled a negative £0.37 million (2022: positive £0.58 million). It comprised £0.22 million earned from the sale of two properties by two of the UK funds managed by FPAM and a provision for the clawback of revenue of £0.59 million by Fprop Offices LP.

Operating expenses

Operating expenses decreased by £2.69 million or 36% to £4.77 million (2022: £7.46 million) mainly due to a reduction in incentives paid to employees to £0.11 million (2022: £2.03 million).

Share of results in associates

The contribution from the Group's associates amounted to a loss of £0.63 million (2022: profit £0.85 million) mainly due to an impairment provision of £0.43 million in respect of the Group's 18.1% holding in Fprop Krakow Ltd (FKR) and an impairment provision of £0.47 million in respect of the Group's 45.7% holding in Fprop Opportunities plc (FOP).

Fprop Phoenix Ltd (FPL), in which the Group owns 23.4%, made a loss after tax of which the Group's share amounted to £0.85 million (2022: loss of £0.62 million).

Group Finance Director's review cont.

Investment income (from other financial assets and investments)

Investment income from the Group's four investments in five of the UK funds managed by FPAM increased by 455% to £1.50 million (2022: £0.27 million), of which £1.35 million represented distributions from Fprop UK Special Opportunities LP (Spec Opps).

Finance costs

Finance costs increased to £0.53 million (2022: £0.33 million) mainly due to higher interest rates payable on our floating rate loans. All bank loans are denominated in Euros, and all are used to finance properties valued in Euros.

Current tax

The tax charge increased to £0.45 million (2022: £0.25 million) of which £0.38 million was in respect of the profit from the sale of two directly held properties by E&S, a consolidated undertaking (2022: £nil).

The charge includes Polish and Romanian corporation tax where headline rates remain at 19% and 16% respectively.

Statement of financial position

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

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

During the year the Group acquired an additional 7,171 square metres of office space in Blue Tower for a consideration of £7.20 million, which is payable in seven instalments over a six-year period. Following this purchase, the Group's interest in Blue Tower now amounts to 80.3% (2022: 48.2%) of the building. As a result of this acquisition the Group reclassified the building from Inventory to Investment Property. Following this reclassification, no properties were held under inventory.

Following the Group's purchase of 6.57% of the shares in issue of 5PT during the year, its interest in 5PT increased to 47.2%. The Group is now considered to have a controlling interest in this fund (previously held as an associate). As a result, the three commercial properties held by the fund were added to Investment Properties with a fair value at the date of consolidation of £7.62 million.

The Group also disposed of three properties during the year. In August 2022 it sold a warehouse in Tureni, Romania for £3.11 million which generated a profit of £1.10 million after accounting for disposal costs.

In December 2022 E&S sold two supermarkets in Poland for £5.50 million (€6.20 million) generating a profit after sale of £0.68 million.

At the year end the Group held seven properties. Their book value was £47.01 million (31 March 2022: seven properties valued at £36.20 million). Their fair market value was £53.97 million (31 March 2022: £42.24 million).

Capital expenditure incurred on the Group's seven directly owned properties amounted to £1.02 million (2022: seven properties, £1.76 million).

Foreign exchange revaluations amounted to a debit of £1.32 million (2022: credit £0.22 million).

Borrowings

Bank and other borrowings (including deferred consideration) increased to £29.66 million (31 March 2022: £23.66 million) mainly due to the purchase of the additional space at Blue Tower but also due to the consolidation of 5PT (£3.60 million) into these financial statements.

The ratio of debt to gross assets at their market value (the gearing ratio) increased to 36.08% (31 March 2022: 31.25%).

All bank loans are denominated in Euros and are non-recourse to the Group's assets.

Deposits of £0.64 million (31 March 2022: £0.55 million) are held by lending banks in respect of four bank loans (31 March 2022: four) as security for Debt Service Cover Ratio (DSCR) covenants and consequently this amount of cash and cash equivalents was restricted as at 31 March 2023.

Trade and other receivables

Trade and other receivables decreased by £0.60 million to £3.73 million (31 March 2022: £4.33 million).

Provisions

Provisions decreased to £0.16 million (31 March 2022: £0.92 million) and are entirely in respect of the space at Chalubinskiego (CH8), Warsaw, over which commitments in respect of fit-out and rent guarantees were granted at its sale in the financial year 2021. Payments of £0.37 million (2022: £1.93 million) pursuant to this were made in the year. The reduction in the provision is due to some 85% (2022: 73%) of the office space which is subject to the guarantee having been leased. The provision represents our best estimate of the Group's remaining liability over the life of the rent guarantee (until April 2025).

Non-controlling interests

The value of the Group's three non-controlling interests increased to £2.03 million (31 March 2022: £0.23 million). Non-controlling interests consist of:

1. 10% of the share capital of Corp Sp. z o. o., the property management company to Blue Tower, Warsaw;
2. 23% of the share capital of E and S Estates Ltd, a fund invested in one property in Poland; and
3. 52.80% of the share capital of 5th Property Trading Ltd, a fund invested in three commercial properties in Poland.

Investment revaluation reserve

The investment revaluation reserve decreased by £1.41 million (2022: increased by £1.04 million) to a debit balance of £0.73 million mainly due to a decrease in the value of the Group's investment in Fprop UK Special Opportunities LP (Spec Opps) resulting from property sales by the UK Pension Property Portfolio LP (UKPPP), a fund in which it holds an investment.

Foreign exchange translation reserve

A strengthening of the Polish Zloty against Sterling to PLN 5.3267/ GBP (31 March 2022: PLN 5.4868/ GBP) resulted in a reduction in the deficit in the foreign exchange translation reserve to £2.35 million (31 March 2022: £3.30 million).

Cash and cash flow

The Group's cash balance increased to £7.65 million (31 March 2022: £6.42 million) mainly as a result of investing and financing activities.

LAURA JAMES
Group Finance Director

Key performance indicators

Third-Party Assets Under Management

£400m

2023	£400m
2022	£517m
2021	£527m
2020	£567m

The measure on which fee income is generally charged.

Reduction mainly due to the sale by three funds of seven properties in the United Kingdom valued at £69.0 million offset by the purchase by another fund of one property, also in the United Kingdom, for £6.2 million, a decrease in the value of the remainder of the portfolio of some £52.4 million offset by foreign exchange gains of £4.8 million, and the consolidation of 5PT into the Group's accounts, a fund invested in three commercial properties in Poland with a value at the date of acquisition of £7.62 million.

Adjusted Net Asset Value (NAV) per share

46.50p

2023	46.50p
2022 (restated)	46.07p
2021 (restated)	41.58p
2020	55.00p

A measure of NAV mark 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.

The Group has been pleased to maintain NAV given the combination of inflationary pressures, higher interest rates, and the cost of living crisis which has caused severe disruption to economic activity and a reduction in the value of commercial property.

Cash Levels

£7.65m

2023	£7.65m
2022	£6.42m
2021	£16.24m
2020	£7.34m

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

The Group's cash balance increased mainly as a result of investing and financing activities.

Weighted average unexpired lease term of Group Properties

5yrs 2mths

2023	5yrs 2mths
2022	5yrs 7mths
2021	4yrs 9mths
2020	1yr 10mths

A measure of the sustainability of the revenue from the seven directly held Group Properties.

Weighted average lease term for directly owned group properties decreased to 5 years 2 months.

Weighted Average Unexpired Fund Life

2yrs 9mths

2023	2yrs 9mths
2022	3yrs 3mths
2021	3yrs 11mths
2020	5yrs 0mths

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

Weighted average lease term for directly owned group properties decreased to 2 years 9 months.

Stakeholder engagement

Our key stakeholder groups

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

Shareholders

- We believe that engaging with our shareholders and encouraging an open dialogue helps to ensure mutual understanding.
- The Directors provide information via the AGM, Annual Report and Accounts, RNS announcements, and through various media platforms.
- The Group seeks to comply with the QCA Code – see the Governance section of this report and the Company's website.

Investors in funds

- Ensure investors are kept abreast of performance with regular investor reports and direct communication via email. This includes updates on topics such as property purchases/disposals, significant tenant lettings, cash distributions and financing.

Tenants

- Conduct extensive due diligence on tenant covenants.
- Maintain a proactive and continuous dialogue.
- Be responsive to changing tenant requirements.
- Active approach to asset management using our in-house specialist teams.

Employees

- Our people are our most valuable asset. We firmly believe that our people are key to delivering excellent service to our clients and achieving our objectives;
- We are committed to providing a working environment that promotes employee's well-being and facilitates high performance.
- We consult and discuss matters likely to affect employee's interest through regular meetings.
- A discretionary bonus incentive scheme is operated for all employees.
- The Group supports employees with practical training and routes to professional qualifications.
- The Group operates a diversity and equal opportunities policy.

Our community and the wider environment

- The Group is mindful of the impact its operations have on both the community and the environment, and expects employees and business suppliers to meet exacting standards in everyday business conduct.
- The Group operates a number of green initiatives including reducing paper usage for example no longer printing our Annual Report unless requested by a shareholder as well as operating a cycle to work scheme to encourage employees to travel to work in an environmentally friendly way.
- Projects to improve the Environment and Community are overseen by the Groups directly employed Sustainability Manager, Ben Kerrison.
- In larger properties, particularly in the retail sector, we hold events to foster links with the local community. This also helps to drive higher footfall and occupier wellbeing.

Risks and mitigations

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

Economic risk management		
Economic risk	**Impact**	**Mitigation**
Slowdown in the economies of the UK and Poland	Could lead to: • falls in the value of commercial property; • reduction in overall rent levels and occupier's ability to pay their rental commitments.	The Group closely monitors economic reports of the markets in which it operates and acts pre-emptively in accordance with its proactive property management policy. The Group endeavours to ensure it and the funds it manages have a well-diversified spread of property interests classified by region, by property type, by lot size and by sector classification (tenant mix).
National epidemic or global pandemic	Restrictions on people's movements adversely affect all trade. Consequent reductions in GDP could adversely affect tenants' ability to meet their rental commitments for business premises.	The Group closely monitors debts owed by tenants, aided by maintaining close dialogue with all tenants. Maintaining liquidity in the funds and the property-owning companies is a priority.
Weakening in the Euro and Polish Zloty against Sterling	Nearly all revenue from the Group Properties division is earned in foreign currencies and overseas profits are converted to Sterling (the reporting currency) on remission to the UK. Sterling strength therefore leads to a reduction in reported profits.	The Group closely monitors both movements and forecasts in the pertinent foreign exchange rates against its budgeted rates. Wherever possible, overseas investment is financed and matched in the local currency so that exposure to currency markets is limited. Under the Group's foreign currency risk management policy, hedging instruments can be used to hedge a proportion of specific items as specified in IAS 39.
Extended period of interest rate tightening in the EU	Prolonged interest rate tightening could decrease equity returns due to higher debt servicing costs and may result in breaches of Debt Service Covenant Ratios (DSCR) which could require additional funds to remedy.	The Board regularly reviews property market forecasts and where possible adjusts its geared strategy according to these changing market conditions. The Board also regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet its cash requirements. The Board regularly monitors and reports on its DSCRs against its relevant bank covenants so that it can act in a pre-emptive manner. Interest rate fixes and caps are used to mitigate risk.
Political risk including the war in Ukraine	Political events, such as the war in Ukraine, can lower business confidence and weaken economies.	The Board considers geopolitical and macro-economic conditions when setting strategy and making its investment decisions.

Operational risk management		
Operational risk	**Impact**	**Mitigation**
Rent void periods	Could lead to longer void periods, higher vacancy rates, reduced occupier retention, payment arrears and defaults.	Our asset managers are focused on income generation and maintain close contact with tenants to ensure they fully understand their current business performance and future plans. A proactive approach to asset management is taken with regular interaction with tenants.
Credit risk	Could lead to the tenants defaulting on their rental obligations.	Creditworthiness checks of potential occupiers are carried out prior to letting. Payments of rent and service charge are monitored closely. This ensures early detection of likely tenant defaults thereby enabling swift remedial action. Our asset managers maintain close contact with tenants.
Liquidity risk	Most loans are subject to covenant restrictions. If covenants are breached this could result in financial penalties, additional cash demands to remedy the breach, a forced sale of the property or in some cases foreclosure of the loan.	Long-term loans are taken out in the same currency used to value the property, thus ensuring a natural hedge. The Group prepares monthly budgets, cash flow analyses and forecasts, which enable the Directors to assess the levels of borrowings required in future periods. This detail is used to ensure that appropriate facilities are in place to finance future planned operations. The Group is structured whereby investment properties are held in special purpose vehicles so that the lender has no recourse to the parent entity. The Board regularly monitors and reports its LTV ratios against the relevant bank covenant so that it can act in a pre-emptive manner.
Cyber security risk	A major cyber attack on the Group's computer systems could lead to theft of sensitive data and periods of down time leading to reputational damage and consequent loss of future fund mandates.	The Group has implemented the recommendations of an independent review of its IT operations to enhance the robustness of its security protection and the effectiveness of its disaster recovery plan. The Group retains the services of an IT specialist service provider, part of whose role is to ensure that protections against data theft and corruption are in place and effective, by utilising the latest anti-viral software and technologies.
Climate-related risk	Physical risks e.g. flooding, can result in increased insurance premiums and unplanned repairs and maintenance. Transitional risks e.g. regulation, can result in fines and void periods through non-compliance as space is unlettable. Both physical and transitional risks may ultimately lead to reduced asset values and rental income.	The Group considers physical and transitional risks in investment and asset management processes. During pre-purchase due-diligence an environmental survey is undertaken which assesses flood risk and highlights any required mitigation. Information on the environmental performance, including the Energy Performance Certificate (EPC), is requested from vendors and factored into pricing. Evolving regulation and building standards are monitored by the ESG Committee which instructs actions to mitigate the risk of non-compliance.

The Strategic Report was approved by the Board of Directors on 18 August 2023 and signed on its behalf by:

LAURA JAMES
Group Finance Director

Chairman's introduction to governance

Governance framework

The Group's corporate governance framework supports the delivery of our strategy and business objectives.

The Directors are committed to maintaining high standards of corporate governance and seek to comply with the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies. First Property Group's core underlying principle is "to ensure that the Group is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

To see how the Company addresses the key governance principles defined in the QCA Code please refer to the disclosures made below and on the Company's website.

The Board is pleased to report that the Company has complied with the provisions of the Code.

No key governance matters have arisen since the publication of the last Annual Report.

Role of the Board

The Board as a whole is collectively responsible for the success of the Group. Its duties are to:

- Set the Group's strategic direction, purpose and values and align these with its culture.
- Oversee competent and prudent management of internal control, corporate governance and risk management.
- Approve business plans and budgets in light of the Group's risk profile.
- Ensure that the ethical and compliance commitments of management and employees are understood throughout the Group.

Business model and strategy

First Property Group's business model is explained on page 3. The Group's strategy is explained fully on page 5. Our strategy is focused around building and growing a balanced business between fund management and property investing, with both divisions delivering resilient, recurring revenue of a contractual nature with high forward visibility.

Risk management

Strategy is set and developed taking into account the Board's assessment of both the impact and likelihood of the principal risks identified. The principal risks and uncertainties to the business and how these are mitigated are set out on pages 18 and 19.

The corporate governance framework complements the Group's internal controls framework and its supporting framework of policies and processes.

In addition, the Board and the Audit Committee have oversight of whistleblowing matters. The Company's whistleblowing policy ensures that the workforce feel empowered to raise concerns in confidence and without fear of unfair treatment.

Board composition

The Group is controlled by the Board which comprises two Non-Executive Directors, both of whom are considered by the Board to be independent, and two Executive Directors.

The operations of the Board are underpinned by the collective experience of the Directors and the diverse skills which they bring. The Board contains the necessary mix of experience, skills and capabilities to deliver the strategy of the Company for the benefit of the shareholders. The Board contains Directors with relevant knowledge and expertise that includes:

- Extensive knowledge of the Group; one Director has worked for the Company for 13 years and two Directors have worked for the Group for over 20 years. This long tenure ensures that the Board has significant expertise in managing property cycles through difficult conditions.
- Considerable experience of providing strategic, financial and commercial management to financial services and other commercial operations.
- Extensive accounting and financial reporting expertise.
- Considerable experience of leading a successful international business.

The Directors maintain and enhance their knowledge and expertise through their involvement with respected commercial organisations. Each Director has undertaken to allocate sufficient time to the Group in order to discharge their responsibilities effectively.

Board meetings

Board meetings are carried out at least four times annually, and the minimum attendance for a meeting to be considered quorate is two. Should an issue arise between scheduled meetings, the Board will discuss such matters remotely with any decision ratified at the next Board meeting.

All Directors receive regular and timely information on the Group's financial performance. Relevant papers are circulated in advance of meetings. In addition, minutes are circulated after each meeting and approved at the subsequent meeting. All Directors have direct access to the advice and services of the Company Secretary and are able to take professional advice in the furtherance of their duties, if necessary, at the Company's expense. Neither the Board nor the Committees required advice from external advisers in the year.

The Chairman of the Board evaluates the performance of the Board by holding regular discussions with the other Board members to ensure that the Board is operating effectively.

The Board currently considers that the use of external consultants to facilitate the Board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

Board attendance

In line with the agreed meeting schedule, the Board held four Board meetings in the year ended 31 March 2023.

Outside the formal Board and Committee meetings and informational calls, Non-Executive Directors have unfettered access to employees at all levels of the business.

All the Directors attended all four Board meetings.

Culture

We work hard to nurture our culture, and it is something we regularly measure and monitor to ensure we keep it alive. We have a number of culture standards we wish to live by, such as diversity and inclusion, diligence in risk management, good leadership, integrity and respectful behaviour.

Board committees

The Board constitutes the following committees: Audit Committee, Remuneration Committee and Nominations Committee.

Audit Committee

The Audit Committee is responsible for monitoring the controls that are in force to ensure the integrity of information reported to shareholders.

The Audit Committee meets at least four times a year as part of the quarterly Board meeting and is responsible for ensuring that the Company's financial performance is properly monitored, controlled and reported.

The Audit Committee advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditors.

Members of the Board Committees

Name	Role	Committees (Audit, Remuneration, Nominations)
Alasdair Locke	Chairman & Non- Executive Director	Nominations – Chairman Audit – Member Remuneration – Member
Peter Moon	Non-Executive Director	Nominations – Member Audit – Chairman Remuneration – Chairman

Audit Committee Report

During the year, the Audit Committee has continued to focus on the effectiveness of controls throughout the Group. Consideration was given to the audit plan and audit findings reports and these provided opportunities to review the accounting policies, internal control and the financial information contained in both the annual and interim reports. Specific focus was given to revenue recognition in respect of the Fprop Offices LP and the resulting restatement, see further information in Note 1. The Audit Committee met four times in the year.

Remuneration Committee

The role of the Remuneration Committee is to review the performance of the Executive Directors and to set the scale and structure of their remuneration, including any bonus arrangements, with due regard to the interest of shareholders.

The Remuneration Committee is responsible for determining if the Company should adopt any form of share option plan, and considering the terms of the grant of options under any such plan, ensuring that due regard is given to any relevant legal requirements, including the provisions and recommendations in the Listing Rules.

Remuneration Committee Report

During the year, the Committee continued to review the performance and remuneration of the Executive Directors. The Committee met twice in the year and approved the issue of a new Company Share Option Scheme.

Nominations Committee

The role of the Nominations Committee is to evaluate the Board of Directors and examine the skills and characteristics required of Board candidates to ensure the Company has a Board composition with a mix of skills, expertise and perspectives as well as paying attention to diversity, gender, ethnicity and other factors.

Nominations Committee Report

The Committee did not meet during the year as there was no change in the composition of the Board.

Further information on the Board Committees, including their formal written charters, is set out on the Company website at: **https://www.fprop.com/plc-investors/board-committees-terms-of-reference/**.

The Annual General Meeting of the Group will take place on 27 September 2023. The Notice of this meeting and the proposed ordinary and special resolutions to be put to the meeting are included at the end of this Annual Report.

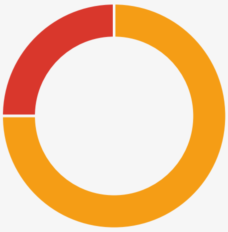
ALASDAIR LOCKE
Non-Executive Chairman

18 August 2023

Read more on our website **www.fprop.com/plc-investors/aim-rule-26/**

Governance at a glance

Board composition



Board diversity

- Male 75%
- Female 25%

Board tenure

- 1-5 Years 25%
- 10-15 Years 25%
- >20 Years 50%

Board composition

- Non-Executive 50%
- Executive 50%

Board – Roles and responsibilities

Group Chief Executive Officer, Ben Habib

Responsible for:

- Proposing and delivering the strategy as set by the Board.
- Leading the Group to deliver operational and financial performance.
- Representing the Group internally and externally to stakeholders, including shareholders.

Group Finance Director, Laura James

Responsible for:

- Overseeing the Group's financial, management and tax reporting.
- Treasury management.
- Financial planning and analysis.

Non-Executive Chairman, Alasdair Locke

Responsible for:

- Leadership of the Board.
- Ensuring effective relationships exist between the Non-Executive and Executive Directors.
- Ensuring that the views of all stakeholders are understood and considered appropriately in Board discussions.

Independent Non-Executive Director, Peter Moon

Responsible for:

- Active participation in Board decision-making.
- Advising on key strategic matters.
- Critiquing and challenging proposals and activities, and approving plans where appropriate.

Attendance

Board meetings

Director	Number of meetings attended/ meetings possible	Attendance %
Ben Habib	4/4	100
Laura James	4/4	100
Alasdair Locke	4/4	100
Peter Moon	4/4	100

Audit Committee

Director	Number of meetings attended/ meetings possible	Attendance %
Alasdair Locke	4/4	100
Peter Moon	4/4	100

Remuneration Committee

Director	Number of meetings attended/ meetings possible	Attendance %
Alasdair Locke	2/2	100
Peter Moon	2/2	100

Board of Directors

1.
Ben Habib, MA (Cantab)
Group Chief Executive Officer

Year appointed
2000

Education
Cambridge University

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

2.
Laura James, ACA, BA (Hons)
Group Finance Director

Year appointed
2020

Education
University of Kent, Canterbury

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

3.
Alasdair Locke, MA (Oxon)
Non-Executive Chairman

Year appointed
2001

Education
Oxford University

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

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

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

4.
Peter Moon, BSc (Econ)
Independent Non-Executive Director

Year appointed
2010

Education
University College, London

Previous experience

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

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

External commitments
- Investment Advisor to Middlesbrough Council (since 1986)
- Non-Executive Chairman of Bell Potter (UK) Ltd (since 2010)
- Non-Executive Director of JPMorgan Asian Investment Trust Plc (since 2016)

Directors' report
for the year ended 31 March 2023

The Directors present their report and the audited financial statements for the year ended 31 March 2023.

Principal activities and review of the business

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

The Consolidated Income Statement is set out on page 33.

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 £2.49 million (2022: profit before taxation of £7.08 million). The total comprehensive income for the year was £1.57 million (2022: comprehensive income £7.69 million).

The Directors have resolved to pay a second interim dividend of 0.25 pence (2022: final dividend 0.25 pence) which together with the interim dividend of 0.25 pence per share (2022: 0.25 pence per share) equates to a total dividend of 0.50 pence for the year.

The diluted net profit per share was 1.70 pence (2022: diluted net profit of 6.01 pence).

The Group held cash of £7.65 million at 31 March 2023 (2022: £6.42 million) and had bank borrowings of £29.66 million (2022: £23.66 million). Net debt increased to £22.00 million (2022: £17.24 million).

Section 172 Statement

This section of the Annual Report covers the Board's considerations and activities in discharging its duties under s172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of its members as a whole.

Please see our Section 172 Statement in more detail in the Strategic Report on page 17.

Employees

First Property Group employed 59 staff on average during the year ended 31 March 2023 (2022: 61); of these, 41 employees were based in Poland (2022: 44) in the Group's Warsaw office providing essential service support to the properties located in Poland which it manages, with the remainder based in the Group's UK office in London. Of the total average staff across the Group, 27 are male and 32 are female.

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

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

Compliance and regulations

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

Risk management

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

Share capital

At 31 March 2023, the Company's share capital comprised 116,601,115 Ordinary Shares of 1 pence each, including 5,718,783 shares held in treasury. Each share ranks equally with the others, including the rights to receive dividends and vote (except that no votes are cast or dividends paid in respect of shares held in treasury). Except as set out in the Articles, there are no restrictions on the transfer of the Company's securities.

On 5 April 2022, an employee exercised 500,000 share options which had an exercise price of 11.50p.

On 31 March 2023, the Group granted to employees the option to subscribe for 10,450,000 new Ordinary Shares in the Company at an exercise price of 23.50 pence per Ordinary Shares, being the mid-market closing price on 30 March 2023. The options have a term of 10 years and unexercised options will expire at midnight on 31 March 2033. The options granted resulted in an increase from 2,110,000 to 12,560,000 in the number of outstanding options over Ordinary Shares, which represented approximately 11.33% of the Company's issued share capital.

For the purpose of calculating diluted earnings per share, the number of Ordinary Shares shall be the weighted average number of Ordinary Shares, plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the dilutive potential options into Ordinary Shares. Options have a dilutive effect only when the average market price of the Ordinary Shares during the period exceeds the exercise price of the options and thus they are "in the money". Given the share options were granted on 31 March 2023 they were not included in the diluted EPS calculation or the adjusted net assets per share calculations.

Directors and their interests

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

The Directors are listed below.

The beneficial interests of the Directors in the share capital of the Company at 1 April 2022, 31 March 2023 and 17 July 2023, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act 2006, were as follows:

	Ordinary Shares of 1 pence			Option over Ordinary Shares of 1 pence		
	17/07/2023	31/03/2023	1/04/2022	17/07/2023	31/03/2023	1/04/2022
A J D Locke	8,771,990	8,571,990	8,571,990	–	–	–
P Moon	496,805	496,805	496,805	–	–	–
B N Habib	15,010,000	14,940,000	14,940,000	5,875,000	5.875,000	–
L B James	–	–	–	1,875,000	1,875,000	–

Substantial shareholdings

At 17 July 2023 the Company had been notified in accordance with Chapter 5 of the Disclosure, Guidance 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 %
Peter Gyllenhammar AB/Galjaden Invest AB/Bronsstädet AB/Galjaden Holding AB/Browallia Asset Management Ltd/ Silversläggan Invest AB	22,214,283	20.03%
B N Habib	15,010,000	13.54%
A J D Locke	8,771,990	7.91%
Whitehall Associated SA	7,747,394	6.99%
Bjorn Saven	4,631,432	4.18%

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

Directors' report cont.
for the year ended 31 March 2023

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

ESG
The Group aims to be a sustainable business, playing its part in tackling key social and environmental challenges. Details of the Group's ESG Objectives, ESG Activity Highlights, Responsible Investment Policy and ESG Focus Areas for FY 2023 are included in ESG on pages 11 and 12.

Political donations
The Group made no political donations and has incurred no political expenditure in the year (2022: £nil).

Directors' professional indemnity insurance
All Directors of the Company have the benefit of the indemnity provision contained in the Company's Articles of Association. The provision, which is a qualifying third-party indemnity provision, remains in force. The Group also purchased and maintained throughout the financial period Directors' liability insurance in respect of itself and its Directors, although no cover exists in the event Directors are found to have acted fraudulently or dishonestly.

Annual General Meeting
The notice convening the Annual General Meeting to be held on 27 September 2023, can be found on pages 73 and 74.

The Board hopes that as many shareholders as possible will be able to attend the Annual General Meeting either in person or, for those who are unable to attend in person, via a live presentation and the Board invites shareholders to submit questions at any time in advance of the meeting or during the meeting using the online facility that will be provided. Details of how to access the live presentation and to ask questions will be published on the Company's website. Please note that shareholders will be required to register to access the live presentation via **www.investormeetcompany.com** and follow First Property Group plc. Please note that joining remotely will not constitute attendance and shareholders who join remotely will not be able to vote at the meeting. Shareholders are therefore asked to submit their votes by proxy.

To the extent shareholders wish to attend in person, the Board kindly requests that shareholders pre-register their intentions to attend by emailing the Company Secretary, Jill Aubrey, at jill.aubrey@fprop.com.

The notice convening the Annual General Meeting contains special resolutions empowering the Directors to:

1. Allot relevant securities pursuant to the authority provided by Resolution 6 up to a maximum nominal amount of £369,608 (representing 33.33% of the issued Ordinary Share capital of the Company as at 17 July 2023, less the number of Ordinary Shares held in treasury) outside the pre-emption provisions contained in the Companies Act 2006 and the Articles of Association, provided that such securities shall only be:

   (i) issued or transferred from treasury in connection with a rights offer (Resolution 7(a)); or

   (ii) issued or transferred from treasury otherwise than in connection with a rights issue where the aggregate nominal value of all Ordinary Shares so issued or transferred does not exceed £221,765 (representing 20% of the issued Ordinary Share capital of the Company as at 17 July 2023, less the number of Ordinary Shares held in treasury) (Resolution 7(b)).

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

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

   The Directors propose that the Company be authorised to purchase a maximum of 11,088,233 Ordinary Shares of 1 pence each (representing just under 10% of the Company's issued Ordinary Share capital as at 17 July 2023, less any treasury shares) within the limits described in Resolution 8 contained in the notice of the Annual General Meeting. It is intended that purchases will only be made on the AIM market of the London Stock Exchange. This should not be taken to imply that Ordinary Shares will be purchased. The Directors will only exercise the authority to purchase the Company's own Ordinary Shares if to do so would be in the best interests of its shareholders generally.

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

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

Statement of Directors' responsibilities

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

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

The Directors confirm that suitable accounting policies have been used and applied consistently in order to adopt new accounting standards, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2023. 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 statements may therefore differ from that in other jurisdictions.

Statement of disclosure to the auditor

The Board hereby confirms that each Director has taken the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the auditors are aware of all such information. So far as each Director is aware, there is no relevant audit information of which the auditors are not aware.

The Directors' Report, which has been prepared in accordance with the requirements of the Companies Act 2006, comprises the following sections: Chief Executive's Statement, Risks and Mitigation and ESG.

Approved and signed on behalf of the Board

LAURA JAMES
Group Finance Director

18 August 2023

Independent auditor's report
to the members of First Property Group plc

Opinion
We have audited the financial statements of First Property Group plc (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2023 which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

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 2023 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the process followed by management to prepare the Group's going concern assessment.
- Obtaining the base case cash flow and liquidity forecasts covering the going concern period and the additional scenarios prepared by management including the downside scenario. This included an assessment of the impact to cash flows and liquidity in the event that the Group is unable to obtain financing in respect of the €12.00 million deferred consideration on the purchase of the Gdynia property, falling due in June 2024. We tested the mathematical accuracy of the models.
- Challenging the appropriateness of those forecasts by assessing historical forecasting accuracy, challenging management's consideration of downside sensitivity analysis and applying further sensitivities where appropriate to stress test the impact on liquidity.
- Reviewing minutes of board meetings with a view to identifying any matters which may impact the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Property including investment properties, investment properties held in joint ventures and trading properties: Whilst the Group's property portfolio is held primarily at cost, the valuation of the investment properties is relevant to the possible impairment of individual properties. The valuation of the property portfolio is a significant judgement area and is underpinned by a number of estimates and assumptions, including capitalisation yields and future rental income. The Group uses professionally qualified external valuers to value the majority of the Group's property portfolio at regular intervals. The external valuers performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. Any input inaccuracies or unreasonable assumptions used in these judgements could result in a material misstatement of the Statement of Comprehensive Income and Statement of Financial Position.	• We assessed management's process for reviewing and assessing the work of the valuers. • We assessed the competence, objectivity and integrity of the valuers. • We obtained the external valuation reports and assessed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement areas. • We performed audit procedures to assess the integrity of a sample of the information provided to the valuer by agreeing that information to underlying lease agreements.
Revenue Recognition, including the timing of revenue recognition, the treatment of rents and incentives, the recognition of trading property proceeds and the calculation of performance related fee income Market expectation and profit-based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations. Revenue for the Group consists primarily of rental income, asset management fees and performance related fee income. Rental income is based on tenancy agreements where there is a standard process in place for recording revenue, which is system generated. The determination of whether a rent concession is treated as a lease modification, or not, is judgemental, and the accounting for the concession will vary accordingly. The recognition of performance fees and other variable consideration revenue streams depends on the use of estimates and judgements by management. Following management's review of recent performance of the Office Fund, revenue previously recognised under the Office Fund agreement has been reversed. £1.38 million of the previously recognised revenue has been reversed by a prior year adjustment to the 31 March 2022 financial statements and £0.59 million has been reflected as a reduction to revenue for the year to 31 March 2023. See Note 1 Basis of Preparation for details of the restatement, and Note 3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty for further details. Refer to Note 3 for the judgements and estimates made by management in relation to the recognition of performance related fee income for the Office Fund.	• We performed detailed testing of rental income for a sample of leases by agreeing the annual rent back to the terms of the lease agreements. • For a sample of leases, we tested that the rental income, including the treatment of lease incentives, is recorded on an appropriate basis and in accordance with relevant regulations. • We challenged management over the judgements and estimates used in the recognition of revenue, in particular in respect of the Office Fund profit share. This included a review of budgets and cash flows for the fund, and sensitivity analysis of the effect of future performance of the fund on clawback of previously received fees under the agreement. • We reviewed the appropriateness of the accounting treatment proposed by management to reverse the Office Fund revenue previously recognised in line with the requirements of IFRS 15 – Revenue from contracts with Customers, and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. • We performed substantive procedures over the recognition of revenue by the Group and each of the operating companies. • We assessed whether the revenue recognition policies adopted complied with IFRS as adopted by the United Kingdom.

Independent auditor's report cont.
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 £1.3m (2022: £1.3m) based on 3% of net asset values. We determined materiality for the Parent Company to be £0.93m (2022: £0.42m) 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 for the Group given that the key users of the Group financial statements are likely to be primarily focussed on the valuation of Group assets and the related financing. We aligned the benchmark for the determination of materiality for the parent company with that of the group to put it on a comparable basis.

For each component we allocated a materiality threshold ranging between 1% and 50% of the overall Group materiality.

Based on our risk assessment, including the Group's overall control environment, we determined a performance materiality of 80% of the financial statement materiality for both the Group and the Parent Company. The same percentage was applied to each component materiality.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £65,000 for the Group, and of £46,000 for the Parent Company, which is set at 5% of financial statement materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we have adequate quantitative coverage of the significant accounts in the financial statements, we selected 12 legal entities within UK and Poland.

The Group is audited by one audit team in the UK, directly responsible for the audit of the Parent Company and certain subsidiaries, in conjunction with locally-based auditors of the in scope legal entities based overseas. The complete financial information of all 12 legal entities was audited, either by the Group audit team or by component auditors, representing 93% of the Group's revenue, 99% of the Group's profit before tax, and 98% of the Group's net assets. In addition, we performed testing of consolidation journals and intercompany eliminations, tests of financial systems, centralised processes and controls, and foreign currency translation recalculations, to respond to any potential risks of material misstatement to the Group financial statements.

Detailed audit instructions were issued to the auditors of the overseas legal entities, highlighting the significant risks to be addressed through their procedures, and detailing the information to be reported to the Group audit team. The Group audit team conducted a review of the work performed by the component auditors, and communicated with the component auditors throughout the planning, execution and completion stages of the audits.

The audit work on subsidiaries and associates is carried out to a materiality which is lower than, and in some cases substantially lower than, Group materiality as set out above.

Other information
The other information comprises the information included in the Annual Report and Accounts 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most relevant to the presentation of the Annual Report and Accounts are those that relate to the reporting framework (IFRS and the Companies Act 2006, AIM rules and the UK Market Abuse Regulations), the relevant tax regulations in the United Kingdom, Poland and Romania and the UK General Data Protection Regulation (GDPR). There are no significant industry specific laws or regulations that we considered in determining our approach.

We understood how the Group is complying with those frameworks through enquiry with Management, and by identifying the Group's policies and procedures regarding compliance with laws and regulations. We also identified those members of Management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of Board minutes and papers provided to the Board and the Audit Committee, as well as consideration of the results of our audit procedures across the Group.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur through enquiry with Management and the Audit Committee during the planning and execution phases of our audit.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

Independent auditor's report cont.
to the members of First Property Group plc

Auditor's responsibilities for the audit of the financial statements cont.
Our procedures involved:

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

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

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

GEORGE STYLE ACA
(SENIOR STATUTORY AUDITOR)
For and on behalf of Haines Watts
Chartered Accountants and Statutory Auditors
Oxford

18 August 2023

Consolidated income statement
for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 Total results £'000	Year ended 31 March 2022 Total results £'000
Revenue	4	**7,249**	8,645
Cost of sales		**(2,257)**	(2,928)
Gross profit		**4,992**	5,717
Debt reduction following restructuring of finance lease		**–**	7,809
Profit on sale of investment properties		**1,779**	–
Operating expenses		**(4,767)**	(7,464)
Operating profit		**2,004**	6,062
Share of associates' profit/(loss) after tax	18a)	**273**	(29)
Share of associates' revaluation (losses)/gains	18a)	**(901)**	876
Investment income		**1,497**	271
Interest income	5	**145**	230
Interest expense	5	**(530)**	(330)
Profit before tax		**2,488**	7,080
Tax charge	10	**(449)**	(245)
Profit for the year		**2,039**	6,835
Attributable to:			
Owners of the parent		**1,919**	6,779
Non-controlling interests		**120**	56
		2,039	6,835
Earnings per share:			
Basic	11	**1.73p**	6.14p
Diluted	11	**1.70p**	6.01p

All operations are continuing.

Consolidated statement of comprehensive income

for the year ended 31 March 2023

	Year ended 31 March 2023 Total results £'000	Year ended 31 March 2022 Total results £'000
Profit for the year	**2,039**	6,835
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Exchange differences on retranslation of foreign subsidiaries	**944**	(189)
Net (loss)/profit on financial assets at fair value through other comprehensive income	**(1,412)**	1,039
Taxation	**–**	–
Total comprehensive income for the year	**1,571**	7,685
Total comprehensive income for the year attributable to:		
Owners of the parent	**1,324**	7,623
Non-controlling interests	**247**	62
	1,571	7,685

All operations are continuing.

Company Income Statement

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

Statement of financial position

as at 31 March 2023

	Notes	2023 Group £'000	2023 Company £'000	Restated 2022 Group £'000	2022 Company £'000	Restated 2021 Group £'000
Non-current assets						
Investment properties	14	**47,009**	**–**	23,849	–	22,456
Right of use assets	15	**197**	**–**	1,018	–	686
Property, plant and equipment	16	**80**	**–**	128	–	157
Investment in Group undertakings	17	**–**	**3,841**	–	3,418	–
Investment in associates	18a)	**17,588**	**14,011**	19,135	13,838	18,577
Other financial assets at fair value through OCI	18b)	**4,544**	**4,544**	7,445	7,445	3,061
Other receivables	21b)	**–**	**15,879**	95	13,826	487
Goodwill	19	**153**	**–**	153	–	153
Deferred tax assets	26	**930**	**–**	1,599	–	1,518
Total non-current assets		**70,501**	**38,275**	53,422	38,527	47,095
Current assets						
Inventories – land and buildings	20	**–**	**–**	12,352	–	12,494
Current tax assets		**79**	**–**	14	–	296
Right of use assets	15	**457**	**–**	446	–	–
Trade and other receivables	21a)	**3,729**	**1,341**	4,329	1,328	5,149
Cash and cash equivalents		**7,647**	**3,465**	6,419	3,493	16,244
Total current assets		**11,912**	**4,806**	23,560	4,821	34,183
Current liabilities						
Trade and other payables	22	**(3,310)**	**(10,782)**	(4,764)	(11,116)	(4,823)
Provisions	23	**(158)**	**–**	(922)	–	(2,076)
Lease liabilities	15	**(469)**	**–**	(410)	–	–
Financial liabilities	24	**(1,116)**	**–**	(4,212)	–	(22,637)
Other financial liabilities	25	**(939)**	**–**	–	–	–
Current tax liabilities		**(28)**	**(62)**	(20)	(43)	(12)
Total current liabilities		**(6,020)**	**(10,844)**	(10,328)	(11,159)	(29,548)
Net current assets		**5,892**	**(6,038)**	13,232	(6,338)	4,635
Total assets less current liabilities		**76,393**	**32,237**	66,654	32,189	51,730
Non-current liabilities						
Financial liabilities	24	**(11,519)**	**–**	(9,309)	–	(12,457)
Other financial liabilities	25	**(16,082)**	**–**	(10,141)	–	–
Lease liabilities	15	**(267)**	**–**	(1,098)	–	(686)
Deferred tax liabilities	26	**(3,050)**	**–**	(3,112)	–	(2,974)
Net assets		**45,475**	**32,237**	42,994	32,189	35,613
Equity						
Called up share capital	27	**1,166**	**1,166**	1,166	1,166	1,166
Share premium		**5,635**	**5,635**	5,791	5,791	5,791
Share based payment reserve		**179**	**179**	179	179	179
Foreign exchange translation reserve		**(2,353)**	**–**	(3,297)	–	(3,108)
Purchase of own shares reserve		**(2,440)**	**(2,440)**	(2,653)	(2,653)	(2,653)
Investment revaluation reserve		**(728)**	**(728)**	684	684	(355)
Retained earnings		**41,983**	**28,425**	40,895	27,022	34,392
Equity attributable to the owners of the parent		**43,442**	**32,237**	42,765	32,189	35,412
Non-controlling interests		**2,033**	**–**	229	–	201
Total equity		**45,475**	**32,237**	42,994	32,189	35,613
Net assets per share	11	**39.18p**		38.74p		32.08p

The Company's profit for the year was £2.24 million (2022: loss £6.71 million).

The financial statements were approved and authorised for issue by the Board of Directors on 18 August 2023 and were signed on its behalf by:

LAURA JAMES
FINANCE DIRECTOR

Registered No. 02967020

Consolidated statement of changes in equity
for the year ended 31 March 2023

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 2022	**1,166**	**5,791**	**179**	**(3,297)**	**(2,653)**	**684**	**40,895**	**229**	**42,994**
Profit for the year	–	–	–	–	–	–	2,039	–	2,039
Net profit on financial assets at fair value through other comprehensive income	–	–	–	–	–	(1,412)	–	–	(1,412)
Purchase from treasury shares	–	(156)	–	–	213	–	–	–	57
Exchange differences arising on translation of foreign subsidiaries	–	–	–	944	–	–	–	127	1,071
Non controlling interest in 5PT	–	–	–	–	–	–	–	1,606	1,606
Total comprehensive income	–	**(156)**	–	**944**	**213**	**(1,412)**	**2,039**	**1,733**	**3,361**
Non-controlling interests	–	–	–	–	–	–	(120)	120	–
Dividends paid	–	–	–	–	–	–	(831)	(49)	(880)
At 31 March 2023	**1,166**	**5,635**	**179**	**(2,353)**	**(2,440)**	**(728)**	**41,983**	**2,033**	**45,475**
At 1 April 2021 (as restated)	**1,166**	**5,791**	**179**	**(3,108)**	**(2,653)**	**(355)**	**34,392**	**201**	**35,613**
Profit for the year	–	–	–	–	–	–	6,835	–	6,835
Net profit on financial assets at fair value through other comprehensive income	–	–	–	–	–	1,039	–	–	1,039
Exchange differences arising on translation of foreign subsidiaries	–	–	–	(189)	–	–	–	6	(183)
Foreign exchange profit recycled to the Income Statement	–	–	–	–	–	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**(189)**	**–**	**1,039**	**6,835**	**6**	**7,691**
Non-controlling interests	–	–	–	–	–	–	(56)	56	–
Dividends paid	–	–	–	–	–	–	(276)	(34)	(310)
At 31 March 2022	**1,166**	**5,791**	**179**	**(3,297)**	**(2,653)**	**684**	**40,895**	**229**	**42,994**

Company statement of changes in equity
for the year ended 31 March 2023

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 2022	**1,166**	**5,791**	**179**	**(2,653)**	**684**	**27,022**	**32,189**
Profit for the year	–	–	–	–	–	2,235	2,235
Net profit on financial assets at fair value through other comprehensive income	–	–	–	–	(1,412)	–	(1,412)
Purchase from treasury shares	–	(156)	–	213	–	–	57
Total comprehensive income	–	(156)	–	213	(1,412)	2,235	880
Dividend paid	–	–	–	–	–	(832)	(832)
At 31 March 2023	**1,166**	**5,635**	**179**	**(2,440)**	**(728)**	**28,425**	**32,237**
At 1 April 2021	**1,166**	**5,791**	**179**	**(2,653)**	**(355)**	**34,007**	**38,135**
Profit for the year	–	–	–	–	–	(6,709)	(6,709)
Net profit on financial assets at fair value through other comprehensive income	–	–	–	–	1,039	–	1,039
Total comprehensive income	–	–	–	–	1,039	(6,709)	(5,670)
Dividend paid	–	–	–	–	–	(276)	(276)
At 31 March 2022	**1,166**	**5,791**	**179**	**(2,653)**	**684**	**27,022**	**32,189**

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

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

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

Investment revaluation reserve
The change in fair value of the Group's financial assets measured at fair value through other comprehensive income is held in this reserve, and is non distributable.

Cash flow statements
for the year ended 31 March 2023

	Notes	2023 Group £'000	2023 Company £'000	2022 Group £'000	2022 Company £'000
Cash flows (used in)/ from operating activities					
Operating profit/(loss)		**2,004**	**(387)**	6,062	(7,862)
Adjustments for:					
Depreciation of investment property and property, plant and equipment		**99**	**–**	90	–
Debt reduction following restructuring of finance lease		**–**	**–**	(7,809)	–
Profit on the sale of investment property		**(1,779)**	**–**	–	–
Impairment loss on amounts due from subsidiaries		**–**	**–**	–	6,010
Decrease/(increase) in inventories		**–**	**–**	38	–
Decrease/(increase) in trade and other receivables		**777**	**(1,045)**	1,208	(5,997)
(Decrease)/increase in trade and other payables		**2,813**	**(355)**	(1,213)	360
Other non-cash adjustments		**180**	**–**	65	–
Cash (used in)/generated from operations		**4,094**	**(1,787)**	(1,559)	(7,489)
Taxes received/(paid)		**(616)**	**–**	118	111
Net cash flow (used in)/from operating activities		**3,478**	**(1,787)**	(1,441)	(7,378)
Cash flow (used in)/from investing activities					
Capital expenditure on investment properties	14	**(1,017)**	**–**	(1,642)	–
Purchase of property, plant and equipment	16	**(10)**	**–**	(33)	–
Proceeds from the sale of investment property		**8,612**	**–**	–	–
Purchase of investment property		**(7,443)**	**–**	–	–
Cash paid on acquisition of new subsidiaries		**(165)**	**(165)**	–	–
Cash and cash equivalents received on acquisitions		**83**	**–**	–	–
Investment in shares of new associates		**(606)**	**(606)**	–	–
Investment in funds	18b)	**(3)**	**(3)**	(3,633)	(3,633)
Proceeds from funds	18b)	**1,492**	**1,492**	290	290
Proceeds from investment in associates	18a)	**176**	**176**	48	48
Interest received		**145**	**127**	187	347
Dividends from associates	18a)	**–**	**–**	241	241
Distributions received		**1,494**	**1,501**	266	763
Net cash flow (used in)/from investing activities		**2,758**	**2,522**	(4,276)	(1,944)
Cash flow (used in)/from financing activities					
Proceeds from bank loan		**1,474**	**–**	1,289	–
Repayment of bank loans		**(5,215)**	**–**	(1,297)	–
Repayment of finance lease		**–**	**–**	(3,434)	–
Sale of shares held in treasury		**57**	**57**		–
Interest paid		**(530)**	**–**	(330)	–
Dividends paid		**(831)**	**(831)**	(276)	(276)
Dividends paid to non-controlling interests		**(49)**	**–**	(34)	–
Net cash flow (used in)/from financing activities		**(5,094)**	**(774)**	(4,082)	(276)
Net (decrease)/increase in cash and cash equivalents		**1,142**	**(39)**	(9,799)	(9,598)
Cash and cash equivalents at the beginning of the year		**6,419**	**3,493**	16,244	13,094
Currency translation (losses)/gains on cash and cash equivalents		**86**	**11**	(26)	(3)
Cash and cash equivalents at the year end		**7,647**	**3,465**	6,419	3,493

Notes to the financial statements

for the year ended 31 March 2023

1. Basis of Preparation

The financial statements for both the Group and Parent Company have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs). The financial statements have been prepared on the historical cost basis, except for items carried at fair value in accordance with IFRS 9. These financial statements are presented in Sterling since that is the currency in which the Group and Parent Company transact a substantial part of their business and it is the currency considered most convenient for its shareholders. The functional currencies adopted by the Group's foreign operations are set out in Note 29.

Going concern

The Directors have carried out an analysis to support their view that the Group is a going concern and under which basis these financial statements have been prepared.

Analysis and scenario testing, was carried out on the Group's main divisional income streams, being asset management fees from the Fund Management division, rental income from its seven directly owned Group Properties and cash returns from its Associates and Investments.

Fund management fee income

Asset management fee income is primarily derived from the Group's UK funds (52%), four of which are limited partnerships whose limited partners are a mix of pension funds and registered charities. With one exception, fees are invoiced monthly and are calculated based on a percentage of the latest valuation, which for the UK funds is performed quarterly.

In the one fund from which fees are not levied by reference to the properties' valuation (Fprop Offices LP) a clawback of income can be triggered. As at 31 March 2022, a performance fee totalling £1.97 million had been recognised of which £1.41 million has been received in cash. As a result of falls in the value of the properties held in this fund, the Group considers that £1.97 million will be clawed back in line with the contract. This is reflected in the financial statements in the following manner:

- £1.38 million, being the cumulative amount of income recognised to 31 March 2021. This amount is shown as a restatement of the 31 March 2022 Statement of Financial Position as set out in the Prior Year Adjustment note below.
- £0.59 million clawed back as a reduction in the performance fee revenue included as part of the asset management revenue in the year ended 31 March 2023.
- The Group will repay £0.25 million to Fprop Offices LP. At the year end this amount was recognised in Trade and other payables.

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

The longevity of this asset management fee income is determined by the fund's life which is fixed by agreement when each fund is first established. The weighted average unexpired fund management contract term is 2 years, 9 months.

Rental income from Group Properties

All seven Group Properties are located in Poland or Romania. These properties consist of four office blocks, a mini-supermarket, one multi-let property and ground-floor retail property. All were independently valued on 31 March 2023 at £53.97 million (31 March 2022: seven properties £42.24 million).

The rental income has been reviewed and evaluated and no significant falls in collection rates are expected. The tenants are of good quality, as proven by excellent cash collection rates through and after the lockdown periods. Any renegotiation of rental payment terms that have been agreed are reflected in the analysis.

On 12 August 2022 the Group acquired some 7,171 square metres in Blue Tower in Warsaw at a price of £7.20 million. The purchase resulted in the Group's interest in the building increasing from 48.2% to 80.3%. Some 5,159 square metres of the newly acquired space was vacant at purchase.

The Group's office property in Gdynia is now 28% leased, up from 3% at 31 March 2022 (1 August 2022: 20%). A further 72% of the office space in the building remains to be leased. When fully let it is anticipated the building should generate net operating income of over £1.90 million per annum.

Notes to the financial statements cont.
for the year ended 31 March 2023

1. Basis of Preparation cont.

Going concern cont.

Income from associates and investments

Analysis was also conducted on the returns from the Group's investment in its four (2022: five) associates.

All bank loan covenants were reviewed and tested against future decreases in valuation and net operating income.

Dividend income from the Group's UK investments was also stress tested and found not to have a significant impact.

Financing of Group Properties

Financing requirements in the next 12 months include the settlement in June 2024 of €12 million in deferred consideration in respect of the office building in Gdynia, Poland, which the Group acquired for €16 million in 2021. The Group plans to finance this payment via a bank loan secured against the property. In the event that such financing cannot be obtained we expect the creditor would enforce payment via a sale of the property. It is held in our accounts at its purchase price of €16 million. This liability is non-recourse to the Group.

Going concern statement

Based on the results of the analysis conducted as outlined above the Board believes that the Group has the ability to continue its business for at least 12 months from the date of approval of the financial statements and therefore has adopted the going concern basis in the preparation of this financial information.

Prior year adjustment

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

As at 31 March 2022, the Group had reflected cumulative revenue of £1.97 million. The Group recognised its share of the total profits of Fprop Offices LP as performance fee income within asset management revenue.

The combination of inflationary pressures, higher interest rates, a cost of living crisis in the UK and an increase in employees working from home has caused severe disruption to economic activity and a reduction in the value of commercial property. During the period between 1 April 2022 and 31 March 2023, there was an 18% fall in the value of the properties held by Fprop Offices LP. As a result, the Group considers that £1.38 million of the previously recognised revenue should be reversed as a prior year adjustment to the 31 March 2022 financial statements and £0.59 million should be reflected as a reduction to revenue for the year to 31 March 2023.

For the purposes of revenue recognition under IFRS 15, the profit share due to the Group is a "variable consideration". Paragraph 56 of IFRS 15 places a constraint upon the recognition of variable consideration, requiring that it should only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The IFRS rules require that the reduction in previously recognised variable consideration should be presented as a prior period adjustment.

1. Basis of Preparation cont.

Prior year adjustment cont.

The following line items in the Statement of Financial Position in the financial statements were impacted.

	Year ended 31 March 2022
Retained earnings	
Retained earnings as reported in the 2022 financial statements.	42,271
Prior year restatement due to IFRS 15 accounting treatment	(1,376)
Retained earnings as restated	**40,895**
Trade and other payables	
Trade and other payables as reported in the 2022 financial statements.	(3,388)
Prior year restatement due to IFRS 15 accounting treatment	(1,376)
Trade and other payables	**(4,764)**
Net assets	
Net assets excluding non-controlling interests as reported in the 2022 financial statements	44,141
Prior year restatement due to IFRS 15 accounting treatment	(1,376)
Net assets as restated	**42,765**
Net assets per share	
Net assets per share as reported in the 2022 financial statements	40.00p
Prior year restatement due to IFRS 15 accounting treatment	(1.26p)
Net assets per share as restated	**38.74p**

Standards and interpretations effective in the current period

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards, (the "applicable framework"), and have been prepared in accordance with the provisions of the Companies Act 2006 (the "applicable legal requirements"). The policies have been consistently applied to all years presented unless otherwise stated below.

New standards and interpretations

New standards impacting the Group have been adopted in the financial statements for the year-ended 31 March 2023, none of which have had a significant impact to the financial statements:

Annual Improvements to IFRS Standards 2018-2020 Cycle

Amendments to IFRS 3 – Reference to the Conceptual Framework

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

Amendment to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract

The Group has not adopted any new IFRSs that are issued but not yet effective and it does not expect any of these changes to impact the group.

Notes to the financial statements cont.
for the year ended 31 March 2023

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 2023. 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 Statement of Financial Position, 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 Statement of Financial Position is subject to annual impairment reviews. The Group's share of the associate's profit or loss is included within the Consolidated Income Statement. To be consistent with the Group's accounting policy for investment properties it adopts the cost model in respect of the investment properties held by the associates, thus not recognising any property revaluations when assessing its share of the profit or loss after tax.

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

Other financial investments

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

Impairment

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

Property, plant and equipment

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

The principal annual rates used for this purpose are:

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

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

2. Significant Accounting Policies cont.

Investment properties

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

Inventories – land and buildings

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

Lessee accounting

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

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

- Fixed payments, less any lease incentives received.
- Variable lease payments that are based on an index or a rate.
- Amounts expected to be paid by the Company under residual value guarantees.
- Payments or penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Taxation

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

Current taxation

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

Notes to the financial statements cont.

for the year ended 31 March 2023

2. Significant Accounting Policies cont.

Deferred taxation

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

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

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

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

Revenue recognition

Rental income arising under the Group's leases is recognised over the term of the lease on a straight-line basis and is adjusted for lease incentives such as rent-free periods and fit-out contributions such that their cost is apportioned evenly over the full lease term.

Turnover rents and other such contingent rents are recorded as revenue in the periods to which they relate.

The Group's revenue from contracts with customers, as defined in IFRS 15, includes service charge income and income from the sale of properties charged by the Group Properties division and asset management fees and performance related fees charged by the Group's Fund Management division.

Service charge income is recognised in the period in which the service is provided according to the terms of the individual lease agreement.

Income from the sale of properties is recognised generally on transfer of control over the property being disposed and when there are no significant outstanding obligations between buyer and seller. This generally occurs on completion.

Asset management and administration fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of AUM. Management fees are recognised as the service is provided and it is probable that the fee will be collected.

Performance related fees are earned from some arrangements when contractually agreed performance levels are exceeded within specified performance measurement periods. For short-term arrangements (typically one year or less) performance related fees are recognised when the performance period has ended and the performance calculation can be performed with reasonable certainty. For long-term arrangements performance related fees are only recognised where there is deemed to be a low probability of a significant reversal in future periods. In cases where performance related revenue is subject to potential future reversal the Directors will apply their judgement to the amount of revenue recognised in the Income Statement such that in their judgement there is a high probability that this revenue will not reverse in subsequent years. They will ignore all unrealised upward property revaluations above original cost (including acquisition costs) used to determine the total entitlement but include any downward revaluation below total original historic acquisition and subsequent capitalised property costs. This may result in the recognition of revenue before the contractual crystallisation date. See critical accounting Judgments for the Directors' assessment of this revenue.

All revenue is classified in the revenue line of the Income Statement except for revenue from the sale of property which is netted off against costs and shown under profit on sale of property.

Interest income and expense are recognised on an accruals basis.

The above policies on revenue recognition result in both deferred and accrued income.

Lessor accounting

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

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

2. Significant Accounting Policies cont.

Operating profit

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

Defined contribution schemes

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

Share-based payments

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

Foreign currencies

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

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

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

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

Financial instruments

The Group initially records all financial assets at fair value. The Group subsequently holds each financial asset at fair value ("fair value through profit or loss" (FVTPL) or "fair value through other comprehensive income" (FVOCI)) or at amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants. Amortised cost is the amount determined based on moving the initial amount recognised for the financial instrument to the maturity value on a systematic basis using a fixed interest rate (effective interest rate), taking account of repayment dates and initial premiums or discounts.

Trade receivables

Trade receivables are measured at initial recognition at fair value. Subsequently, they are measured at amortised cost. The carrying value of amortised cost financial assets is adjusted for impairment under the expected loss model (see Note 21).

Investments

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Notes to the financial statements cont.
for the year ended 31 March 2023

2. Significant Accounting Policies cont.

Financial instruments cont.

Bank borrowing

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

Trade payables

Trade payables are initially measured at fair value.

Equity instruments

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

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. This method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities are included in the Consolidated Statement of Financial Position 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 IFRS requires management to exercise judgement in applying the Group's accounting policies. The areas where the Group considers the judgements to be most significant involve assumptions or estimates in respect of future events, where actual results may differ from these estimates.

Critical accounting judgements

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

  For the accounting year ended 31 March 2023 the Directors have assessed the recognition of the Office Fund revenue and have concluded that all of the revenue previously recognised is likely to be clawed back upon the crystallisation of the performance agreement at the expiry of the fund in June 2024. The combination of inflationary pressures, higher interest rates, a cost of living crisis in the UK and an increase in employees working from home has caused severe disruption to economic activity and a reduction in the value of commercial property. During the period between 1 April 2022 and 31 March 2023, there was an 18% fall in the value of the properties held by Fprop Offices LP. As a result, the Group considers that £1.38 million of the previously recognised revenue should be reversed as a prior year adjustment to the 31 March 2022 financial statements and £0.59 million should be reflected as a reduction to revenue for the year to 31 March 2023.

  The Directors have exercised judgement in respect of the assessment of control over its investments in its managed funds. Where the group has significant influence but does not have the power to exercise control investments are accounted for as associates. Where the directors judge that the Group has power, the investment vehicles are consolidated.

  Following additional investments made in the year by the Group in 5th Property Trading Ltd (5PT) and FProp Opportunities plc (FOP), which are both funds managed on behalf of clients, an assessment of control was performed. The Directors assessed the Group's power to direct the relevant activities of the funds through the management agreements, and the Group's subsequent exposure to variable returns.

  In the case of 5PT, following purchases of additional shares in this fund, the Group's holding increased to 47.2% at 31 March 2023. When combined with Director, Ben Habib's personal interest in the fund of 5.96%, the Group is considered to have control. As a result, FPG consolidated these companies into the Group.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty cont.

Critical accounting judgements cont.

In the case of FOP, following purchases of additional shares in this fund, the Group's holding increased to 45.71% at 31 March 2023. The holdings of key management personnel, including directors, and their related parties, comprised 1.71% at 31 March 2023.

It is the directors intention to seek dilution of the Group's interest in FOP, and combined with the factors noted above, they concluded that the Group did not have control over FOP. Accordingly it remained to be treated in line with the Group's accounting policy for associates.

Key sources of estimation uncertainty

- Valuation of the investment property and trading property requires the Group to assess their useful lives and residual values. In addition, the Group's investment properties are reviewed for indications of impairment. Where impairment assessments are performed estimates are made over the rental value and equivalent yield in assessing the value in use (Note 14).
- The Group's investments in its own funds are held at fair value, based on the net asset values of the funds. The Group's managed funds are invested in commercial properties which are valued by external experts, and are classified as Level 3 within the Group's fair value hierarchy (Note 18).
- The calculation of the Group's deferred tax balances requires a degree of estimation around the timing and amount of future taxable profits, in respect of which the Group does not recognise deferred tax assets (Note 26).
- As a condition of the sale of CH8 in March 2020, the Group has guaranteed the rental and service charge income and fit-out costs on the residual vacant space (Note 23).

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 Fund Management segment is organised into separate funds operating across all the Group's chosen geographic areas. It enjoys recurring income from managing commercial property on behalf of its various fund investors in the form of asset management fees and performance related fees when earned. It includes such fees from associates, but not Group Properties whose fees are eliminated at the Group level. A table of funds managed is listed in this report on page 10.

The Group Properties segment comprises the revenues and profits from the Group's trading in its own properties. Rental and service charge income from the properties owned by the Group is included in this segment. The profits and losses of trading in these properties can be volatile and, depending on the frequency and size of sale and by their nature, unpredictable. At the year end this division owned seven properties held within investment properties.

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

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

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

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

Notes to the financial statements cont.
for the year ended 31 March 2023

4. Segmental Reporting cont.
Segment reporting 2023

	Fund Management division	Group Properties division			
	Property fund management £'000	Group properties £'000	Associates and investments £'000	Unallocated central overheads £'000	**Total £'000**
Rental income	–	3,614	–	–	**3,614**
Service charge income	–	1,115	–	–	**1,115**
Asset management fees	2,892	–	–	–	**2,892**
Performance related fee income	(372)	–	–	–	**(372)**
Total revenue	**2,520**	**4,729**	**–**	**–**	**7,249**
Depreciation and amortisation	(36)	(24)	–	–	**(60)**
Operating profit	120	3,069	–	(1,185)	**2,004**
Share of results in associates	–	–	273	–	**273**
Fair value adjustment on associates	–	–	(901)	–	**(901)**
Investment income	–	–	1,497	–	**1,497**
Interest income	–	20	–	125	**145**
Interest payable	–	(530)	–	–	**(530)**
Profit/(loss) before tax	**120**	**2,559**	**869**	**(1,060)**	**2,488**
Analysed as:					
Underlying profit/(loss) before tax before adjusting for the following items:	**513**	**752**	**273**	**(1,089)**	**449**
Provision in respect of rent guarantee	–	511	–	–	**511**
Profit on the sale of investment properties	–	1,779	–	–	**1,779**
Interest received on loan to FOP at 12%	–	125	–	–	**125**
Fair value adjustment on associates (FOP)	–	–	(901)	–	**(901)**
UK fund distributions following sale of properties	–	–	1,497	–	**1,497**
Performance related fee income	222	–	–	–	**222**
Clawback of Offices Income	(594)	–	–	–	**(594)**
Staff incentives	(44)	(65)	–	–	**(109)**
Realised foreign currency (losses)/gains	23	(543)	–	29	**(491)**
Total	**120**	**2,559**	**869**	**(1,060)**	**2,488**
Assets – Group	795	54,525	4,544	4,727	**64,591**
Share of net assets of associates	–	–	17,588	–	**17,588**
Liabilities	(71)	(36,574)	–	(59)	**(36,704)**
Net assets	**724**	**17,951**	**22,132**	**4,668**	**45,475**
Additions to non-current assets					
Property, plant and equipment	8	2	–	–	**10**
Investment properties	–	1,017	–	–	**1,017**
Trading stock	–	7,443	–	–	**7,443**

Geographic analysis	Revenue		Non-current assets	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
UK	**900**	2,302	**22,212**	26,844
Poland	**5,439**	5,146	**3,882**	20,809
Romania	**910**	1,197	**43,324**	4,017
Total	**7,249**	8,645	**69,418**	51,670

4. Segmental Reporting cont.

Segment reporting 2022

	Fund Management division	Group Properties division			
	Property fund management £'000	Group properties £'000	Associates and investments £'000	Unallocated central overheads £'000	**Total £'000**
Rental income	–	2,926	–	–	**2,926**
Service charge income	–	1,678	–	–	**1,678**
Asset management fees	3,463	–	–	–	**3,463**
Performance related fee income	578	–	–	–	**578**
Total revenue	**4,041**	**4,604**	**–**	**–**	**8,645**
Depreciation and amortisation	(36)	(24)	–	–	**(60)**
Operating profit	**1,437**	**7,781**	**–**	**(3,156)**	**6,062**
Share of results in associates	–	–	(29)	–	**(29)**
Fair value adjustment on associates	–	–	876	–	**876**
Investment income	–	–	271	–	**271**
Interest income	–	29	–	201	**230**
Interest payable	–	(330)	–	–	**(330)**
Profit/(loss) before tax	**1,437**	**7,480**	**1,118**	**(2,955)**	**7,080**
Analysed as:					
Underlying profit/(loss) before tax before adjusting for the following items:	**1,182**	**401**	**242**	**(1,449)**	**376**
Provision in respect of rent guarantee	–	(629)	–	–	**(629)**
Debt reduction following restructuring of finance lease	–	7,809	–	–	**7,809**
Interest received on loan to FOP at 12%	–	202	–	–	**202**
Fair value adjustment on associates (FOP)	–	–	876	–	**876**
Performance related fee income	578	–	–	–	**578**
Staff incentives	(305)	(251)	–	(1,472)	**(2,028)**
Realised foreign currency (losses)/gains	(18)	(52)	–	(34)	**(104)**
Total	**1,437**	**7,480**	**1,118**	**(2,955)**	**7,080**
Assets – Group	891	44,693	7,445	4,818	**57,847**
Share of net assets of associates	–	–	19,135	–	**19,135**
Liabilities	(143)	(33,295)	–	(547)	**(33,988)**
Net assets (restated)	**748**	**11,395**	**26,580**	**4,271**	**42,994**
Additions to non-current assets					
Property, plant and equipment	5	28	–	–	**33**
Investment properties	–	1,642	–	–	**1,642**
Trading stock	–	119	–	–	**119**

Geographic analysis	Revenue		Non-current assets	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
UK	**2,302**	2,224	**26,844**	21,912
Poland	**5,146**	8,910	**20,809**	19,110
Romania	**1,197**	985	**4,017**	4,402
Total	**8,645**	12,119	**51,670**	45,424

Notes to the financial statements cont.
for the year ended 31 March 2023

5. Interest Income/(Expense)

	2023 Group £'000	2022 Group £'000
Interest income – bank deposits	–	–
Interest income – other	145	230
Total interest income	**145**	230

	2023 Group £'000	2022 Group £'000
Interest expense – property loans	(516)	(326)
Interest expense – bank and other	(14)	(4)
Finance charges on finance leases	–	–
Total interest expense	**(530)**	(330)

6. Profit on Ordinary Activities Before Taxation

	2023 Group £'000	2022 Group £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment (Note 16)	61	60
– Depreciation on investment properties (Note 14)	134	30
– Net foreign exchange (gains)/losses (Note 4)	491	104
– Staff costs (Note 7)	3,399	5,301
– Rental income from investment properties	1,017	1,017
– Direct operating expenses arising from investment property that generated rental income during the period	2,048	1,267
– Direct operating expenses arising from investment property that did not generate rental income	864	614
– Depreciation on inventories (Note 20)	–	157

7. Employee Information

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

	2023 Number	2022 Number
Management	12	12
Property operations	10	12
Technical operations	37	37
	59	61

An analysis of staff costs is set out below:

	2023 Group £'000	2022 Group £'000
Wages and salaries	2,980	4,884
Social security costs	388	390
Defined contribution pension costs	31	27
Share-based payments	–	–
Total staff costs	**3,399**	5,301

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

8. Directors' Remuneration and Emoluments

The remuneration of the Directors was as follows:

	2023 £'000	2022 £'000
Basic pay	526	526
Pension	8	6
Fees	66	66
Benefits	13	15
Annual bonus	–	1,472
Total Directors' remuneration	**613**	2,085

	Salary and benefits £'000	Annual bonus £'000	Fees £'000	2023 £'000	2022 £'000
A J D Locke	–	–	33	33	33
P Moon	–	–	33	33	33
B N Habib	389	–	–	389	1,763
L B James	158	–	–	158	256
	547	–	66	613	2,085

The Group remunerates and incentivises its executives via a mixture of salary and discretionary bonuses. The latter is decided by the Remuneration Committee based on the level of profits earned by the Group (excluding the non-controlling interest) in the year under consideration.

There are £nil retirement benefits accruing to Directors (2022: £nil) under money purchase pension schemes run by the Company.

9. Audit Fees

	2023		2022	
	Group auditor £'000	Other auditors £'000	Group auditor £'000	Other auditors £'000
Audit fees				
– Audit of parent company and consolidated financial statements	63	–	54	–
– Audit of subsidiary undertakings	29	42	29	32
Non-audit fees				
– Other services	8	33	7	26
Total audit fees	**100**	**75**	90	58

10. Tax Expense

	2023 Group £'000	2022 Group £'000
Analysis of tax charge for the year		
Current tax	(559)	(172)
Deferred tax (see Note 26)	110	(73)
Total tax charge for the year	**(449)**	(245)

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

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

Notes to the financial statements cont.

for the year ended 31 March 2023

10. Tax Expense cont.

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:

	2023 £'000	2022 £'000
Profit on ordinary activities before tax	**2,488**	7,080
Profit on ordinary activities multiplied by the standard rate of 19% (2022: 19%)	**473**	1,345
Effect of:		
Expenses not deductible for tax purposes	**–**	–
Income not taxable	**(283)**	(51)
Depreciation in excess of capital allowances on plant and equipment	**112**	7
Fair value adjustments	**171**	(1,650)
Prior year adjustments	**–**	–
Movement on deferred tax unprovided	**–**	(109)
Effect of overseas mainstream tax rates	**–**	2
Other adjustments including overseas tax allowable deprecation on property	**86**	628
Total tax charge for the period	**559**	172

Unrecognised deferred tax

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	**14**	**–**	14	–
Tax losses carried forward	**1,407**	**1,229**	1,620	1,233
Unrecognised deferred tax asset	**1,421**	**1,229**	1,634	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 Statement of Financial Position. UK deferred tax has been calculated at a rate of 19% for 2023 and 2022.

11. Earnings/NAV per Share

	2023	2022
Basic earnings per share	**1.73p**	6.14p
Diluted earnings per share	**1.70p**	6.01p

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

	£'000	£'000
Basic earnings	**1,919**	6,779
Notional interest on share options assumed to be exercised	**2**	7
Diluted earnings assuming full dilution	**1,921**	6,786

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

	2023 Number	2022 Number
Weighted average number of Ordinary Shares in issue (used for basic earnings per share calculation)	**110,875,483**	110,382,332
Number of share options	**2,110,000**	2,610,000
Total number of Ordinary Shares used in the diluted earnings per share calculation	**112,985,483**	112,992,332

11. Earnings/NAV per Share cont.

For the purpose of calculating diluted earnings per share, the number of Ordinary Shares was the weighted average number of Ordinary Shares, plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the dilutive potential Ordinary Shares into Ordinary Shares. Options have a dilutive effect only when the average market price of the Ordinary Shares during the period exceeds the exercise price of the options and thus they are "in the money". Given the share options were granted on 31 March 2023 they have not been included in the diluted EPS calculation or the adjusted net assets per share calculations.

	2022	Restated 2022
Net assets per share	**39.18p**	38.74p
Adjusted net assets per share	**46.50p**	46.07p

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

	2023 £'000	Restated 2022 £'000
For net assets per share		
Net assets excluding non-controlling interests	**43,442**	42,765

	£'000	£'000
For adjusted net assets per share		
Net assets excluding non-controlling interests	**43,442**	42,765
Investment properties at fair value net of deferred tax	**5,639**	2,486
Inventories at fair value net of deferred tax	**–**	2,403
Investments in associates and other financial investments	**3,139**	4,016
Other items	**324**	381
Total	**52,544**	52,051

12. 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 £2.24 million (2022: loss £6.71 million).

13. Dividend on Ordinary Shares

	2023 £'000	2022 £'000
Interim dividend paid during the year ended 31 March 2023: 0.50 pence per share (2022: 0.25 pence per share)*	**555**	276
Final dividend paid for the year ended 31 March 2022: £0.25 pence per share (2021: £nil pence per share)	**277**	–
Total	**832**	276

* Instead of a final dividend (usually paid in September), a second interim dividend of 0.25 pence per share was paid on 5 April 2023 (2022: Final dividend 0.25 pence per share), which together with the first interim dividend of 0.25 pence per share equates to a dividend for the year of 0.50 pence per share (2022: 0.50 pence per share).

Notes to the financial statements cont.

for the year ended 31 March 2023

14. Investment Properties

i. Investment properties:

	2023 Group £'000	2022 Group £'000
Investment properties		
At 1 April	**23,849**	22,456
Reclassification of inventory	**19,795**	–
Additions arising on consolidation	**7,621**	–
Capital expenditure	**1,017**	1,642
Disposals	**(6,459)**	–
Depreciation	**(134)**	(30)
Foreign exchange translation	**1,320**	(219)
At 31 March	**47,009**	23,849

During the year the Group acquired an additional 7,171m^2 of office space in Blue Tower for a consideration of £7.20 million, which is payable in seven instalments over a six-year period. Following this purchase, the Group's interest in Blue Tower (an office block in Warsaw) now represents 80.3% (2022: 48.2%) of the building. As a result of this acquisition the Group reclassified the building from Inventory to Investment Property.

During the year the Group took control of 5th Property Trading Ltd, a fund which it previously held as a share of associate, as a result three additional commercial properties were added to investment properties with a fair value at the date of consolidation of £7.62 million (€9.07 million).

During the year the Group disposed of three properties. The first sale, in August 2022, was of a warehouse in Tureni, Romania for £3.11 million which generated a profit of £1.10 million after accounting for disposal costs. In December 2022, the Group also disposed of two supermarkets in Poland on behalf of a fund managed by the Group and in which the Group has a 77% interest. These two properties sold for £5.50 million (€6.20 million), generating a profit after sale of some £0.68 million.

At the year end the Group held seven properties.

Investment properties owned by the Group are stated at cost less depreciation and any accumulated impairment in value. The properties were valued at the Group's financial year end at €61.43 million (31 March 2022: €50.43 million including the property transferred from inventory), the Sterling equivalent at closing foreign exchange rates being £53.97 million (31 March 2022: £42.24 million including the property transferred from inventory).

ii. Amounts recognised in the income statement:

	2023 Group £'000	2022 Group £'000
Rental income from operating leases	**3,614**	2,926

iii. Leasing arrangements where the Group is a lessor:

	2023 Group £'000	2022 Group £'000
Minimum lease receipts under non-cancellable operating leases to be received:		
Not later than one year	**2,113**	2,043
Later than one year and not later than five years	**5,190**	6,790
Later than five years	**2,546**	3,758
Total	**9,849**	12,591

Investment properties are comprised of commercial properties that are leased to third parties. The Group has approximately 51 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 5 years and 2 months (2022: 5 years and 7 months). No contingent rents are charged.

15. Leases and Right-of-Use Assets

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see Note 14.

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

i. Amounts recognised in the balance sheet:

	31 March 2023 £'000	31 March 2022 £'000
Right-of-use assets		
Current	**457**	446
Non-current	**197**	1,018

	31 March 2023 £'000	31 March 2022 £'000
Lease liabilities		
Current	**469**	410
Non-current	**267**	1,098

There was no addition (2022: one, £0.75 million) to the right of use assets and no addition (2022: one, £0.77 million) to the lease liability during the financial year. There was one disposal of the 5PT right of use asset and liability due to the fact that 5PT has been consolidated in the current financial year.

ii. Amounts recognised in the income statement:

	2023 £'000	2022 £'000
Depreciation/Rent charge of right-of-use assets		
Buildings	**457**	446
Total	**457**	446

	2023 £'000	2022 £'000
Interest expense		
Buildings	**154**	186
Total	**154**	186

iii. Summary of the Group's leasing activity:

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

A lease of the UK office on St. James's Street, London, SW1A 1HD and a lease by First Property Poland Sp. z o. o. (FPP) for an office in Poland.

As at 31 March 2023 the Group has recognised a lease liability under IFRS 16 of £0.74 million (31 March 2022: £1.51 million) and a right-of-use asset of £0.65 million (2022: £1.46 million). The net debit to the Income Statement was £39,000. Rental contracts are typically made for fixed periods of six months to four years but may have extension options.

Notes to the financial statements cont.

for the year ended 31 March 2023

16. Property, Plant and Equipment

Group 2023	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 April 2022	327	63	41	37	468
Foreign currency translation	4	2	1	–	7
Additions	6	4	–	–	10
Disposals	(4)	–	–	–	(4)
At 31 March 2023	**333**	**69**	**42**	**37**	**481**
Depreciation					
At 1 April 2022	223	58	22	37	340
Foreign currency translation	3	1	–	–	4
Charge for year	54	3	4	–	61
Disposals	(4)	–	–	–	(4)
At 31 March 2023	**276**	**62**	**26**	**37**	**401**
Net book value at 31 March 2023	**57**	**7**	**16**	**–**	**80**

Group 2022	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 April 2021	328	63	22	37	450
Foreign currency translation	(3)	–	–	–	(3)
Additions	14	–	19	–	33
Disposals	(12)	–	–	–	(12)
At 31 March 2022	**327**	**63**	**41**	**37**	**468**
Depreciation					
At 1 April 2021	178	56	22	37	293
Foreign currency translation	(1)	–	–	–	(1)
Charge for year	58	2	–	–	60
Disposals	(12)	–	–	–	(12)
At 31 March 2022	**223**	**58**	**22**	**37**	**340**
Net book value at 31 March 2022	**104**	**5**	**19**	**–**	**128**

The Company had £nil property, plant or equipment (2022: £nil). The Group holds no property, plant and equipment under a finance lease.

17. Investment in Group undertakings

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Investment in consolidated subsidiaries				
At 1 April	–	3,418	–	3,418
Additions	–	423	–	–
Impairment	–	–	–	–
At 31 March	–	3,841	–	3,418

At 1 April 2022, the Group held a 40.63% investment in 5th Property Trading Ltd (5PT), a fund it manages on behalf of clients. This fund was accounted for as a share of associate which had a book value of £1.34 million at 31 March 2022.

On 23 May 2022, following the purchase of additional shares in this fund, the Group's holding increased to 46.59%, and combined with a Director, Ben Habib's personal interest in the fund of 5.96%, the Group is considered to have control. As a result, FPG consolidated these companies into the Group.

A further purchase of additional shares (0.61%) during the year brought the Group's holding to 47.2%. At the year end the Group is deemed to control 53.16% of the fund when including Ben Habib's personal interest.

Net assets acquired at acquisition:

	£'000
Non-current assets	
Investment properties	7,621
Property, plant and equipment	1
Investment in Group undertakings	1
Deferred tax asset	96
Total non-current assets	**7,719**
Current assets	
Trade and other receivables	106
Cash and cash equivalents	80
Total current assets	**186**
Current liabilities	
Trade and other payables	(139)
Current tax liabilities	(3)
Total current liabilities	**(142)**
Net current assets	**44**
Total assets less current liabilities	**7,763**
Non-current liabilities	
Financial liabilities	(3,745)
Deferred tax liabilities	(708)
Net assets	**3,310**
Equity attributable to the owners of the parent	1,542
Non-controlling interest	1,768

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

Notes to the financial statements cont.
for the year ended 31 March 2023

18. Investments in Associates and Other Financial Investments
The Group has the following investments:

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Associates				
At 1 April	19,135	13,838	18,577	13,893
Additions	606	606	–	–
Disposals	(1,349)	(257)	–	–
Shareholder loan repayments	(176)	(176)	(48)	(48)
Share of associates' profit/(loss) after tax	273	–	(29)	–
Share of associates' revaluation gains/(losses)	(901)	–	876	(7)
Dividends received	–	–	(241)	–
At 31 March	17,588	14,011	19,135	13,838

The disposal during the year represents the Group gaining control of 5th Property Trading Ltd, a fund in which at 31 March 2022 it held 40.63%. Following the purchase of additional shares in this company the Group is now deemed to have control and has consolidated this fund into the Group. For further information please see Note 17.

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

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in associates				
5th Property Trading Ltd	–	–	1,652	258
Fprop Galeria Corso Ltd	3,058	1,274	2,700	1,204
Fprop Krakow Ltd	1,154	980	1,580	980
Fprop Cluj Ltd	636	330	615	374
Fprop Phoenix Ltd	61	998	913	998
Fprop Opportunities plc	12,679	10,429	11,983	10,024
	17,588	14,011	19,443	13,838
Less: Share of profit after tax withheld on sale of property to 5th Property Trading Ltd in 2007 (an associated company)	–	–	(308)	–
	17,588	14,011	19,135	13,838

If the Group had adopted the alternative "fair value" model for accounting for investment properties, the carrying value of the investments in associates would have increased to £20.73 million (31 March 2022: £23.15 million).

18. Investments in Associates and Other Financial Investments cont.

Associates that are material to the Group:

Fprop Opportunities plc is considered by the Group to be its only material associate. Fprop Opportunities plc is involved in the investment in commercial property located in Poland. Its principal place of business is 32 St James's Street, London, SW1A 1HD. The Group's ownership interest in the associate is 45.71% and Ben Habib (FPG's CEO) has a personal interest of 0.71% giving a combined interest of 46.42%. Based on this combined shareholding being below 50% the Group does not consider it has control of Fprop Opportunities plc and therefore accounts for the Group's investment as an associate, measured using the equity method. There were no dividends received in the year to 31 March 2023 and a financial summary of Fprop Opportunities plc in the year to 31 March 2023 is as follows:

	Year ended 31 March 2023 £'000
Current assets	3,049
Non-current assets	66,956
Current liabilities	(6,694)
Non-current liabilities	(36,152)
Net assets	27,159
Revenue	8,103
Profit after tax from continuing operations	1,683

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Other financial investments				
At 1 April	7,445	7,445	3,061	3,061
Additions	3	3	3,633	3,633
Disposal	–	–	–	–
Repayments	(1,492)	(1,492)	(290)	(290)
Decrease in fair value during the year	(1,412)	(1,412)	1,041	1,041
At 31 March	4,544	4,544	7,445	7,445

The Group holds four (2022: four) unlisted investments in funds managed by it. Each is designated at fair value through "other comprehensive income" (OCI) as per IFRS 9. The Directors consider their fair value to be not materially different from their carrying value. Fair value has been calculated by applying the Group's percentage holding in the investments to the fair value of their net assets.

The Group's investments are in The UK Pension Property Portfolio LP, a fund established in February 2010, in which the Group has a 0.9% interest, Fprop Offices LP, a fund established in July 2017, in which the Group has a 1.6% interest, Fprop Fulcrum Property LP, a fund established in August 2021 in which the Group has a 2.5% interest, and Fprop UK Special Opportunities LP, a fund established in January 2017 in which the Group has an 11.1% interest.

Notes to the financial statements cont.

for the year ended 31 March 2023

18. Investments in Associates and Other Financial Investments cont.

Associates that are material to the Group cont.

The principal investments of the Group at 31 March 2023 are as follows:

	Principal activities	% of ordinary shares held by Company %	% of ordinary shares held by Subsidiary %
Group undertakings			
UK			
First Property Asset Management Limited	Property asset management	100	–
Fprop Corktree Limited	Property holding company	100	–
Fprop Gdynia Podolska Limited	Property holding company	100	–
Regional Property Trading Limited	Property holding company	100	–
E and S Estates Limited	Property holding company	77	–
5th Property Trading Limited	Property fund	47	–
Fprop Gdynia Limited	Property holding company	100	–
Fprop UK General Partner Limited	General partner of property fund	100	–
First Property Sterling General Partner Limited	General partner of property fund	100	–
Fprop Offices General Partner Limited	General partner of property fund	100	–
Fprop Fulcrum General Partner Limited	General partner of property fund	100	–
First Property General Partner Limited	General partner of property fund	51	–
SIPS Property Nominee Limited	Nominee	100	–
Fprop Company 1 Limited	Property holding company	100	–
Poland			
First Property Poland Sp. z o. o.	Property investment and management	100	–
Ross Sp. z o. o.	Property investment and management	100	–
Corp Sp. z o. o.	Property services management	–	90
Ross 2 Sp. z o. o.	Property holding company	100	–
Ross 3 Sp. z o. o.	Property holding company	100	–
Corktree Sp. z o.o.	Property holding company	–	100
Corktree Fprop Sp. z o. o.	Property holding company	–	100
Fprop Gdynia Sp. z o.o.	Property holding company	–	100
First Property Services Sp. z o.o.	Service management company	–	100
E and S Estates Poland Sp. z o. o.	Property holding company	–	88
Fprop Gdynia Sp. z o. o. (formerly Fprop Szczecin Sp. z o.o.)	Property holding company	–	100
5th Property Trading Poland Sp. z o. o.	Property holding company	–	47
Romania			
First Property Asset Management Romania SRL	Property asset manager	90	10
Felix Development SRL	Property holding company	100	–

18. Investments in Associates and Other Financial Investments cont.

Associates that are material to the Group cont.

	Principal activities	% of ordinary shares held by Company %	% of ordinary shares held by Subsidiary %
Associates and other investments			
UK			
The UK Pension Property Portfolio LP	Property fund	1	–
Fprop Galeria Corso Limited	Property fund	29	–
Fprop Romanian Supermarkets Limited (in liquidation)	Property fund	24	–
Fprop Krakow Limited	Property fund	18	–
Fprop UK Special Opportunities LP	Property fund	11	–
Fprop Offices LP	Property fund	2	–
Fprop Fulcrum Property LP	Property fund	3	–
Fprop Cluj Limited	Property fund	21	–
Fprop Phoenix Limited	Property fund	23	–
Fprop Opportunities plc	Property fund	46	–
Fprop Opportunity Lodz Limited	Property holding company	–	46
Fprop Opportunity Krasnystaw Limited	Property holding company	–	46
Fprop Opportunities Lodz II Limited	Property holding company	–	46
Fprop Opportunity Lublin Limited	Property holding company	–	46
Fprop Opportunity Ostrowiec Limited	Property holding company	–	46
Fprop Zinga Limited	Property holding company	–	46
Poland			
Galeria Corso Sp. z o.o.	Property holding company	–	29
Fprop Krakow Sp. z o.o.	Property holding company	–	18
Scaup Sp. z o.o.	Property holding company	–	23
Fprop Lodz Sp. z o.o.	Property holding company	–	46
Fprop Krasnystaw Sp. z o.o.	Property holding company	–	46
Lublin Zana Sp. z o.o.	Property holding company	–	46
Galeria Ostrowiec Sp. z o.o.	Property holding company	–	46
Fprop Ostrowiec Sp. z o.o.	Property holding company	–	46
Zinga Fprop Sp. z o.o.	Property holding company	–	46
Zinga Poland Sp. z o.o.	Property holding company	–	46
Zinga Fprop Poland Sp. z o. o.	Property holding company	–	46
KBP – 2 Sp. z o. o.	Property holding company	–	23
KBP – 3 Sp. z o. o.	Property holding company	–	23
KBP – 4 Sp. z o. o.	Property holding company	–	23
KBP – 5 Sp. z o. o.	Property holding company	–	23
KBP – 6 Sp. z o. o.	Property holding company	–	23
KBP – 8 Sp. z o. o.	Property holding company	–	23
KBP – 9 Sp. z o. o.	Property holding company	–	23
KBP – 10 Sp. z o. o.	Property holding company	–	23
KBP – 11 Sp. z o. o.	Property holding company	–	23
KBP – TT Sp. z o. o.	Property holding company	–	23
Romania			
Fprop CJ SRL	Property holding company	–	21

Notes to the financial statements cont.

for the year ended 31 March 2023

18. Investments in Associates and Other Financial Investments cont.

Associates that are material to the Group cont.

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

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

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

18. Investments in Associates and Other Financial Investments cont.

Associates that are material to the Group cont.

The Romanian companies are as follows:

First Property Asset Management Romania SRL – Office 37, 1st floor, 24 Burnitei Street, District 3 Bucharest, Romania; Felix Development SRL – Office B4, 1st floor, 24 Burnitei Street, sector 3, Bucharest, Romania; Fprop CJ SRL – Ground Floor Office ap. 4 at Reception, 104 Blvd. 21 Decembrie 1989, Cluj Napoca, Romania.

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

19. Goodwill

	2023 Group £'000	2022 Group £'000
At 1 April	153	153
At 31 March	**153**	153

The existing goodwill arose on the acquisition of Corp Sp. z o. o., the management company of 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.

20. Inventories – Land and Buildings

	2023 Group £'000	2022 Group £'000
Group properties for resale at cost		
At 1 April	12,352	12,494
Additions	7,443	–
Reclassified as investment property	(19,795)	–
Capital expenditure	–	119
Disposal	–	–
Depreciation	–	(157)
Foreign exchange translation	–	(104)
At 31 March	**–**	12,352

During the year the Group acquired an additional 7,171m^2 of office space in Blue Tower for a consideration of £7.20 million, which is payable in seven instalments over a six-year period. Following this purchase, the Group's interest in Blue Tower (an office block in Warsaw) now represents 80.3% (2022: 48.2%) of the building. As a result of this acquisition the Group reclassified the building from Inventory to Investment Property.

Notes to the financial statements cont.
for the year ended 31 March 2023

21. Trade and Other Receivables

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Current assets				
Trade receivables	1,130	99	1,003	83
Less provision for impairment of receivables	(242)	–	(73)	–
Trade receivables net	888	99	930	83
Other receivables	1,820	1,214	2,299	1,211
Prepayments and accrued income	1,021	28	1,100	34
At 31 March	3,729	1,341	4,329	1,328

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 to trade receivables as the Group has a large number of tenants and the perceived overall credit quality is considered good.

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

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Accumulated impairment losses as at 1 April	(73)	–	(281)	–
Increase in provision	(191)	–	(61)	–
Provision used	1	–	11	–
Release of provision	23	–	259	–
Effect of translation on presentation currency	(2)	–	(1)	–
Accumulated impairment losses as at 31 March	(242)	–	(73)	–

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Non-current assets				
Other receivables	–	–	95	–
Amounts owed by subsidiaries and other undertakings	–	15,879	–	13,826

In 2023, other receivables include a balance of £nil (2022: £95,000) relating to the deferred consideration from the sale of an investment property located in Romania, which is receivable after one year. This has been discounted to reflect its net present value.

Other receivables of £15.88 million held by the Company comprise loan and dividend balances due from subsidiaries and associates (2022: £13.83 million). Loans and dividends in subsidiaries and associates are stated at cost less an expected credit loss on the balance in accordance with IFRS 9. During the year no further impairment loss (2022: £6.01 million) was recognised against the recoverability of these loans and there is now an accumulated provision of £6.01 million (31 March 2022 – £6.01 million) being carried in the company accounts at the year end.

22. Trade and Other Payables

	2023		2022	
	Group £'000	Company £'000	Restated Group £'000	Company £'000
Current liabilities				
Trade payables	1,227	35	1,105	15
Amounts due to subsidiary undertakings and associates	–	10,618	–	10,608
Other taxation and social security	254	–	313	–
Other payables and accruals	1,701	129	3,293	493
Deferred income	128	–	53	–
At 31 March	3,310	10,782	4,764	11,116

Deferred income of £128,000 (2022: £53,000) is in respect of rental and service charge income on Group Properties invoiced in advance. The income is subsequently credited to the Consolidated Income Statement in the period to which it relates. All deferred income is deemed to be current.

23. Provisions

	2023 Group £'000	2022 Group £'000
Current liabilities		
At 31 March	158	922

The provision at 31 March 2023 represents a rent guarantee of £0.16 million (31 March 2022: £0.52 million) and fit-out costs of £nil (31 March 2022: £0.40 million). These provisions are in respect of the rent guarantee given as part of the sale of CH8 which completed in April 2020.

As a condition of the sale the Group guaranteed the rental and service charge income and fit-out costs on the residual vacant space, up to some €1.20 million per annum for five years and €1.50 million respectively.

Movements in the provisions were as follows:

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Provisions as at 1 April	922	–	2,076	–
Increase in provision	155	–	529	–
Provision used	(275)	–	(1,667)	–
Release of provision	(651)	–	(29)	–
Effect of translation on presentation currency	7	–	13	–
At 31 March	158	–	922	–

24. Financial Liabilities

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Current liabilities				
Bank loan	1,116	–	4,212	–
Finance lease	–	–	–	–
At 31 March	1,116	–	4,212	–
Non-current liabilities				
Bank loans	11,519	–	9,309	–
Finance lease	–	–	–	–
At 31 March	11,519	–	9,309	–

Notes to the financial statements cont.
for the year ended 31 March 2023

24. Financial Liabilities cont.

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Total obligations under bank loans				
Repayable within one year	1,116	–	4,212	–
Repayable within one and five years	8,080	–	7,364	–
Repayable after five years	3,439	–	1,945	–
At 31 March	12,635	–	13,521	–

Five bank loans all denominated in Euros and totalling £12.64 million (31 March 2022: £13.52 million), included within financial liabilities, are secured against investment properties owned by the Group. These bank loans are otherwise non-recourse to the Group's assets.

See financial instruments Note 29 on page 71 for information on any covenant breaches in respect of these financial liabilities.

25. Other Financial Liabilities

	2023 Group £'000	2022 Group £'000
Current liabilities	939	–
Non-current liabilities	16,082	10,141

This non-current liability represents the balance of €12.00 million which was a result of the restructuring of a finance lease secured against the office tower in Gdynia. The restructuring resulted in the amount owed to ING bank in final settlement reducing by €9.00 million (£7.81 million). As part of the deal, the Group acquired the freehold of the property for €16.00 million of which €4.00 million has been paid and €12.00 million is repayable by June 2024. No interest is payable on this non-current liability.

Non-current liabilities also includes the Group's new investment in Blue Tower, Warsaw, which was financed by deferred consideration of PLN 40.40 million (£7.44 million). This liability, which is non-interest bearing, is payable in seven instalments over six years. The first instalment of PLN 6.0 million (£1.07 million) was paid in September 2022. Current liabilities represent the second instalment of PLN 5.0 million (£0.9 million) which is due within 12 months from the year ended 31 March 2023.

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

	2023			2022		
	Group net assets £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
Accrued interest payable	106	106	–	117	117	–
Accrued income	(5)	–	(5)	(4)	–	(4)
Foreign bank loan	(480)	130	(610)	(212)	203	(415)
Investment properties and inventories	(1,476)	604	(2,080)	(1,476)	1,119	(2,595)
Other temporary differences	(265)	90	(355)	62	160	(98)
At 31 March	(2,120)	930	(3,050)	(1,513)	1,599	(3,112)

Relevant Group companies are making taxable profits.

26. Deferred Tax cont.

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

	2023			2022		
	Group net assets £'000	**Group assets £'000**	**Group liabilities £'000**	Group net assets £'000	Group assets £'000	Group liabilities £'000
At 1 April	**(1,513)**	**1,599**	**(3,112)**	(1,456)	1,518	(2,974)
Additions	**(765)**	**49**	**(814)**	–	–	–
(Charge)/credit in the year	**110**	**(671)**	**781**	(73)	92	(165)
Foreign exchange translation	**48**	**(47)**	**95**	16	(11)	27
At 31 March	**(2,120)**	**930**	**(3,050)**	(1,513)	1,599	(3,112)

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

27. Called-Up Share Capital

	2023 £'000	2022 £'000
Authorised		
240,000,000 (2022: 240,000,000) Ordinary Shares of 1 pence each	**2,400**	2,400
Issued and fully paid		
116,601,115 (2022: 116,601,115) Ordinary Shares of 1 pence each of issued share capital, of which 5,718,783 Ordinary Shares (2022: 6,218,783) are held in treasury	**1,166**	1,166

	Ordinary Shares number	Treasury Shares number	Share options number
1 April 2022	110,382,332	6,218,783	2,610,000
Purchase of shares into treasury	–	–	–
Exercise of share options	500,000	(500,000)	(500,000)
Issue of new shares	–	–	–
Issue of share options	–	–	10,450,000
Lapse of share options	–	–	–
31 March 2023	**110,882,332**	**5,718,783**	**12,560,000**

	Ordinary Shares number	Treasury Shares number	Share options number
1 April 2021	110,382,332	6,218,783	2,610,000
Purchase of shares into treasury	–	–	–
Exercise of share options	–	–	–
Issue of new shares	–	–	–
Issue of shares to Non-Executive Director	–	–	–
Lapse of share options	–	–	–
31 March 2022	**110,382,332**	**6,218,783**	**2,610,000**

On 5 April 2022, an employee exercised 500,000 share options which had an exercise price of 11.50p.

On 31 March 2023, the Group granted to employees the option to subscribe for 10,450,000 new Ordinary Shares in the Company at an exercise price of 23.50 pence per Ordinary Shares, being the mid-market closing price on 30 March 2023. The options have a term of 10 years and unexercised options will expire at midnight on 31 March 2033. The options granted will result in an increase from 2,110,000 to 12,560,000 (2022: 2,610,000) in the number of outstanding options over Ordinary Shares, which represents approximately 11.33% of the Company's issued share capital. Once these share options are exercised, the Ordinary Shares issued will rank pari passu with the existing Ordinary Shares.

Notes to the financial statements cont.
for the year ended 31 March 2023

27. Called-Up Share Capital cont.
For the purpose of calculating diluted earnings per share, the number of Ordinary Shares shall be the weighted average number of Ordinary Shares, plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the dilutive potential Ordinary Shares into Ordinary Shares. Options have a dilutive effect only when the average market price of the Ordinary Shares during the period exceeds the exercise price of the options and thus they are "in the money". Given the share options were granted on 31 March 2023 they have not been included in the diluted EPS calculation or the adjusted net assets per share calculations.

Year of grant	Exercise price (p)	Exercise period	31 March 2023 Numbers	31 March 2022 Numbers
2008/09	11.50	Feb 2010 to Feb 2029	–	333,333
2008/09	11.50	Feb 2011 to Feb 2029	**500,000**	666,667
2009/10	16.50	Dec 2011 to Dec 2029	**1,610,000**	1,610,000
2022/23	23.50	Mar 2024 to Mar 2033	**3,482,985**	–
2022/23	23.50	Mar 2025 to Mar 2033	**3,482,985**	–
2022/23	23.50	Mar 2026 to Mar 2033	**3,484,030**	–

The weighted average share price at the date of exercise of these shares was 15.32 pence. All share options are issued under the Company's Unapproved Share Option Scheme. The weighted average contractual life of the share options is 77.63 months.

28. Contractual Commitments
The Group has contractual commitments relating to the development of investment properties amounting to £1.22 million (2022: £1.75 million) which are expected to be expended over the next 12 months.

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

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

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

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

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

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

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

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

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

Deposits of €0.67 million (31 March 2022: €0.65 million) are held by lending banks in respect of four bank loans (31 March 2022: four) as security for Debt Service Cover Ratio (DSCR) covenants, of which €112,000 (31 March 2022: €62,000) are accounted for as prepayments.

29. Financial Instruments and Risk Management cont.

Capital management

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

Market risk

Currency risk

The Group and Company is exposed to currency risk through their overseas operations. Wherever possible, overseas investment is financed in the local currency so that exposure to currency markets is limited. The Group/Company regularly reviews the pertinent currency rates and calculates and reports the currency exposure on a monthly basis.

The tables below show the extent to which the Group has residual assets and liabilities in currencies other than Sterling at the year end date. Foreign exchange differences on translation of these assets and liabilities are taken to the foreign exchange translation reserve in the Statement of Financial Position.

	Net foreign currency monetary assets/liabilities			
	Euro Poland & Romania £'000	Polish Zloty Poland £'000	Romanian Leu Romania £'000	Total £'000
2023				
Sterling equivalent	**(14,330)**	**491**	**216**	**(13,623)**
2022				
Sterling equivalent	(12,330)	315	98	(11,917)

All UK Group companies use Sterling as their functional currency, all Polish Group service companies use the Polish Zloty as their functional currency and the Romanian Group service company uses the Romanian New Leu as its functional currency. Property owning companies in Poland and Romania use the Euro as their functional currency.

Sensitivity analysis

The following table illustrates the effect on the Income Statement and items that are recognised directly in equity that would result from possible movements in interest rates and foreign exchange rates before the effect of tax.

	2023 Income Statement £'000	2022 Income Statement £'000	**2023 Equity £'000**	2022 Equity £'000
Interest rate sensitivity analysis				
UK interest rate +1%	**52**	41	**52**	41
EURO interest rate +1%	**(106)**	(85)	**(106)**	(85)
RON interest rate +1%	**–**	1	**–**	1
PLN interest rate +1%	**6**	7	**6**	7
	(48)	(36)	**(48)**	(36)
Foreign currency sensitivity analysis				
EURO exchange rate +5%	**37**	9	**(205)**	(307)
RON exchange rate +5%	**2**	2	**11**	5
PLN exchange rate +5%	**(37)**	(69)	**477**	541
	2	(58)	**283**	239

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 Statement of Financial Position date were outstanding for the whole year.

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

Notes to the financial statements cont.

for the year ended 31 March 2023

29. Financial Instruments and Risk Management cont.

Market risk cont.

Credit risk

The Group and Company's principal financial assets are bank deposits, bank current account balances, and trade and other receivables which represent the Group and Company's maximum exposure to credit risk in relation to financial assets. It is the policy of the Group and Company to present the amount for trade and other receivables net of allowances for doubtful debts, estimated by the Group's management based on prior experience and making due allowance for the prevailing economic environment. See Note 21 for the Group's process for provisioning for trade receivables.

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

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2023 and 31 March 2022 was as follows:

	Fixed rate financial assets £'000	Floating rate financial assets £'000	Non-interest bearing £'000	Total £'000
Other receivables due after one year	–	–	–	–
Cash	–	6,500	–	6,500
Short-term deposits	507	–	640	1,147
At 31 March 2023	**507**	**6,500**	**640**	**7,647**
Other receivables due after one year	–	–	–	–
Cash	–	5,869	–	5,869
Short-term deposits	–	–	550	550
At 31 March 2022	**–**	**5,869**	**550**	**6,419**

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 the central bank rate in the country where the assets are held.

Fixed rate short-term deposits at 31 March 2023 were £0.51 million (31 March 2022: £nil).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2023 and 31 March 2022 was as follows:

	Floating rate financial liabilities £'000	Non-interest bearing £'000	Total £'000
Bank loans	12,635	–	12,635
Other financial liabilities	–	17,021	17,021
At 31 March 2023	**12,635**	**17,021**	**29,656**
Bank loans	13,521	–	13,521
Other financial liabilities	–	10,141	10,141
At 31 March 2022	**13,521**	**10,141**	**23,662**

29. Financial Instruments and Risk Management cont.

Financial liabilities cont.

The Group's debt maturity other than short-term trade creditors and accruals at 31 March 2023 and 31 March 2022 was as follows:

	Bank loans £'000	Other financial liabilities £'000	Total £'000
In one year or less	1,116	939	2.055
Between one and five years	8,080	14,317	22,397
Over five years	3,439	1,765	5,204
Total at 31 March 2023	**12,635**	**17,021**	**29,656**
In one year or less	4,212	–	4,212
Between one and five years	7,364	10,141	17,505
Over five years	1,945	–	1,945
Total at 31 March 2022	**13,521**	**10,141**	**23,662**

Five bank loans all denominated in Euros and totalling £12.64 million (31 March 2022: £13.52 million), included within financial liabilities, are secured against investment properties owned by the Group. These bank loans are otherwise non-recourse to the Group's assets.

There are no loan to value covenant breaches based on the current market values.

In the period to 31 March 2023 there were no other defaults in respect of any of the Group's other borrowings.

Bank loans £'000	Matures	Denominated		Capital Repayments	Interest Repayments	Secured
1,493	2030	Euro	Non-recourse	€4,100 per month	Annualised rate of one month EURIBOR plus an all in margin of 2.80%	One property in Praga, a suburb of Warsaw, Poland
1,074	2029	Euro	Non-recourse	€44,000 per quarter	Annualised rate of three month EURIBOR plus an all in margin of 3.0%	One office block located in Bucharest, Romania
5,460	2025	Euro	Non-recourse	€28,500 per month	Annualised rate of six month EURIBOR plus a margin 2.4%.	28% share of Blue Tower office building
1,004	2028	Euro	Non-recourse	€15,300 per month	2.60% over three month EURIBOR and 100% of the loan secured with an IRS rate of 0.00%.	20% share of Blue Tower office building
3,604	2032	Euro	Non-recourse	€28,000 per month	Annualised rate of one month EURIBOR plus a margin 2.75%.	Three properties in Poland
Total bank loans £12,635						

Borrowing facilities

At 31 March 2023 the Group had £Nil committed borrowing facilities available (31 March 2022: £nil undrawn).

Notes to the financial statements cont.
for the year ended 31 March 2023

30. Related Party Transactions

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

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

Related party transactions for the Group	2023 £'000	2022 £'000
Property management fees to associates	**1,265**	1,304
Amounts owed by associates at year end	**1,503**	1,370
Related party transactions for the Company	**£'000**	£'000
Management charge to subsidiaries	**440**	300
Management charge paid to subsidiaries	**–**	–
Profit share charged/(credited) to subsidiaries	**(590)**	–
Dividends received from subsidiaries during the year	**7**	46
Net funding transactions with subsidiaries and associates	**(1,787)**	(5,874)
Shareholder loan interest receivable from subsidiaries during the year	**456**	194
Shareholder loan interest payable to subsidiaries during the year	**–**	–
Amounts owed by subsidiaries at year end	**15,879**	13,826
Amounts owed to subsidiaries at year end	**10,618**	10,608
Amounts owed by associates at year end	**3,910**	4,009
Key management compensation		
Short-term employee benefits (see Note 8)	**613**	2,085

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 £5.2 million (2022: £3.7 million) are unsecured and are interest free. All loans made by UK subsidiary companies to the Company totalling £6.1 million (2022: £7.6 million) are unsecured and are interest free.

All loans made by the Company to non-UK subsidiaries totalling £7.6 million (2022: £3.0 million) are unsecured but interest bearing at commercial rates of interest. All loans made by non-UK subsidiaries to the Company totalling £3.5 million (2022: £3.0 million) are unsecured but interest bearing at commercial rates of interest.

31. Five Year Financial Summary

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Continuing operations					
Profit/(loss) before tax	**2,488**	7,080	(5,089)	5,519	8,308
Performance related fee income	**(372)**	578	40	415	1,541
Net (borrowings)/cash	**(22,000)**	(17,243)	(18,850)	(57,197)	(56,939)
Net cash flow from operating activities	**3,477**	(1,441)	38,726	5,338	6,732
Net assets (excluding non-controlling interest)	**43,442**	42,765*	35,412*	48,047	46,172
Total assets under management	**£454m**	£559m	£569m	£623m	£706m
Earnings/(loss) per share	**1.73p**	6.14p	(6.75p)	4.38p	4.95p
Dividend per share	**0.50p**	0.50p	0.45p	1.67p	1.66p
Dividend cover	**3.5x**	12.3x	(15x)	2.6x	3.0x
Adjusted net asset value per share	**46.50p**	46.07p*	41.58p*	55.00p	57.48p

* Restated

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the **"Meeting"**) of FIRST PROPERTY GROUP PLC (the **"Company"**) will be held at the Company's Registered office of 32 St James's Street, London, SW1A 1HD on 27 September 2023 at noon for the following purposes:

Ordinary Resolutions

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 2023.
2. To re-appoint Alasdair Locke as a Director who retires in accordance with Article 97 of the Articles and is eligible for re-appointment in accordance with Article 97 of the Articles.
3. To re-appoint Laura James as a Director who retires in accordance with Article 97 of the Articles and is eligible for re-appointment 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.
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 ("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 £369,608 (being 33.33% of the issued share capital of the Company as at 17 July 2023, 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 15 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.

Special Resolutions

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

7. That the Directors be and are hereby generally authorised in accordance with Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company pursuant to the authority conferred by Resolution 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 7 (a)) up to a maximum aggregate nominal amount of £221,765,

   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 15 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 cont.

Special Resolutions cont.

8. That in accordance with Article 57 of the Articles and Chapter 4 of Part 18 of the Act and subject to the following provisions of this resolution, the Company be and is hereby generally and unconditionally authorised (pursuant to Section 701 of the Act) to make market purchases (within the meaning of Section 693(4) of the Act) of any of its own Ordinary Shares on such terms and in such manner as the Directors may from time to time determine provided that:

   a. the maximum number of Ordinary Shares authorised to be acquired is 11,088,233 (representing just under 10% of the Company's issued Ordinary Share capital as at 17 July 2023 less shares in treasury);

   b. the minimum price which may be paid for each Ordinary Share is 1 pence (exclusive of expenses);

   c. unless a tender or partial offer is made to all holders of the Ordinary Shares on the same terms, the maximum price (exclusive of expenses) which may be paid for each Ordinary Share shall not exceed, in respect of a share contracted to be purchased on any day, the higher of:

      (i) 5% above the average of the middle market quotation of an Ordinary Share of the Company taken from the AIM Appendix to The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the contract of purchase is made; and

      (ii) the higher of the price of the last independent trade and the highest current independent bid for the Company's shares on the market where the purchase is carried out;

   d. the Company may enter into one or more contracts to purchase Ordinary Shares under this authority before this authority expires which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts;

   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 15 months from the date of passing this resolution.

By Order of the Board

JILL AUBREY
Company Secretary

18 August 2023

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

Notes to the Notice of Annual General Meeting

Please note First Property Group plc no longer uses a hard copy proxy form; please see below for instructions on how to lodge your vote.

1. To facilitate shareholder engagement, the Company will be providing a facility to enable shareholders to join remotely via a live presentation for those shareholders who are unable to attend in person and we invite shareholders to submit questions at any time in advance of the meeting or during the meeting using the online facility that will be provided. Details of how to access the live presentation and to ask questions will be published on the Company's website. Please note that shareholders will be required to register for free to access the live presentation via **www.investormeetcompany.com** and follow First Property Group plc. Please note that joining remotely will not constitute attendance and shareholders joining remotely will not be able to vote at the meeting. Shareholders are therefore asked to submit their votes by proxy.
2. To the extent shareholders wish to attend in person, the Board kindly requests that shareholders pre-register their intentions to attend by emailing the Company Secretary, Jill Aubrey, at jill.aubrey@fprop.com.
3. A member entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. However, they must attend the meeting in person for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy they may do so at **www.signalshares.com**.
4. To be effective, the proxy vote must be submitted at **www.signalshares.com** so as to have been received by the Company's Registrar not less than 48 hours before the time appointed for the meeting or any adjournment of it. By registering on the Signal shares portal at **www.signalshares.com**, you can manage your shareholding, including:

   - cast your vote;
   - change your dividend payment instruction;
   - update your address;
   - select your communication preference.

   Alternatively, Link Group, the Company's Registrar, has launched a shareholder app: LinkVote+. It is free to download and use and gives shareholders the ability to access their records at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on the Apple App Store and Google Play.

   Any power of attorney or other authority under which the proxy is submitted must be returned to the Company's Registrars, Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. If a paper form of proxy is requested from the Registrar, it should be completed and returned to Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL to be received not less than 48 hours before the time of the meeting.
5. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended), the Company has specified that only those members registered on the register of members of the Company at close of business on 25 September 2023 (the Specified Time) (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by close of business on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via **www.euroclear.com/CREST**). The message, regardless of whether it constitutes the appointment of a proxy, or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in Note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notes to the Notice of Annual General Meeting cont.

8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (**www.euroclear.com/CREST**).
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
11. Any electronic address provided either in this Notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.
12. If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Group, by email at shareholderenquiries@linkgroup.co.uk, or you may call Link on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Link are open between 09:00 and 17:30, Monday to Friday excluding public holidays in England and Wales.
13. As at midday on 17 July 2023, the Company's issued share capital comprised 110,882,332 Ordinary Shares of 1 pence each and 5,718,783 treasury shares. Each Ordinary Share (except the treasury shares) carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at midday on 17 July 2023 is 110,882,332.
14. Resolution 7 is a special resolution to renew the Directors' authority to allot shares for cash without first offering them to existing shareholders on a pro-rata basis. Although there is currently no intention to make use of this authority, the Directors consider that it is in the interests of the Company, in certain circumstances, for the Directors to have limited flexibility so as to be able to allot shares without having first to offer them to existing shareholders.

    The authority sought in Resolution 7(b) is restricted (other than in relation to any rights issue, open offer or other pre-emptive issue pursuant to Resolution 7(a)), to shares having an aggregate nominal value of £221,765, which corresponds to 20% of the issued share capital of the Company (less the number of Ordinary Shares held in treasury) at 17 July 2023.

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

    or

    - First Property Group plc on 020 7340 0270.

    You may not use any electronic address provided either:

    - in this notice of Annual General Meeting; or
    - in any related documents (including the 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)

Laura James
(Group Finance Director)

Company Secretary
Jill Aubrey

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

Website: **www.fprop.com**

Bankers
Barclays Bank plc
Level 12
1 Churchill Place
London
E14 5HP

Nominated adviser & broker
Allenby Capital Limited
5 St. Helen's Place
London
EC3A 6AB

Legal advisers
Mills & Reeve LLP
24 King William Street
London
EC4R 9AT

Registered auditors
Haines Watts
3 Danebrook Court
Langford Lane
Kidlington
Oxford
OX5 1LQ

Registrar
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL