Fprop plc

First Property Group plc

Annual Report & Financial Statements

For the year ended 31 March 2014

First Property Group plc is a co-investing direct property fund manager with operations in the United Kingdom and Central Europe (Poland).

Funds managed by First Property Group ranked No.1 versus Investment Property Databank (IPD) Central & Eastern European (CEE) universe over the eight years to 31 December 2013, having previously ranked No.1 over the three, four, five, six and seven years to 31 December 2008, 2009, 2010, 2011 and 2012.

"The very significant headwinds the property industry has experienced over the last few years seem to have abated, with economic growth becoming established in the UK and continuing in Poland. I therefore look to the future with continued optimism."

Ben Habib
Group Chief Executive

Chief Executive's Review – p05

www.fprop.com

Highlights 2014

Financial highlights

£6.60m
Profit before tax

£23.46m
Net assets

4.53p
Diluted earnings per share

£11.28m
Cash balances

1.12p
Total dividend per share

£341m
Assets under management

Contents

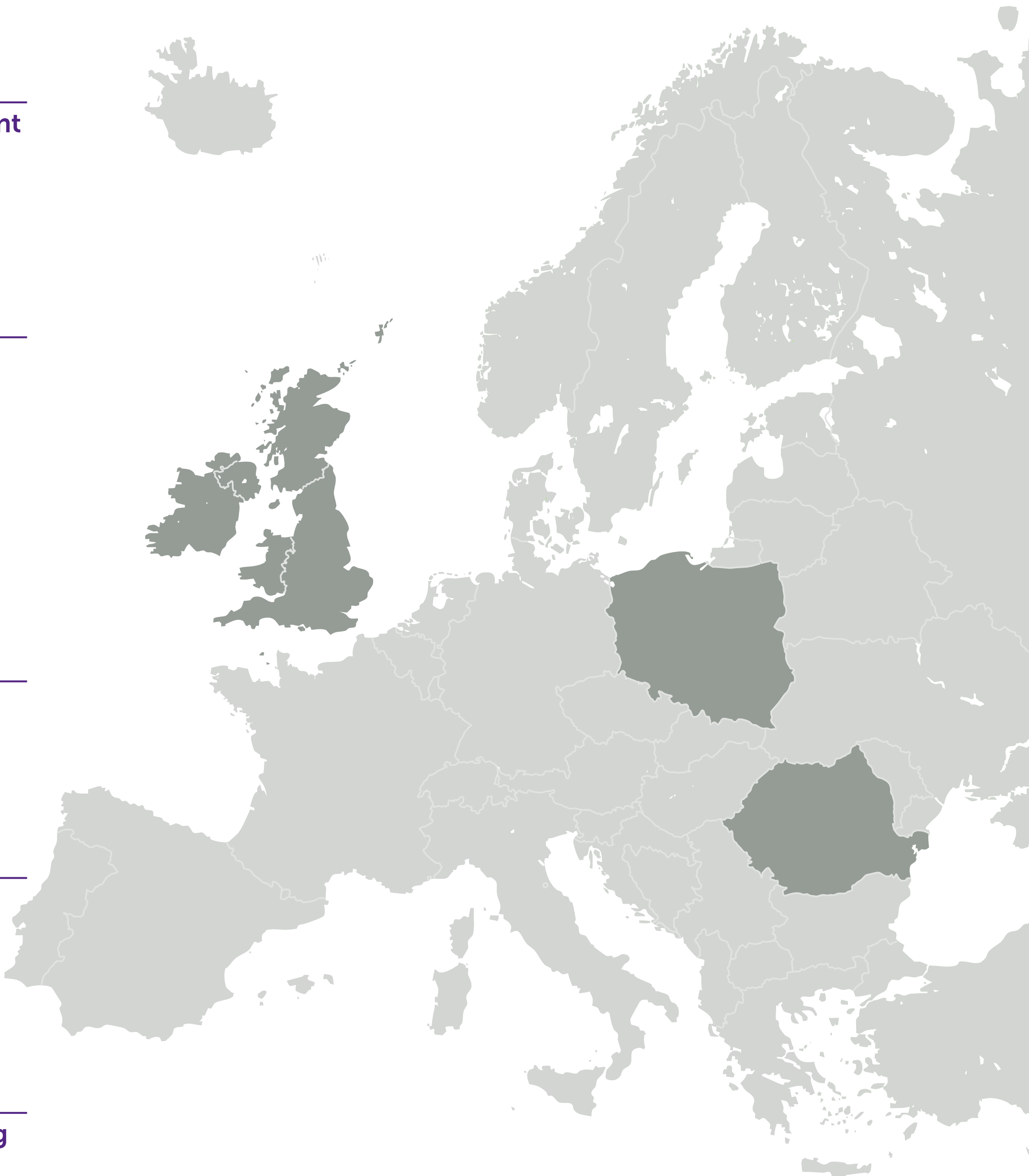
Operational highlights

- Return to development activity in the UK generating a non-recurring contribution to earnings of some £3.8 million;
- New fund, Fprop PDR, established in October 2013 with total commitments of some £41 million, to undertake office to residential conversions. £22 million worth of offices acquired so far, which should earn development profits in due course;
- Resumption of investment by FOP in income-producing commercial property in Poland (totalling some €35 million during the year);
- Reduction in cash balances by £1.7 million from £12.98 million to £11.28 million principally as a result of £7.5 million of investments made by the Group in FOP, Blue Tower, and our new fund Fprop PDR;
- Funds under management in Central and Eastern Europe once again rated by Investment Property Databank (IPD) as the best performing versus the IPD Central & Eastern European universe, for the eight years to 31 December 2013.

Westminster Court, Old Woking, acquired by the Group in July 2013 at a total cost of £2.46 million, sold December 2013 for £6 million.

First Property Group at a Glance

First Property Group plc is a co-investing direct property fund manager with operations in the United Kingdom and Central Europe (Poland).



£341m

Total assets under management (AUM)

58

Total of 58 properties within AUM

07

Funds managed by FPAM

05

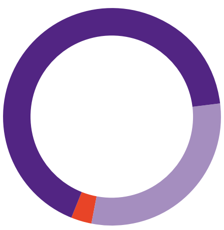
Co-investments in funds managed by FPAM

03

Directly held properties during the financial year

Segmental Analysis – By Geography

- 67% Poland
- 30% UK
- 3% Romania



Segmental Analysis – By Fund

- **47.1%** USS
- **26.5%** UK PPP
- **18.2%** FOP
- **2.1%** RPT
- **2.6%** 5PT
- **3.5%** PDR

Segmental Analysis – By Investor Category

- **75.9%** Pension Funds
- **0.8%** Family Offices
- **6.5%** HNWs
- **15.5%** Fprop
- **1.3%** Endowments

Our Business Model

Fprop plc

01

Raise third party funds to invest in income producing commercial property

→ Earn fees for the management of these funds. Fees earned are a function of the value of the assets under management as well as the performance of the funds

→ **29%** of profit before tax and unallocated central overheads

02

Co-invest in these funds and on occasion directly

→ Earn a return on our own capital invested

→ **71%** of profit before tax and unallocated central overheads

Our Investment Philosophy

- The pursuit of sustainable rental income as a priority;
- Property investment is comparatively illiquid. Illiquidity can be compensated by high sustainable rental income – achieving liquidity through income;
- Over the long term it is income and not capital value movements which largely determine total returns (source = IPD);
- Capital is more likely to be protected if investments yield a high income because income cushions possible capital value reductions;
- A fundamental approach to investing (as opposed to sentiment/momentum investing);
- An active approach to asset management, in order to increase income and in turn capital values;
- Remaining flexible; and
- Thinking from first principles.

Our Markets

Commercial property markets outlook
Economic growth has returned to almost all countries in the euro zone but government balance sheets remain weighed down by debt and the threat of deflation persists. We therefore expect continued low interest rates, albeit probably not as low as at present, for the foreseeable future.

Poland:
GDP growth in 2013 slowed to some 1.6%, but is forecast to grow by 3% in 2014 and 3.1% in 2015. The PLN reference interest rate remains at 2.5%, reduced from 4.75% in November 2012, but inflation is beginning to pick up, although is still some way off the central bank target of 2.5% per annum (forecast 1.4% in 2014 and 2% in 2015). Confidence is high as evidenced by consistent monthly PMI readings in excess of 50 and consumer spending is rebounding. Poland's inevitable path to convergence with developed Europe continues.

"Poland's inevitable path to convergence with developed Europe continues."

Turnover in the Polish commercial property investment market totalled some €3 billion in 2013, a 10% increase from 2012 and a substantial recovery from its low of €600 million in 2009, although still some way off its previous high in 2006 of €5.2 billion. Turnover remains dominated by international investors, who accounted for in excess of 90% of transactions in 2013, and who retain their preference for large prime lots. Prime yields narrowed over the year by some 25bp to c6% but yields for good secondary property, of the sort we favour, have largely yet to recover from their credit crunch lows. Banks are well capitalised and willing to lend, in particular against smaller lot sizes. This, coupled with Poland's faster rate of

Poland

economic growth and the higher yields available in its investment property market, should result in Polish commercial property continuing to deliver attractive rates of return.

United Kingdom:
The UK's growth in GDP in 2013 recovered substantially to 1.9% and forecasts for 2014 and 2015 have been subject to several upgrades, currently to around 2.9% for 2014 and 2.5% for 2015.

"Notably, investor demand has finally returned for good secondary commercial property of the sort we have acquired for UK PPP."

Turnover in the UK commercial property investment market in 2013 rose to some £53.4 billion, a six-year high. Notably, investor demand has finally returned for good secondary commercial property of the sort we have acquired for UK PPP. Consequently the gap in values between Central London and the rest of the UK is now beginning to narrow.

United Kingdom

Meanwhile residential property prices are rising strongly on the back of increased consumer confidence, boosted by government measures such as the Funding for Lending and Help to Buy schemes. Our investment strategy to convert redundant offices to residential use is well supported by these measures.

Fund raising
In October 2013 we raised some £41 million in commitments, principally from clients of a leading global investment business, to establish a new investment partnership, Fprop PDR LP, referred to later in this report. The Group committed £2 million to the partnership.

In April 2013 FOP raised an additional £3.71 million, including a subscription of £2 million by the Group. We expect to complete investing the remaining equity in FOP during the current financial year.

Chief Executive's Review

I am pleased to report final results for the twelve months ended 31 March 2014.

Ben Habib
Group Chief Executive

Financial results

Revenue earned by the Group increased to £18.05 million (2013: £10.64 million) yielding an 86% increase in profit before tax of £6.60 million (2013: £3.54 million). The increase in profit before tax is principally attributable to the Group's return to development in the United Kingdom, and in particular its investment in and subsequent sale of two office buildings in Woking and Bracknell, which contributed £3.80 million to earnings. Diluted earnings per share were 4.53 pence (2013: 2.18 pence), an increase of 108%.

The Group ended the period with net assets of £23.46 million (2013: £18.54 million).

Group cash balances stood at £11.28 million (2013: £12.98 million), of which £4.14 million (2013: £4.76 million) was held by Fprop Opportunities plc (FOP), which is 76.2% owned by the Group and £528,000 (2013: £642,000) was held by Corp SA (90% owned by the Group), the property management company for Blue Tower in Warsaw.

The reduction in cash balances by some £1.7 million from £12.98 million to £11.28 million was principally caused by some £7.5 million of investments made by the Group during the year in FOP, Blue Tower, and our new fund Fprop PDR LP.

Dividend

The Directors have resolved to recommend increasing the final dividend to 0.79 pence (2013: 0.75 pence), which together with the interim dividend of 0.33 pence (2013: 0.33 pence) equates to a dividend for the year of 1.12 pence (2013: 1.08 pence), an increase of 3.7% from the prior year. The final dividend, if approved, will be paid on 25 September 2014 to shareholders on the register at 22 August 2014.

Review of operations

Property Fund Management (First Property Asset Management Ltd or FPAM)

As of 31 March 2014 aggregate assets under management were £341 million (2013: £353 million). Of these, 30% were located in the UK and 67% in Poland.

Revenue earned by this division amounted to £4.27 million (2013: £4.02 million), resulting in a profit before tax of £2.63 million (2013: £2.84 million) and representing 29.4% (2013: 58%) of Group profit before tax and unallocated central overheads.

Chief Executive's Review continued

First Property Asset Management Ltd (FPAM) now manages seven closed-end funds, having established one new fund during the period under review, Fprop PDR LP. A brief synopsis of the value of assets and maturity of each of these funds is set out below:

Fund	Established	Fund life	Assets under management	% of total assets under management
SAM Property Company Ltd (SAM)	August 2004	Rolling	–[1]	–[1]
Regional Property Trading Ltd (RPT)	August 2004	5 years to August 2009, extended to August 2012 then August 2015	£7.1m	2.1%
5th Property Trading Ltd (5PT)	December 2004	7 years to December 2011, extended to December 2014 then December 2017	£9.0m	2.6%
USS Fprop Managed Property Portfolio LP	August 2005	10 years to August 2015	£160.5m	47.1%
UK Pension Property Portfolio LP (UK PPP)	February 2010	7 years to February 2017	£90.5m	26.5%
Fprop Opportunities plc (FOP)	October 2010	10 years to October 2020	£62.0m	18.2%
Fprop PDR LP	October 2013	5 years to May 2018	£11.8m[1]	3.5%
Total			**£340.9m**	**100%**

1 Not subject to recent revaluation.

Our largest fund under management, USS Fprop Managed Portfolio, expires in August 2015 and is therefore in the process of disposing of its assets. We expect to more than make up for the reduced fee income which will result from these disposals by returns earned from new investments made by FOP and Fprop PDR (see below).

UK PPP is invested in a well-let portfolio of good secondary commercial property, a segment of the market which was out of favour during the fund's investment period but which is now experiencing an increase in investor interest. The fund's investors have benefitted from a dividend yield on their investment of some 6.5% per annum and, with renewed investor interest in the type of properties owned by the fund, we also expect capital gains to be earned in due course. The fund is fully invested.

Fprop Opportunities plc (FOP) raised an additional £3.71 million in April 2013, including a subscription of £2 million by the Group. It made two new investments during the year with a value of some €35 million (£28 million), more than doubling its assets under management. At 31 March FOP held £4.14 million of un-invested cash. We expect FOP to make further investments in the current financial year.

Fprop PDR LP was established in October 2013 with some £41 million in commitments, including £2 million by the Group. Its investment strategy is to invest in vacant or short-lease office buildings in the UK with a view to converting these to residential use. To date the partnership has acquired seven properties at a total cost of some £22 million. It currently has one further property under offer at some £8 million. The Group receives no fee income from Fprop PDR but is entitled to 20% of all profits earned by it, subject to claw back in the event of subsequent losses.

Our funds under management in Central and Eastern Europe have once again been ranked by Investment Property Databank (IPD) as the best performing against the IPD Central & Eastern European universe, now for the eight years to 31 December 2013.

Group Properties

Directly held properties during the year:

Property	Acquired date	Group share	Book value/ purchase price	Market value	Sales price	Group profit before deducting central overheads
Blue Tower, Warsaw	2008 & 2013	48.2%	£12.8m	£16.2m	n/a	£1.26m
Westminster Court, Woking	2013	100%	£2.4m	n/a	£6.0m	£3.1m
Edenfield, Bracknell	2013	100%	£1.0m	n/a	£2.05m	£0.77m
Total					**£8.05m**	**£5.13m**

The Group's only direct property holding is a 48.2% interest in an office building, Blue Tower, located in Warsaw's central business district. During the year under review it did also comprise two office buildings in the UK (in Woking and Bracknell), both of which were acquired and sold during the period (as set out in the table above).

The Group's indirect property holdings comprise shares in five of the seven funds managed by FPAM (as set out in the table below). Our interests in these funds are accounted for, in the case of UK PPP LP and Fprop PDR LP as "dividend income", in the cases of 5th Property Trading Ltd and Regional Property Trading Ltd as "shares in associates", and in the case of Fprop Opportunities plc (FOP), on a consolidated basis because of the Group's majority shareholding.

It is the Group's policy to carry its investments at the lower of cost or market value for accounting purposes.

Co-investments in FPAM managed funds at the year-end:

Fund	% owned by First Property Group	Book value of First Property's share in fund	Current market value of holdings	Group's share of pre-tax profit earned by fund
Investments				
UK Pension Property Portfolio LP (UK PPP)	0.9%	£857,000	£847,000	£63,000[1]
Fprop PDR LP	4.9%	£849,000	£849,000	nil
Interest in associates				
5th Property Trading Ltd (5PT)	37.8%	£863,000	£1,273,000	£198,000
Regional Property Trading Ltd (RPT)	25.8%	£120,000	£177,000	(£8,000)[2]
Share of results in associates		**£983,000**	**£1,450,000**	**£190,000**
Consolidated undertaking				
Fprop Opportunities plc (FOP)	76.2%	£7,937,000	£12,920,000	£940,000[3]
Total		**£10,626,000**	**£16,066,000**	**£1,193,000**

1 Represents dividend received.
2 Loss caused by a foreign currency exchange loss arising on the refinancing of the fund.
3 After the deduction of non-controlling interest.

Chief Executive's Review continued

First Property Timeline

April 2014:
Performance data for 2013 released by IPD; FPAM retained its No.1 ranking vs IPD CEE universe, now over the eight years to 31 December 2013.

November 2013:
Increased the Group's shareholding in Blue Tower, Warsaw to 48.2% and in the tower's management company to 90%.

October 2013:
FPAM's 10th fund established with equity commitments of £41 million from clients of a leading global investment business, including £2 million co-investment by the Group, to invest in office buildings in the UK with a view to converting these to residential use.

July 2013:
Investment by the Group (directly) in two largely vacant office properties in SE England (Bracknell & Woking) for £3.4 million. Subsequently sold for £8 million in December 2013 and February 2014.

Revenue from Group Properties, including FOP, was £13.78 million (2013: £4.3 million), generating a profit before tax of £6.32 million (2013: £2.07 million), an increase of some 205% from last year and representing 70.6% of Group profit before central overhead costs. The increase in profit was principally attributable to the investment in and subsequent sale of two office blocks in Woking and Bracknell, from which we earned an aggregate contribution of some £3.8 million.

Our initial 28.5% interest in Blue Tower was acquired by the Group in December 2008 for £8.3 million and in November 2013 we increased our shareholding to 48.2%, at an additional cost of £4.5 million. Our initial 28.5% interest was valued in February 2014 at £11.74 million. The combined investment contributed £1.26 million to pre-tax profit during the year to 31 March 2014 (2013: £0.96 million), including a partial contribution from the additional investment made in the second half of the year. Our investment in this property has proven to be an excellent one and it is our intention to acquire a greater interest in the building if the opportunity should arise.

"Our investment in July 2013 in two office buildings in Woking and in Bracknell, and their subsequent sales in December 2013 and February 2014 contributed some £3.8 million to earnings."

Our investment in July 2013 in two office buildings in Woking and in Bracknell, and their subsequent sales in December 2013 and February 2014 contributed some £3.8 million to earnings. This contribution to earnings is non-recurring but we expect to continue to earn development profits from our co-investment in Fprop PDR LP.

The results of FOP, which is 76.2% owned by the Group, are consolidated in these accounts. FOP's revenue and profit before tax for the year to 31 March 2014 amounted to £3.29 million (2013: £2.14 million) and £1.23 million (2013: £1.00 million) respectively, whereas the Group's 76.2% share of these amounted to £2.50 million (2013: £1.77 million) and £0.94 million (2013: £0.84 million) respectively. FOP made two new investments during the year from which we expect to earn rates of return on equity exceeding 30% and 50% per annum respectively, but only benefited from a partial contribution to its earnings from these two investments because they were made in the second half of the year.

Our shareholdings in our two other Polish funds, 5th Property Trading Ltd and Regional Property Trading Ltd, contributed £190,000 (2013: £145,000) to the Group's profit before tax. The Group's share of the loss in Regional Property Trading Ltd of £8,000 was caused by a foreign currency exchange loss arising on the refinancing of the fund. We do not have a controlling interest in these funds and they are accounted for as "shares in associates".

Our co-investment in UK PPP LP contributed £63,000 (2013: £58,000) of dividend income to the Group and is accounted for as a separate line item in our Income Statement.

Our co-investment in Fprop PDR LP did not yield a dividend as it is still in its investment phase.

May 2013:
Returned to development activity in the UK.

October 2010:
FPAM's 9th fund established – Fprop Opportunities plc (FOP) – to invest in high yielding commercial property in Poland.

February 2010:
FPAM's 8th fund established with equity commitments of £105 million from 3 pension fund clients of Stamford Associates Ltd, the international investment consultancy, plus £1 million co-investment by the Group, to invest in UK commercial property.

November 2009:
Gained control of CORP SA, the management company for Blue Tower, Warsaw, by increasing the Group's shareholding in it from 30% to 68%.

December 2008:
Investment by the Group in 28% of Blue Tower, a Class B office building in Warsaw's Central Business District (CBD), and in 30% of the management company constitutionally tied to manage it, CORP SA.

"The financial year just ended saw the Group return to development activity in the UK and resume investment in income-producing commercial property in Poland."

Current Trading and Prospects

The financial year just ended saw the Group return to development activity in the UK and resume investment in income-producing commercial property in Poland. The combined effect of these activities resulted in an 86% increase in profit before tax for the year.

Whilst the large one-off profits we made on our investments in Woking and Bracknell are impressive achievements that would not be easy to repeat, I am confident that Fprop PDR's development activities should yield healthy profits in the current year. I also expect FOP to continue its investment activities in Poland, which should further enhance earnings.

The very significant headwinds the property industry has experienced over the last few years seem to have abated, with economic growth becoming established in the UK and continuing in Poland. I therefore look to the future with continued optimism.

Ben Habib
Chief Executive
3 June 2014

Board of Directors

Alasdair Locke MA (Oxon), Non-Executive Chairman

Alasdair is the former executive Chairman of Abbot Group plc, an oil services company which he founded in 1992. It was listed on the London Stock Exchange from 1995 until its sale in 2008 for £906 million to Turbo Alpha Ltd, a company controlled by a US private equity fund. He sold his remaining interest in the Group and stepped down altogether in 2009.

His early career started in investment banking at Citigroup in 1974, where he specialised in shipping and oil.

Alasdair is also Chairman of Argenta Holdings plc, an unlisted holding company which trades in Lloyds of London.

Ben Habib MA (Cantab), Group Chief Executive Officer

Ben founded First Property Group plc in 2000. He is responsible for all aspects of the operations of Fprop and its fund management business.

Before setting up Fprop, Ben was Managing Director of a private property development company, JKL Property Ltd, from 1994–2000, in which he held a 30% interest, prior to which he was Finance Director of PWS Holdings plc, a FTSE 350 Lloyd's reinsurance broker.

He started his career in corporate finance in 1987 at Shearson Lehman Brothers. He was educated at Rugby School and Cambridge University.

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

Peter retired as Chief Investment Officer of Universities Superannuation Scheme (USS) in 2009 following a career steeped in the UK investment management industry. Aside from his 17 year tenure at USS, he was a member of the National Association of Pension Funds (NAPF) Investment Committee between 1990–1995 and, more recently, an adviser to Lincolnshire County Council and London Pension Authority.

Earlier roles included investment management positions with British Airways Pensions, National Provident, Slater Walker and Central Board of Finance Church of England.

Additional directorships include Scottish American Investment Company plc and Arden Partners plc (Chairman).

George Digby ACA BA (Hons), Chief Financial Officer and Company Secretary

George joined Fprop in 2003 and has overseen the rapid expansion of the fund management division during this period, including the development of operations in Poland.

Prior to Fprop, George spent 10 years as FD of Fired Earth plc until its MBO in 1998, during which period he oversaw its listing on the London Stock Exchange, a tripling of its turnover and a doubling of its pre-tax profits. He qualified with Price Waterhouse in 1981, followed by positions with Collins Publishers and Nikon UK Ltd. After Fired Earth he set up and ran an accounting consultancy for five years.

George brings broad financial experience to the Group. He is a member of the Institute of Chartered Accountants in England and Wales.

DIRECTORS' REPORT
for the year ended 31 March 2014

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

Principal activities and review of the business
The principal activity of the Group is the provision of fund management services to the property industry.

The consolidated income statement is set out on page 17.

Results and Dividends
The Group made a total profit before taxation of £6.60 million (2013: £3.54 million). The retained profit was £4.08 million (2013: £1.38 million) after dividend, non-controlling interest and sale of treasury shares, but before decrease in fair value of available-for-sale financial assets, and will be retained by the Group. The Directors recommend the payment of a dividend of 0.79 pence per share (2013: 0.75 pence) payable on 25 September 2014 to shareholders on the register at 22 August 2014, making a total for the year of 1.12 pence (2013: 1.08 pence).

Diluted earnings per share increased from 2.18 pence to 4.53 pence on the same basis.

The Group held cash of £11.28 million at 31 March 2014 (2013: £12.98 million) and borrowings of £51.56 million (2013: £24.88 million). Net assets increased to £23.46 million (2013: £18.54 million).

Employees
First Property Group employed 42 staff in total at 31 March 2014 (2013: 40); of these 28 employees were based in Poland providing essential service support to the various properties located in this area. The Group's policy is to consult and discuss with employees, through regular meetings with subsidiary company management, matters likely to affect employees' interest.

Compliance and regulations
First Property Group has one subsidiary, First Property Asset Management Ltd, which is Authorised and Regulated by the Financial Conduct Authority (FCA). First Property Asset Management is a provider of property fund management services to various property funds.

Corporate governance
The Group is subject to the Corporate Governance code applicable for AIM listed companies. There are separate Audit and Remuneration Committees comprising the two Non-executive Directors.

Share capital
On 24 September 2013 the Company sold 26,270 of its own Ordinary Shares held in treasury at a price of 19.35 pence per Ordinary Share, thereby reducing the number of shares held in treasury to 3,671,090. On 29 January 2014 the Company sold 22,133 of its own Ordinary Shares held in treasury at a price of 24.85 pence per Ordinary Share, thereby reducing the number of shares held in treasury to 3,648,957. On 12 March 2014 the Company sold 1,750,000 Ordinary Shares at a price of 16.5 pence per share held in treasury to satisfy the exercise of options over 1,750,000 Ordinary Shares at a strike price of 16.5 pence per share. The profit on these sales of shares, of £5,938, has been credited to the share premium account. The number of voting shares in issue at 31 March 2014, following the treasury transaction, is 112,952,158 Ordinary Shares. No share options were issued during the year and none lapsed. Details of share options outstanding are set out in note 23 on page 41.

Directors and their interests
The Directors are listed below:

The beneficial interests of the Directors in the share capital of the Company at 1 April 2013, 31 March 2014 and 9 July 2014, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act, were as follows:

	Ordinary Shares of 1 pence			Option over Ordinary Shares of 1 pence		
	9/7/2014	31/3/2014	1/4/2013	9/7/2014	31/3/2014	1/4/2013
A J D Locke	8,571,990	8,571,990	8,571,990	–	–	–
P Moon	331,631	331,631	283,228	–	–	–
B N Habib	16,700,000	16,700,000	16,700,000	500,000	500,000	1,250,000
G R W Digby	270,000	270,000	150,000	1,000,000	1,000,000	1,500,000

1,500,000 share options were granted on 16 June 2006 at an exercise price of 15.75 pence per Ordinary Share; of these 634,920 share options were granted under the Enterprise Management Incentive arrangements and 865,080 share options were granted as Unapproved Share Options. These share options may be exercised as to one third on or after 15 June 2007, 15 June 2008 and 15 June 2009 respectively with an expiry date of 15 June 2016.

During the year 1,250,000 share options were exercised by the Directors, 750,000 by B N Habib and 500,000 by G R W Digby, all with an exercise price of 16.5 pence.

The market price of the Company's Ordinary Shares at the end of the financial year was 29.88 pence and the range of market prices during the year was between 18.25 pence and 31.50 pence.

Non-current assets
Details of intangible and tangible non-current assets and capital expenditure are shown in notes 13 to 15 of the financial statements on pages 34 and 35.

Differences between the market and book value of interests in land and buildings held as non-current assets is contained in the Chief Executive's report on page 7.

Substantial shareholdings
At 9 July 2014 the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules Sourcebook published by the Financial Conduct Authority that the following persons had substantial interests in the voting rights of the Company.

	Number of ordinary 1 pence shares*	Percentage of issued ordinary 1 pence shares held %
B N Habib	16,700,000	14.8
J C Kottler	15,006,783	13.3
Universities Superannuation Scheme Ltd	9,550,000	8.5
A J D Locke	8,571,990	7.6
New Pistoia Income Ltd	6,875,000	6.1

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

Creditor payment policy
The Group's current policy is to settle its liabilities to creditors within agreed credit periods whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. The Group does not have a universal standard or code which deals specifically with the payment of suppliers.

The Company's average creditor period at 31 March 2014 was 34 days (2013: 34 days).

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

Annual general meeting
The notice convening the Annual General Meeting to be held on Wednesday 24 September 2014, which can be found on pages 47 to 48, contains details of special resolutions empowering the Directors to:

1. Allot relevant securities for cash up to a maximum nominal amount of £376,469, representing 33.33% of the issued Ordinary Share capital of the Company, less the number of Ordinary Shares held in Treasury.

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.

The Directors now propose that the Company be authorised to purchase a maximum of 11,295,215 Ordinary Shares of 1 pence each (representing just under 10% of the Company's issued Ordinary Share capital as at 9 July 2014) within the limits described in Resolution 7 contained in the notice of the Annual General Meeting. It is intended that purchases will only be made on 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 Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations").

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 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.

DIRECTORS' REPORT continued
for the year ended 31 March 2014

The Directors confirm that suitable accounting policies have been used and applied consistently, except as discussed in note 1 on page 23 in order to adopt new accounting standards, and that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 March 2014. 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 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.

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

Statement of disclosure to the Auditor

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

By order of the Board

George R W Digby
Company Secretary
30 July 2014

STRATEGIC REPORT
for the year ended 31 March 2014

Review of the business
This business review is contained in both the Chief Executive's Statement on pages 5 to 9 and the Directors' report on pages 12 to 14, including comments on the position of the Group at the end of the financial period. The Key Performance Indicators and Principal Risks and Uncertainties laid out in note 26 on pages 42 to 45 also form part of this review.

Key performance indicators
There are four main key performance indicators for the Group, all of which are financial:
- Funds under management;
- Group turnover;
- Operating profit; and
- Earnings per share.

These key performance indicators and the segmental performance on revenue, overheads and operating margins are reviewed in the Chief Executive's Statement on pages 5 to 9.

Risk identification and management
The identification, control and monitoring of risks facing the business remain management priorities and steps continue to be taken to improve further our risk management procedures.

Economic risk
There are four main economic risks that could affect the Group's performance:
- A major slowdown in the economies of the UK and Poland;
- A major weakening in the Euro and Polish Zloty;
- An extended period of interest rate tightening in the EU; and
- A slump in UK and Polish commercial property values.

The Group has, where possible, implemented actions to mitigate some of the effects of these risks. A detailed review of the Group's performance, financial results, future development and prospects is contained within the Chief Executive's Statement.

Financial risk management
The Group's operations expose it to a variety of financial risks that include the effects of changes in interest rate risk, liquidity risk, debt market prices, and foreign exchange risk. The Group has in place a risk management program that seeks to limit the adverse effects on the financial performance of the Company and these are outlined in note 26 to the accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST PROPERTY GROUP PLC

We have audited the financial statements of First Property Group plc for the year ended 31 March 2014 which comprise the Group and parent Company Balance Sheet, the Group Income Statement, the Group Statement of Other Comprehensive Income, the Group and the parent Company Cash Flow Statements, the Group and parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provision of the Companies Act 2006.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 13 and 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chief Executive's Report, the Strategic Report and the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

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

30 July 2014

CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2014

	Notes	Year ended 31 March 2014 Total results £'000	Year ended 31 March 2013 Total results £'000
Revenue			
– existing operations		**17,004**	10,636
– business acquisitions		**1,041**	–
	3	**18,045**	10,636
Cost of sales		**(5,800)**	(3,244)
Gross profit		**12,245**	7,392
Operating expenses		**(5,019)**	(3,421)
Operating profit		**7,226**	3,971
Share of results in associates		**190**	145
Dividend income		**63**	64
Re-classification of gains previously recognised in equity		**35**	–
Loss on disposal of asset held for resale		**(7)**	–
Interest income	4	**148**	182
Interest expenses	4	**(1,057)**	(819)
Profit on ordinary activities before taxation		**6,598**	3,543
Tax expense	8	**(962)**	(762)
Profit for the year		**5,636**	2,781
Attributable to:			
Owners of the parent		**5,281**	2,568
Non-controlling interest		**355**	213
		5,636	2,781
Earnings per share			
Basic		**4.75p**	2.31p
Diluted		**4.53p**	2.18p

CONSOLIDATED SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2014

	Notes	Year ended 31 March 2014 Total results £'000	Year ended 31 March 2013 Total results £'000
Profit for the year		**5,636**	2,781
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on retranslation of foreign subsidiaries		**(128)**	(291)
Net decrease in the fair value of available-for-sale financial assets		**–**	(51)
Reclassifications of fair value gains on available-for-sale assets to profit or loss		**(35)**	–
Taxation		**–**	–
Total comprehensive income for the year		**5,473**	2,439
Total comprehensive income for the year attributable to:			
Owners of the parent		**5,327**	2,237
Non-controlling interests		**146**	202
		5,473	2,439

All operations are continuing.

Company income statement

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

BALANCE SHEETS
as at 31 March 2014

	Notes	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Non-current assets					
Goodwill	14	**153**	**–**	114	–
Investment properties	13	**48,759**	**–**	20,349	–
Property, plant and equipment	15	**65**	**–**	36	–
Investments in Group undertakings	16	**–**	**3,192**	–	2,600
Interest in associates	17a	**675**	**101**	615	106
Other financial assets	17b	**1,706**	**1,706**	892	892
Other receivables	19	**400**	**15,071**	436	7,219
Deferred tax assets	22	**839**	**–**	173	–
Total non-current assets		**52,597**	**20,070**	22,615	10,817
Current assets					
Inventories – land and buildings	18	**12,304**	**–**	8,591	–
Current tax assets		**76**	**–**	38	–
Trade and other receivables	19	**4,135**	**19**	1,212	25
Cash and cash equivalents		**11,279**	**1,855**	12,979	5,477
Total current assets		**27,794**	**1,874**	22,820	5,502
Current liabilities					
Trade and other payables	20	**(4,224)**	**(6,452)**	(2,011)	(3,859)
Financial liabilities	21	**(4,349)**	**–**	(637)	–
Current tax liabilities		**(247)**	**–**	–	–
Total current liabilities		**(8,820)**	**(6,452)**	(2,648)	(3,859)
Net current assets		**18,974**	**(4,578)**	20,172	1,643
Total assets less current liabilities		**71,571**	**15,492**	42,787	12,460
Non-current liabilities					
Financial liabilities	21	**(47,212)**	**–**	(24,244)	–
Deferred tax liabilities	22	**(897)**	**–**	–	–
Net assets		**23,462**	**15,492**	18,543	12,460
Equity					
Called up share capital	23	**1,149**	**1,149**	1,149	1,149
Share premium		**5,498**	**5,498**	5,492	5,492
Foreign exchange translation reserve		**(914)**	**–**	(995)	–
Investment revaluation reserve		**(86)**	**(86)**	(51)	(51)
Share-based payment reserve		**203**	**203**	203	203
Retained earnings		**16,717**	**8,728**	12,344	5,667
Equity attributable to the owners of the parent		**22,567**	**15,492**	18,142	12,460
Non-controlling interest		**895**	**–**	401	–
Total equity		**23,462**	**15,492**	18,543	12,460

The financial statements were approved and authorised for issue by the Board of Directors on 30 July 2014 and were signed on its behalf by:

George Digby
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2014

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 interest £'000	Total £'000
At 1 April 2013	1,149	5,492	203	(995)	(603)	(51)	12,947	401	18,543
Profit for the period	–	–	–	–	–	–	5,636	–	5,636
Re-classification of fair value gains on available-for-sale assets to profit or loss	–	–	–	–	–	(35)	–	–	(35)
Movement on foreign exchange	–	–	–	81	–	–	–	(209)	(128)
Sale of treasury shares	–	6	–	–	293	–	–	–	299
Non-controlling interest	–	–	–	–	–	–	(355)	355	–
Decrease in non-controlling interest	–	–	–	–	–	–	–	(63)	(63)
Increase in non-controlling interest	–	–	–	–	–	–	–	507	507
Dividends paid	–	–	–	–	–	–	(1,201)	(96)	(1,297)
At 31 March 2014	**1,149**	**5,498**	**203**	**(914)**	**(310)**	**(86)**	**17,027**	**895**	**23,462**
At 1 April 2012	1,149	5,491	195	(715)	(612)	–	11,579	268	17,355
Profit for the period	–	–	–	–	–	–	2,781	–	2,781
Net decrease in fair value of available-for-sale financial assets	–	–	–	–	–	(51)	–	–	(51)
Issue of new shares	–	–	–	–	–	–	–	–	–
Movement on foreign exchange	–	–	–	(280)	–	–	–	(11)	(291)
Sale of treasury shares	–	1	–	–	9	–	–	–	10
Issue of share options	–	–	8	–	–	–	–	–	8
Non-controlling interest	–	–	–	–	–	–	(213)	213	–
Dividends paid	–	–	–	–	–	–	(1,200)	(69)	(1,269)
At 31 March 2013	**1,149**	**5,492**	**203**	**(995)**	**(603)**	**(51)**	**12,947**	**401**	**18,543**

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2014

Company	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Investment revaluation reserve £'000	Purchase of own shares £'000	Retained earnings £'000	Total £'000
At 1 April 2013	1,149	5,492	203	(51)	(603)	6,270	12,460
Profit for the period	–	–	–	–	–	3,969	3,969
Re-classification of fair value gains on available-for-sale assets to profit or loss	–	–	–	(35)	–	–	(35)
Sale of treasury shares	–	6	–	–	293	–	299
Share options issued	–	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	(1,201)	(1,201)
At 31 March 2014	**1,149**	**5,498**	**203**	**(86)**	**(310)**	**9,038**	**15,492**
At 1 April 2012	1,149	5,491	195	–	(612)	5,662	11,885
Profit for the period	–	–	–	–	–	1,808	1,808
Decrease in fair value of available for sale financial assets	–	–	–	(51)	–	–	(51)
Sale of treasury shares	–	1	–	–	9	–	10
Share options issued	–	–	8	–	–	–	8
Dividend paid	–	–	–	–	–	(1,200)	(1,200)
At 31 March 2013	**1,149**	**5,492**	**203**	**(51)**	**(603)**	**6,270**	**12,460**

Foreign exchange translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign Group companies. This reserve is not distributable.

Share-based payment reserve
The Group grants certain of its employees rights to its equity instruments as part of its share-based payment incentive plans. The value of these rights has been changed 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 treasury reserve. The reserve is non-distributable.

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

CONSOLIDATED CASH FLOW STATEMENTS
for the year ended 31 March 2014

		2014		2013	
	Notes	**Group £'000**	**Company £'000**	Group £'000	Company £'000
Cash flows from operating activities					
Operating profit		**7,226**	**1,221**	3,971	(1,529)
Adjustments for:					
Depreciation of property, plant and equipment		**31**	**–**	41	–
(Profit)/loss on sale of associates and subsidiaries		**–**	**(18)**	–	–
Share-based payments		**–**	**–**	8	8
(Increase)/decrease in inventories		**(4,474)**	**–**	2,152	–
(Increase)/decrease in trade and other receivables		**(2,604)**	**(7,846)**	47	2,752
Increase/(decrease) in trade and other payables		**1,547**	**2,593**	(160)	(16)
Other non-cash adjustments		**203**	**(36)**	–	212
Cash generated from operations		**1,929**	**(4,086)**	6,059	1,427
Taxes paid		**(552)**	**–**	(619)	–
Net cash flow from/(used in) operating activities		**1,377**	**(4,086)**	5,440	1,427
Cash flow from/(used in) investing activities					
Purchase of investments		**(849)**	**(849)**	(40)	(40)
Purchase of investments in group undertaking		**–**	**(592)**	1	–
Proceeds from sale of property, plant and equipment		**–**	**–**	6	–
Proceeds from sale of available-for-sale financial assets		**28**	**28**	–	–
Capital expenditure on investment properties		**(46)**	**–**	–	–
Proceeds from sale of shares in associates		**23**	**23**	–	89
Interest received		**148**	**57**	182	–
Cash paid on acquisitions of new subsidiaries	12	**(4,415)**	**–**	–	–
Cash and cash equivalents received on acquisitions of new subsidiaries	12	**786**	**–**	–	–
Purchase of non-controlling interest		**(126)**	**–**	–	–
Purchase of investment property		**(555)**	**–**	–	–
Purchase of property, plant and equipment		**(60)**	**–**	(10)	–
Dividends from associates		**107**	**107**	29	29
Dividends received		**63**	**2,630**	64	3,097
Net cash flow from/(used in) investing activities		**(4,896)**	**1,404**	232	3,175
Cash flow from/(used in) financing activities					
Proceeds from issue of shares in subsidiary to non-controlling interest		**507**	**–**	1	1
Proceeds from non-controlling interest shareholder loan in subsidiary		**1,206**	**–**	–	–
Repayment of shareholder loan in subsidiary		**(107)**	**–**	(66)	–
Proceeds from bank loan		**3,136**	**–**	–	–
Repayment of bank loan		**(387)**	**–**	(95)	–
Repayment of finance lease		**(463)**	**–**	(454)	–
Sale of shares held in Treasury		**299**	**299**	9	9
Interest paid		**(1,029)**	**(38)**	(819)	(44)
Dividends paid		**(1,201)**	**(1,201)**	(1,200)	(1,200)
Dividends paid to non-controlling interest		**(96)**	**–**	(69)	–
Net cash flow from/(used in) financing activities		**1,865**	**(940)**	(2,693)	(1,234)
Net increase/(decrease) in cash and cash equivalents		**(1,654)**	**(3,622)**	2,979	3,368
Cash and cash equivalents at the beginning of the period		**12,979**	**5,477**	9,975	2,109
Currency translation gains/losses on cash and cash equivalents		**(46)**	**–**	25	–
Cash and cash equivalents at the end of the period		**11,279**	**1,855**	12,979	5,477

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

1. Basis of preparation and presentation of financial statements
The financial statements for both the Group and parent Company have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRIC) Interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for items carried at fair value in accordance with IAS 39. These financial statements are presented in Sterling since that is the currency in which the Group and parent Company transact a substantial part of their business and it is the currency considered most convenient for shareholders. Different functional currencies are used in the Group and these are set out in note 26 on page 42.

Standards and interpretations effective in the current period
The following standards and interpretations have been applied for the first time in these financial statements. None of them have had material impact on these financial statements.
- Amendments to IASI: Presentation of items of other comprehensive income;
- Amendments to IAS 12: Deferred tax: Recovery of underlying assets;
- IFRS 13 Fair value measurement;
- IAS 19 (Revised) Employee benefits;
- IFRIC 21 Stripping costs on the production phase of a surface mine;
- Amendments to IFRS 7 – Disclosures: Offsetting financial assets and liabilities;
- Annual improvements to IFRS 2009-2011

New standards and interpretations
As of the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:
- IFRS 10 Consolidated financial statements (Effective for p/c on or after 1 January 2014);
- IFRS 11 Joint arrangements (Effective for p/c on or after 1 January 2014);
- IAS 12 Disclosure of interests in other entities (Effective for p/c on or after 1 January 2014);
- IAS 28 (Revised) Investments in associates and joint ventures (Effective for p/c on or after 1 January 2014);
- IAS 27 (Revised) Separate financial statements (Effective for p/c or after 1 January 2014);
- IFRS 13 Fair value measurement (Effective for p/c on or after 1 January 2013);
- Amendments to IAS1 Presentation of items of other comprehensive income (Effective for p/c on or after 1 July 2012);
- IAS 19 Employee benefits (2011) (Effective for p/c on or after 1 January 2013);
- IFRIC Interpretation 20 Stripping costs in the production phase of a surface mine (Effective for p/c on or after 1 January 2013);
- Amendments to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities (Effective for p/c on or after 1 January 2013);
- Amendments to IAS 32 Offsetting financial assets and liabilities (Effective for p/c on or after 1 January 2014);
- IFRS 9 Financial instruments (effective date to be determined);
- Improvements to IFRS (Issued May 2012) (effective for p/c on or after 1 January 2013);
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities (effective for p/c on or after 1 January 2014);
- IFRIC Interpretation 21: Levies (effective for p/c on or after 1 January 2014);
- Amendments to IAS 36: Recoverable amount disclosures for non-financial assets (effective for p/c on or after 1 January 2014).
- Amendment to IFRS 10, 11 and 12 Transition guidance (effective for p/c on or after 1 January 2014)
- Amendment to IAS 39 Novation of derivatives and continuation of hedge accounting (effective for p/c on or after 1 January 2014)
- Amendment to IAS 19 Defined benefit plans: Employee contributions (effective for p/c on or after 1 January 2014)
- Annual improvements to IFRS 2010-2012 (effective for p/c on or after 1 July 2014)
- Annual improvements to IFRS 2011-2013 (effective for p/c on or after 1 July 2014)
- Amendments to IAS 11 Accounting for acquisitions in joint operations (effective for p/c on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 Acceptable methods of depreciation (effective for p/c on or after 1 January 2016)
- IFRS 14 Regulatory deferral accounts (effective for p/c on or after 1 January 2016)
- IFRS 15 Revenue from contracts with customers (effective for p/c on or after 1 January 2017)

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

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

2. Significant accounting policies

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings which it controls, made up to 31 March 2014. Intra-Group balances, sales and profits are eliminated fully on consolidation.

There are two consolidated subsidiaries within the Group with non-coterminous accounting year ends. These companies have 31 December accounting year ends and for consolidation purposes the accounts are extracted from the audited figures for the year to 31 December 2013 and the management accounts for the three month period to 31 March 2014.

On acquisition of a subsidiary of 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.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with adopted IFRS's requires management to make judgments, estimates and assumptions that affect the application of policies on reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on experience and other relevant factors, but will seldom equal the subsequent actual results.

Key judgments management have made are contained in the accounting policies and notes to the financial statements, being:

- Impairment review of investments and goodwill;
- Estimation of residual values of investment property;
- Estimation of fair value of other investments;
- Valuation of share-based payments;
- Recognition of deferred tax liabilities;
- Recoverability of deferred tax assets;
- Reviewing contracts for percentage of completion; and
- Estimation of accrued income and costs.

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

Goodwill

Goodwill is stated at cost less, where appropriate, impairment in value. Under IFRS 3, para 55, annual impairment tests are mandatory for goodwill and, as such, have been carried out. Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the net assets acquired.

Investments in subsidiaries

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

Investments in associates

The Group's share of profits less losses of associates is included in the consolidated income statement, and the Group's share of their net assets is included in the consolidated balance sheet. Entities in which the Group is in a position to exercise significant influence but does not have the power to control are defined as associates. The Group adopts the cost model in respect of investment properties owned by associates in order to be consistent with the Group's accounting policy for investment properties. The Company's accounting policy is to include the interest in associates at cost subject to an annual impairment review.

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.

2. Significant accounting policies continued

Property, plant and equipment

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

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

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

Investment properties

Investment properties are properties held for long-term rental income or for capital appreciation or both. Acquisitions through direct asset purchases are initially held at cost including related transaction costs. The Group has adopted the cost model of valuation for investment properties so that after initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. The properties have not been depreciated as in the Directors' opinion the properties estimated residual value at the end of the period of ownership should be higher than their carrying value.

Inventories – land and buildings

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

Finance leases

The property owned under a finance lease has been included at cost under investment properties and not depreciated in line with the investment properties accounting policy stated above. Payments in respect of finance leases have been apportioned between the finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest.

Operating leases

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

Taxation

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

Current taxation

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

Deferred taxation

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

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

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

2. Significant accounting policies continued

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

Revenue recognition

Revenue recognition in the income statement depends on the type of revenue concerned, and excludes VAT. Rental income is recognised over the period of the lease. Income from sale of properties is recognised on unconditional exchange of contracts. Management and administration fees are recognised in the income statement as they are earned. Performance fees are recognised when the performance period has ended and the performance calculation can be performed with reasonable certainty. Transaction fees are recognised once the relevant transaction has completed. Interest income and expense is recognised on an accruals basis. The above policies on revenue recognition result in both deferred and accrued income.

Operating profit

Operating profit as stated in the consolidated income statement is described as the profit derived from sales revenue less cost of sales and less operating expenses.

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 in the year that the share option vests and is credited to the share-based payment reserve shown under equity and reserves in the balance sheet. Managements' best estimates of leavers, price volatility and exercise restrictions have been used in the valuation method.

Foreign currencies

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

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

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

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

Financial instruments

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

Trade receivables

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

Investments

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

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.

2. Significant accounting policies continued

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

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

Trade payables
Trade payables are initially measured at fair value. Subsequently they are measured at amortised cost.

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

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

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

The property fund management segment is organised into separate funds operating across all the Group's chosen geographic areas. It enjoys a recurring income from managing commercial property on behalf of its various fund investors. A table of funds managed is listed in this report in the Chief Executive's statement.

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

A new segment arose in 2010/2011, with the launch of the new Polish fund, Fprop Opportunities plc ("FOP") in October 2010. The group owns 76.2% of this fund through seed capital with the intention of raising further third party investment from co–investees, thereby diluting its stake to a minority interest holding. Management has concluded that it does not suit the criteria for existing segments and that for the purposes of transparency and clarity it should be reported as a separate segment called Group fund properties ("FOP").

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

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

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

3. Segmental reporting continued
Segment Reporting 2014

	Property fund management £'000	Group properties and other co-investments £'000	Group fund properties "FOP" £'000	Unallocated central overheads £'000	Total £'000
External revenue					
– Continuing operations	4,268	2,440	2,246	–	8,954
– Sale of inventory	–	8,050	–	–	8,050
– Business acquisitions	–	–	1,041	–	1,041
Total	4,268	10,490	3,287	–	18,045
Depreciation and amortisation	(21)	(7)	(3)	–	(31)
Operating Profit					
– Existing operations	2,630	5,010	1,388	(2,413)	6,615
– Business acquisitions	–	–	611	–	611
Total	2,630	5,010	1,999	(2,413)	7,226
Share of results in associates	–	190	–	–	190
Profit on disposal of asset held for resale	–	–	–	28	28
Dividend income	–	63	–	–	63
Interest income	–	76	40	32	148
Interest payable	–	(251)	(806)	–	(1,057)
Profit/(loss) before tax	2,630	5,088	1,233	(2,353)	6,598
Analysed as:					
Before performance fees and related items	2,592	5,157	1,288	(830)	8,207
Performance fees	451	–	–	–	451
Staff incentives	(413)	(69)	(55)	(1,523)	(2,060)
Realised foreign currency gain	–	–	–	–	–
Total	2,630	5,088	1,233	(2,353)	6,598
Assets – Group	1,241	16,983	54,890	6,602	79,716
Share of net assets of associates	–	983	–	(308)	675
Liabilities	(884)	(10,935)	(43,587)	(1,523)	(56,929)
Net assets	357	7,031	11,303	4,771	23,462
Additions to non-current assets					
Property, plant and equipment	41	19	–	–	60
Investment properties	–	–	28,717	–	28,717
Investments	–	849	–	–	849
Interest in associates	–	–	–	–	–

3. Segmental reporting continued
Segment Reporting 2013

	Property fund management £'000	Group properties £'000	Group fund properties ("FOP") £'000	Unallocated central overheads £'000	Total £'000
External Revenue					
– Continuing operations	4,022	2,167	2,138	–	8,327
– Sale of inventory	–	2,309	–	–	2,309
Total	**4,022**	**4,476**	**2,138**	**–**	**10,636**
Depreciation and amortisation	(29)	(12)	–	–	(41)
Operating Profit	**2,841**	**1,024**	**1,564**	**(1,458)**	**3,971**
Share of results in associates	–	145	–	–	145
Dividend income	–	64	–	–	64
Interest income	–	27	60	95	182
Interest payable	–	(198)	(621)	–	(819)
Profit/(loss) before tax	**2,841**	**1,062**	**1,003**	**(1,363)**	**3,543**
Analysed as:					
Before performance fees and related items	2,987	1,104	1,022	(795)	4,318
Performance fees	–	–	–	–	–
Staff incentives	(146)	(42)	(19)	(568)	(775)
Realised foreign currency gain	–	–	–	–	–
Total	**2,841**	**1,062**	**1,003**	**(1,363)**	**3,543**
Assets – Group	576	10,634	25,969	7,641	44,820
Share of net assets of associates	–	923	–	(308)	615
Liabilities	(387)	(7,669)	(18,177)	(659)	(26,892)
Net assets	**189**	**3,888**	**7,792**	**6,674**	**18,543**
Additions to non-current assets					
Property, plant and equipment	7	3	–	–	10
Investment properties	–	–	6	–	6
Investments	–	40	–	–	40
Interest in associates	–	145	–	–	145

	Revenue		Non-current assets	
Geographic analysis	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
UK	**9,595**	1,066	**2,424**	1,526
Poland	**8,450**	9,570	**48,934**	20,480
	18,045	10,636	**51,358**	22,006

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4. Interest income/expense

	2014 £'000	2013 £'000
Interest income – bank deposits	**130**	182
Interest income – other	**18**	–
Total interest income	**148**	182
Interest expense – property loans	**(523)**	(271)
Interest expense – bank and other	**(28)**	(16)
Finance charges on finance lease	**(506)**	(532)
Total interest expense	**(1,057)**	(819)

5. Employee information

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

	2014 Number	2013 Number
Management	**9**	8
Property operations	**14**	14
Technical operations	**19**	18
	42	40

An analysis of staff costs is set out below:

	2014 £'000	2013 £'000
Wages and salaries	**3,758**	2,351
Social security costs	**226**	198
Share-based payments	**–**	8
	3,984	2,557

6. Directors' remuneration and emoluments

	2014 £'000	2013 £'000
Basic pay	**463**	455
Pension	**13**	13
Fees	**56**	50
Benefits	**17**	16
Exercise of share options	**130**	–
Annual incentive arrangements	**1,523**	478
	2,202	1,012

6. Directors' remuneration and emoluments continued

Annual incentive arrangements

For 2013 and 2014 the Company operated an incentive plan (the Growth Securities Ownership Plan (GSOP)) for the Executive Directors related to growth in profit before tax. No payments were made under the GSOP for 2013 as the profits hurdle was not met. As a result of the growth in pre-tax profit achieved in 2014, payments have been made to the Executive Directors and other participants under the GSOP.

The remuneration of the Directors was as follows:

	Salary and benefits £'000	Annual incentives £'000	Exercise of share options £'000	Fees £'000	**2014 £'000**	2013 £'000
A J D Locke	–	–	–	28	**28**	25
P Moon	–	–	–	28	**28**	25
B N Habib	336	1,308	78	–	**1,722**	736
G R W Digby	157	215	52	–	**424**	226
	493	1,523	130	56	**2,202**	1,012

There are no retirement benefits accruing to Directors (2013: none) under money purchase pension schemes.

7. Profit on ordinary activities before taxation

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation is stated after charging:		
– Depreciation charge on property, plant and equipment	**31**	41
– Cost of share-based payments (IFRS 2)	**–**	8
– Differences on foreign exchange	**(12)**	(18)
– Staff costs (see note 5)	**3,984**	2,557
Auditors' remuneration		
– Group audit [Company £48,000 (2013: £32,000)]	**154**	96
– Non-audit fees (bureau services – Romania)	**6**	18
– Operating lease rentals	**49**	49
– Rental income from investment properties	**2,636**	2,002
– Direct operating expenses arising from investment property that generated rental income during the period	**787**	197
– Direct operating expenses arising from investment property that did not generate rental income	**501**	377
– Cost of inventories	**4,474**	2,152

8. Tax expense

Analysis of charge in the period

	2014 £'000	2013 £'000
Current tax	**761**	636
Deferred tax	**201**	128
Adjustment for prior year	**–**	(2)
Total tax charge for period	**962**	762

The tax charge includes actual current and deferred tax.

Brought forward tax losses, have been utilised and partially offset against profits arising in the UK. These tax losses were not previously recognised as a deferred tax asset due to insufficient foreseeable taxable income being earned in the UK.

As a result of the above the effective tax rate payable by the Group decreased to 15% (2013: 21%).

8. Tax expense continued

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:

	2014 £'000	2013 £'000
Profit/(loss) on ordinary activities before tax	**6,598**	3,543
Profit/(loss) on ordinary activities multiplied by the standard rate of 23% (2013: 24%)	**1,518**	850
Effects of:		
– Expenses not deductible for tax purposes	**2**	3
– Depreciation in excess of capital allowances	**(7)**	4
– Movement on deferred tax unprovided	**(364)**	137
– Effect of overseas mainstream tax rates	**(54)**	(42)
– Allowable property depreciation and other adjustments	**(334)**	(316)
Total tax charge for the period	**761**	636

Provision for deferred tax

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	**(6)**	**–**	–	–
Tax losses carried forward	**653**	**653**	1,010	999
Other differences	**–**	**–**		
Unrecognised deferred tax asset	**647**	**653**	1,010	999

The Directors have concluded that there is insufficient evidence to support the recoverability of this asset from future taxable profits and therefore have not recognised this asset in the balance sheet. UK deferred tax has been calculated at a rate of 21% versus 23% for 2013.

9. Parent Company result for the year

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's retained profit for the year after sale of treasury shares was £3,061,000 (2013: £566,000).

10. Dividend on Ordinary Shares

	2014 £'000	2013 £'000
Interim dividends paid during the year 2014: 0.33 pence (2013: 0.33 pence)	**367**	367
Final dividend paid for the year ended 31 March 2013: 0.75 pence per share (2012: 0.75 pence per share)	**834**	833
	1,201	1,200

The total dividend for the current year ended 31 March 2014 of 1.12p (2013: 1.08p) will be subject to shareholder approval at the Annual General Meeting to be held on 24 September 2014.

11. Earnings per share

	2014	2013
Basic earnings per share	**4.75p**	2.31p
Diluted earnings per share	**4.53p**	2.18p

	2014 £'000	2013 £'000
Basic earnings	**5,281**	2,568
Diluted earnings assuming full dilution	**5,298**	2,592

11. Earnings per share continued

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

	2014 Number	2013 Number
Weighted average number of Ordinary Shares in issue (used for basic earnings per share calculation)	**111,265,093**	111,119,031
Number of share options assumed to be exercised	**5,750,000**	7,500,000
Total number of Ordinary Shares used in the diluted earnings per share calculation	**117,015,093**	118,619,031

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

Basic earnings per share

	2014 £'000	2013 £'000
Basic earnings	**5,281**	2,568

Diluted earnings per share

	2014 £'000	2013 £'000
Basic earnings	**5,281**	2,568
Notional interest on share options assumed to be exercised	**17**	24
Diluted earnings	**5,298**	2,592

12. Business acquisitions

The Group's subsidiary Fprop Opportunities plc (FOP) made two acquisitions during the year. On 30 November 2013 it acquired all the share capital in USS Fprop Poland (2) Sp. z. o. o (USS 2), for €1.00 million (£832,000). USS 2's main asset is an office block in Lublin, South East Poland.

On 6 February 2014 FOP acquired all the share capital in USS Fprop Poland (4) Sp. z. o. o (USS 4) for €4.43 million (£3,583,000). USS4's main asset is a shopping centre in Ostrowiec, South East Poland. Both acquisitions were at fair value and generated no goodwill.

	USS2 £'000	USS4 £'000	31 March 2014 £'000
Acquisitions of USS2 and USS4 net assets acquired at fair value			
Cash	336	450	786
Trade and other receivables	139	194	333
Investment property	10,597	17,519	28,116
Trade payables	(221)	(344)	(565)
Tax liabilities	(37)	(9)	(46)
Financial liabilities	(9,884)	(14,218)	(24,102)
Tenant deposits	(99)	(50)	(149)
Fair value of goodwill	–	–	–
Foreign exchange reserve	1	41	42
Total purchase price paid in cash	832	3,583	4,415
Cash paid on acquisition	832	3,583	4,415
Cash and cash equivalents acquired on purchases	(336)	(450)	(786)
Acquisitions net of cash and cash equivalents acquired	496	3,133	3,629

13. Investment properties

	2014 Group £'000	2013 Group £'000
Investment properties		
1 April	**20,349**	20,161
Business acquisitions	**28,116**	–
Purchase additions	**555**	–
Capital expenditure	**46**	7
Foreign exchange translation	**(307)**	181
31 March	**48,759**	20,349

Investment properties indirectly owned by the Group, via FOP are stated at cost. The properties were valued by CBRE at the Group's financial year-end at €63.96 million (2013: €26.10 million), the Sterling equivalent at closing foreign exchange rates being £52.88 million (2013: £22.10 million).

14. Goodwill

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April	**114**	**–**	114	–
Additions	**39**	**–**	–	–
At 31 March	**153**	**–**	114	–

The addition relates to the purchase of the additional 22.3% in CORP Sp. z. o. o. the management company of the Blue Tower; bringing the Group's interest to 90%, and reducing the non-controlling interest from 32.31% to 10.0%. The amount represents the excess paid above the percentage share relating to the fair value of net assets. The Directors have carried out an annual impairment test and concluded that no impairment write down is necessary because the estimated recoverable amount was higher than the value stated. The estimated recoverable amount was determined using the "value in use" basis. The "value in use" basis was calculated by applying a price earnings multiple of four to the average of the past three years earnings and next years forecast earnings, which is based on information consistent with external sources.

15. Property, plant and equipment

Group 2014	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 April 2013	134	38	26	37	235
Foreign currency translation	(2)	–	(1)	–	(3)
Additions	59	1	–	–	60
Disposals	(1)	–	–	–	(1)
At 31 March 2014	**190**	**39**	**25**	**37**	**291**
Depreciation					
At 1 April 2013	119	29	24	27	199
Foreign currency translation	(1)	(1)	(1)	–	(3)
Charge for year	15	6	2	8	31
Disposals	(1)	–	–	–	(1)
At 31 March 2014	**132**	**34**	**25**	**35**	**226**
Net book value					
At 31 March 2014	**58**	**5**	**–**	**2**	**65**

15. Property, plant and equipment continued

Group 2013	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Short leasehold improvements £'000	Total £'000
Cost					
At 1 April 2012	132	41	26	37	236
Foreign currency translation	1	–	–	–	1
Additions	9	1	–	–	10
Disposals	(8)	(4)	–	–	(12)
At 31 March 2013	134	38	26	37	235
Depreciation					
At 1 April 2012	108	25	21	15	169
Foreign currency translation	1	–	–	–	1
Charge for year	18	8	3	12	41
Disposals	(8)	(4)	–	–	(12)
At 31 March 2013	119	29	24	27	199
Net book value					
At 31 March 2013	15	9	2	10	36

The Company had no property, plant or equipment (2013: nil). The Group holds no property plant and equipment under a finance lease.

16. Investments in Group undertakings

The Company has the following investments in consolidated subsidiaries:

	2014		2013	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Investments in Group undertakings – shares at cost	**–**	**3,192**	–	2,600
	–	**3,192**	–	2,600

The increase represents the Company's increased investment in Fprop Opportunities plc.

17. Investments in associates and other financial assets

The Group and the Company have the following investments:

	2014		2013	
	Group £'000	**Company £'000**	Group £'000	Company £'000
a) Associates				
At 1 April	**615**	**106**	499	106
Release of profit withheld in sale to associate in 2007	**–**	**–**	–	–
Disposals	**(23)**	**(5)**	–	–
Share of associates profit after tax	**190**	**–**	145	–
Dividends received	**(107)**	**–**	(29)	–
At 31 March	**675**	**101**	615	106

The disposal represents a partial disposal of the Group's holdings in Regional Property Trading Ltd.

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17. Investments in associates and other financial assets continued

The Group's investment in associates is held at cost plus its share of post acquisition profits assuming the adoption of the cost model for accounting for investment properties under IAS40 and comprises the following:

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in associates				
5th Property Trading Ltd	**863**	**48**	686	53
Regional Property Trading Ltd	**120**	**53**	237	53
	983	**101**	923	106
Less: Group share of profit after tax withheld on sale of property to an associate in 2007	**(308)**	**–**	(308)	–
	675	**101**	615	106

If the Group had adopted the alternative fair value model for accounting for investment properties, the carrying value of the investment in associates would have increased by £776,000 (2013: £861,000) to £1,450,000 (2013: £1,476,000). The withheld profit of £308,000 may be released when the Group's investment reduces to below associate status.

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Other financial assets and investments				
At 1 April	**892**	**892**	903	903
Additions	**849**	**849**	40	40
Reclassification of fair value gains to profit and loss on disposal	**(35)**	**(35)**	–	–
Net decrease in fair value	**–**	**–**	(51)	(51)
At 31 March	**1,706**	**1,706**	892	892

The Group holds two unlisted investments in funds managed by it. Both are held at fair value, using the market approach to valuations. All of the assets have been classified as available for sale. Fair value for the unlisted investments has been arrived at by applying the Group's percentage holding in these investments of the fair value of their net assets.

The addition in investments is in respect of the Group's 4.9% interest in the Fprop PDR LP, a new fund established during the year.

17. Investments in associates and other financial assets continued

The principal investments of the Group at 31 March 2014 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	–
IP Finance Limited (formerly First Property International Limited)	– Property finance	100	–
First Property Sterling General Partner Limited	– General partner of property fund	100	–
First Property General Partner Limited	– General partner of property fund	51	–
First Property Retail Centres Limited	– Property services	100	–
Old Westminster Limited	– Property holding company	–	100
Edenfield Ltd	– Property holding company	–	100
Fprop Developments Ltd	– Property holding company	100	–
Poland			
First Property Poland Sp. z o.o.	– Property investment and management	100	–
Scaup Sp. z o.o.	– Property investment and management	100	–
Ross Sp. z o.o.	– Property investment and management	100	–
Corp SA	– Property services management	–	90
Ross 2 Sp. z o.o.	– Property services management	–	100
Romania			
First Property Asset Management Romania SRL	– Property asset management	95	5
Group companies owned by Fprop Opportunities plc (FOP)			
UK			
Fprop Opportunities plc	– Property fund	76	–
Fprop Opportunity Lodz Limited	– Property holding company	–	100
Fprop Opportunity Krasnystaw Limited	– Property holding company	–	100
Fprop Opportunities Lodz II Limited	– Property holding company	–	100
Poland			
Fprop Lodz Sp. z o.o.	– Property holding company	–	100
Fprop Krasnystaw Sp. z o.o	– Property holding company	–	100
Fprop Lodz 2 Sp. z o.o.	– Property holding company	–	100
USS Fprop Poland 2 Sp. z o.o.	– Property holding company	–	100
USS Fprop 4 Sp. z o.o.	– Property holding company	–	100
USS Fprop Poland 4 Sp. z o.o.	– Property holding company	–	100
Associates and other investments			
UK			
Regional Property Trading Limited	– Property fund	26	–
5th Property Trading Limited	– Property fund	38	–
UK Pension Property Portfolio LP	– Nominee	1	
Fprop PDR LP	– Property fund	5	
Poland			
E&S Estates Poland Sp. z o.o.	– Property fund	–	13
5th Property Poland Sp. z o.o.	– Property fund	–	38

17. Investments in associates and other financial assets continued

	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 General Partner (Nominee Limited)	– Nominee	–	100
First Property Sterling General Partner (Nominee 1) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 2) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 3) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 4) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 5) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 6) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 7) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 8) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 9) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 10) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 11) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 12) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 13) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 14) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 15) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 16) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 17) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 18) Limited	– Nominee	–	100
First Property Sterling General Partner (Nominee 19) 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

The above companies are incorporated and registered in England and Wales unless stated and operate principally in their countries of incorporation/ registration.

The results of First Property Sterling General Partner Limited and First Property General Partner Limited, have not been consolidated because they are not material to the Group. Felix Developments SRL is 100% owned by the Group but has not been consolidated, because it is of no economic benefit.

18. Inventories – land and buildings

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Directly held Group properties for resale at cost				
1 April	**8,591**		10,714	–
Purchases	**4,428**	**–**	–	
Capital expenditure	**46**	**–**	44	–
Disposals	**–**	**–**	(2,426)	–
Foreign exchange translation	**(761)**	**–**	259	–
At 31 March	**12,304**	**–**	8,591	–

Purchases refer to the purchase of a further 20% interest in Blue Tower, located in Warsaw, Poland bringing the Group's total interest in the property to 48.2% with a fair value of £16.21 million (2013: £12.85 million).

The disposal in 2012/13 refers to the sale of Bacha, a property located in Warsaw, Poland.

19. Trade and other receivables

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Current assets				
Trade receivables	**4,036**	**–**	1,312	–
Less provision for impairment of receivables	**(731)**	**–**	(395)	–
Trade receivables net	**3,305**	**–**	917	–
Other receivables	**502**	**–**	66	–
Pre-payments and accrued income	**328**	**19**	229	25
	4,135	**19**	1,212	25
Non-current assets				
Other receivables	**400**	**–**	436	–
Amounts owed by subsidiaries and other undertakings	**–**	**15,071**	–	7,219

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

In the opinion of the Directors the Group is not exposed to any one material credit risk, as the Group has many tenants spread across a number of industry sectors.

Amounts owed by subsidiary undertakings to the Company include non-current assets amounting to £15,071,000 falling due in more than one year (2013: £7,219,000). For further information see note 26.

20. Trade and other payables

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Current liabilities				
Trade payables	**1,139**	**16**	568	6
Amounts due to subsidiary undertaking and associates	**–**	**4,187**	–	3,200
Other taxation and social security	**289**	**687**	271	15
Other payables and accruals	**2,780**	**1,562**	1,155	638
Deferred income	**16**	**–**	17	–
	4,224	**6,452**	2,011	3,859

21. Financial liabilities

	2014 £'000	2013 £'000
Current liabilities		
Bank loan	**3,840**	151
Finance leases	**509**	486
	4,349	637
Non-current liabilities		
Loan repayable by subsidiary ("FOP") to third party shareholders	**2,229**	1,130
Bank loans	**32,322**	9,659
Finance leases	**12,661**	13,455
	47,212	24,244

21. Financial liabilities continued

	2014 £'000	2013 £'000
Total obligations under bank loans and finance leases		
Repayable within one year	**4,349**	637
Repayable within one and five years	**35,106**	23,114
Repayable after five years	**12,106**	1,130
	51,561	24,881

Loans repayable by FOP to third party shareholders are repayable in October 2020.

Bank loans and finance leases totalling £49,332,000 (2013: £23,751,000) included within financial liabilities are secured against investment properties owned by FOP and properties owned by the Group shown under inventories.

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

Finance lease liabilities

	2014		2013	
	Group	Parent	Group	Parent
Less than one year	**953**	**–**	960	–
Between two and five years	**13,746**	**–**	14,914	–
Later than five years	**–**	**–**	–	–
Future finance charges on future finance lease payments	**(1,529)**	**–**	(1,933)	–
	13,170	**–**	13,941	–

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

	2014		2013	
	Group	Parent	Group	Parent
Less than one year	**509**	**–**	486	–
Between two and five years	**12,661**	**–**	13,455	–
Later than five years	**–**	**–**	–	–
	13,170	**–**	13,941	–

22. Deferred tax

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

	2014			2013		
	Group net liabilities £'000	Group assets £'000	Group liabilities £'000	Group net assets £'000	Group assets £'000	Group liabilities £'000
Accrued interest payable	**(295)**	**170**	**(465)**	178	178	–
Accrued income	**(88)**	**–**	**(88)**	(82)	–	(82)
Foreign bank loan	**357**	**508**	**(151)**	316	316	–
Investment properties and inventories	**(160)**	**–**	**(160)**	(274)	–	(274)
Other temporary differences	**128**	**161**	**(33)**	35	68	(33)
	(58)	**839**	**(897)**	173	562	(389)

Relevant Group companies are making taxable profits.

23. Called-up share capital

	2014 £'000	2013 £'000
Authorised		
240,000,000 (2013: 240,000,000) Ordinary Shares of 1 pence each	**2,400**	2,400
Issued and fully paid		
114,851,115 (2013: 114,851,115) Ordinary Shares of 1 pence each of issued share capital, of which 1,898,957 Ordinary Shares (2013: 3,697,360) are held in treasury	**1,149**	1,149

	Ordinary shares number	Treasury shares number	Share options number
1 April 2013	111,153,755	3,697,360	7,500,000
Exercise of share options	1,750,000	(1,750,000)	(1,750,000)
Issue of shares to non-executive Director	48,403	(48,403)	–
Lapse of share options	–	–	–
31 March 2014	112,952,158	1,898,957	5,750,000

	Ordinary shares number	Treasury shares number	Share options number
1 April 2012	111,098,580	3,752,535	7,500,000
Exercise of share options	–	–	–
Issue of shares to non-executive Director	55,175	(55,175)	–
Lapse of share options	–	–	–
31 March 2013	111,153,755	3,697,360	7,500,000

The Company had 5,750,000 options over Ordinary Shares outstanding at 31 March 2014 (2013: 7,500,000), including those noted in Directors' interests in the Directors' Report. Once these share options are exercised, the Ordinary Shares issued will rank pari passu with the existing Ordinary Shares.

Year of grant	Exercise price (p)	Exercise period	2014 Numbers	2013 Numbers
2004/05	16.50	July 2005 to July 2014	–	616,666
2004/05	16.50	July 2006 to July 2014	–	616,667
2004/05	16.50	July 2007 to July 2014	100,000	616,667
2006/07	15.75	June 2007 to June 2016	583,333	583,333
2006/07	15.75	June 2008 to June 2016	583,333	583,333
2006/07	15.75	June 2009 to June 2016	583,334	583,334
2006/07	15.25	April 2007 to April 2016	33,333	33,333
2006/07	15.25	April 2008 to April 2016	33,333	33,333
2006/07	15.25	April 2009 to April 2016	33,334	33,334
2006/07	17.25	Dec 2007 to Dec 2016	166,666	166,666
2006/07	17.25	Dec 2008 to Dec 2016	166,667	166,667
2006/07	17.25	Dec 2009 to Dec 2016	166,667	166,667
2006/07	16.25	Dec 2007 to Dec 2016	33,333	33,333
2006/07	16.25	Dec 2008 to Dec 2016	33,333	33,333
2006/07	16.25	Dec 2009 to Dec 2016	33,334	33,334
2006/07	17.00	Jan 2008 to Jan 2017	166,666	166,666
2006/07	17.00	Jan 2009 to Jan 2017	166,667	166,667
2006/07	17.00	Jan 2010 to Jan 2017	166,667	166,667
2008/09	11.50	Feb 2010 to Feb 2019	333,333	333,333
2008/09	11.50	Feb 2011 to Feb 2019	333,333	333,333
2008/09	11.50	Feb 2011 to Feb 2019	333,334	333,334
2009/10	16.50	Dec 2011 to Dec 2019	566,666	566,666
2009/10	16.50	Dec 2011 to Dec 2019	566,667	566,667
2009/10	16.50	Dec 2011 to Dec 2019	566,667	566,667

During the year no share options were granted, 1,750,000 were exercised and none lapsed. 1,034,920 share options have been issued under the HMRC Enterprise Management Incentive Scheme, with the remaining 4,715,080 share options issued under the Company's Unapproved Share Option Scheme.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 31 March 2014

24. Contractual commitments
The Group has contractual commitments at 31 March 2014 amounting to £1,152,000 (2013: £59,000) which are expected to be expended over the next twelve months. This is in respect of the Group's investment in the Fprop PDR LP.

25. Financial commitments
At 31 March 2014 the Group had total commitments under non-cancellable operating leases payable as follows:

	Land and buildings 2014 £'000	Land and buildings 2013 £'000
Total amounts due		
– within a year	**49**	49
– between one and five years inclusive	**24**	73
	73	122

The liability relates to one operating lease for the office in London. The Company had no commitments under non-cancellable operating leases expiring within one year at 31 March 2014 (2013: nil).

The Group has one finance lease that is described in note 26.

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

Objective, policies and strategies
The main areas of the Group's exposure to risk are interest rates, liquidity, foreign exchange and credit. The Group's policy does not permit entering into speculative trading of financial instruments and this policy has continued to be applied throughout the year.

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

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

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

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

Budgets and projections will be used to assess any future potential investment and the Group 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.

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

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

26. Financial instruments and risk management continued

Net foreign currency monetary assets/liabilities

Functional currency of operations	Polish Zloty Poland £'000	US Dollar Poland £'000	Romanian Leu Romania £'000	Total £'000
2014				
Sterling Equivalent	**19,810**	**1,512**	**26**	**21,348**
2013				
Sterling Equivalent	4,167	1,593	75	5,835

All UK Group companies use Sterling as their functional currency. Ross Sp. z o.o. has the US Dollar as its functional currency and all other Polish Group companies use the Polish Zloty. First Property Asset Management (Romania) S.R.L. uses the Romanian New Leu as its functional currency.

Sensitivity analysis

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

	2014 Income statement £'000	2013 Income statement £'000	2014 Equity £'000	2013 Equity £'000
Interest rate sensitivity analysis				
UK interest rate + 1%	**88**	107	**88**	107
EURO interest rate + 1%	**(281)**	(94)	**(281)**	(94)
US Dollar interest rate + 1%	**(62)**	(67)	**(62)**	(67)
RON interest rate + 1%	**–**	1	**–**	1
PLN interest rate + 1%	**(18)**	15	**(18)**	15
	(273)	(38)	**(273)**	(38)
Foreign currency sensitivity analysis				
EURO exchange rate +5%	**61**	44	**690**	47
US Dollar exchange rate +5%	**35**	27	**90**	101
RON exchange rate +5%	**(1)**	(2)	**1**	4
PLN exchange rate +5%	**95**	102	**95**	102
	190	171	**876**	254

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

The foreign currency sensitivity analysis includes all foreign currency balance sheet items and adjusts their translation at the period end for a 10% change in foreign currency rates.

Credit Risk

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

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

26. Financial instruments and risk management continued

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2014 and 31 March 2013 was as follows:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Non-interest bearing £'000	Total £'000
Other receivables due after one year	–	–	–	–
Cash	4,683	–	–	4,683
Short-term deposits	–	6,596	–	6,596
At 31 March 2014	**4,683**	**6,596**	**–**	**11,279**
Other receivables due after one year	–	–	–	–
Cash	4,508	–	–	4,508
Short-term deposits	–	8,471	–	8,471
At 31 March 2013	4,508	8,471	–	12,979

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

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

Fixed rate short-term deposits at 31 March 2014 were £6,596,000 (31 March 2013: £8,471,000).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2014 and 31 March 2013 was as follows:

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Non-interest bearing £'000	Total £'000
Bank loans	36,162	–	–	36,162
Finance lease obligations	10,070	3,100	–	13,170
Other financial liabilities	–	–	2,229	2,229
At 31 March 2014	**46,232**	**3,100**	**2,229**	**51,561**
Bank loans	9,810	–	–	9,810
Finance lease obligations	10,770	3,171	–	13,941
Other financial liabilities	–	–	1,130	1,130
At 31 March 2013	20,580	3,171	1,130	24,881

The Group's debt maturity other than short-term trade creditors and accruals at 31 March 2014 and 31 March 2013 was as follows:

	Bank loans £'000	Finance lease £'000	Other financial liabilities £'000	Total £'000
In one year or less	3,840	509	–	4,349
Between one and five years	22,445	12,661	–	35,106
Over five years	9,877	–	2,229	12,106
Total at 31 March 2014	**36,162**	**13,170**	**2,229**	**51,561**
In one year or less	151	486	–	637
Between one and five years	9,659	13,455	–	23,114
Over five years	–	–	1,130	1,130
Total at 31 March 2013	9,810	13,941	1,130	24,881

Loans repayable by FOP to third party shareholders are repayable in October 2020.

Bank loans and finance leases totalling £49,332,000 (2013: £23,751,000) included within financial liabilities are secured against investment properties owned by Fprop Opportunities plc (FOP) and properties owned by the Group shown under inventories.

26. Financial instruments and risk management continued

There are five foreign currency bank loans. The first of these is for a sum of £6,320,000 (2013: £6,986,000), which is included under both current and non-current financial liabilities and is secured against the 28% share of the Blue Tower office building purchased by the Group in December 2008. It is non-recourse and is denominated in US Dollars. Capital repayments commenced in November 2013 at the rate of USD17,675 per month and continue until its maturity in November 2015. Interest payments are charged at an annualised rate of one month USD Libor plus a margin of 2.15%.

The second bank loan is for a sum of £2,660,000 (2013: 2,824,000). It is included under current financial liabilities and is secured against the Krasnystaw shopping centre owned by FOP. It is non-recourse and is denominated in Euros. The loan was drawn by FOP in June 2011. Capital repayments are made on a quarterly basis at the rate of approximately €30,000 per quarter until its maturity in 2014. Interest payments are fixed for 30% of the loan at an annualised rate of 2.4% plus a margin of 2.8% and for the remaining 70%, charged at an annualised rate of three month Euribor plus a margin of 2.8%.

The third bank loan is a new loan for £3,007,000 and is secured against the 20% share of Blue Tower office building purchased during the year. It is included under both current and non-current financial liabilities. It is non-recourse and denominated in Euros. It was drawn in October 2013, with monthly capital repayments of approximately €12,000 and interest charged at 3% over three month Euribor. The loan matures in 2033.

The fourth bank loan is a new loan for £9,996,000 and is secured against the office block in Lublin, purchased during the year. It is included under both current and non-current financial liabilities. It is non-recourse and denominated in Euros. It was drawn in December 2013, with quarterly capital repayments of approximately €133,000 and interest charged on 50% of the loan at 3.45% over one month Euribor, with the other 50% fixed at 4.1% for three years. The loan matures in 2020.

The fifth bank loan is a new loan for £14,179,000 and is secured against the Shopping Centre at Ostrowiec, purchased during the year. It is non-recourse and denominated in Euros and included partly under current and partly non-current financial liabilities. It was drawn in February 2014, with quarterly repayments of €129,000 and interest charged on 80% at 3.4% plus three month Euribor, with the remaining 20% fixed at 0.845% plus three month Euribor. The loan matures in 2019.

The finance lease outstanding is for £13,170,000 (2013: £13,941,000). It is included partly under current liabilities and partly under non-current liabilities and is secured against the Lodz hypermarket owned by FOP. It is non-recourse and is denominated in Euros. Capital repayments are made on a monthly basis at a rate of approximately €45,000 per month until its maturity in 2017. The monthly interest rate payable is on a floating rate based on an annualised rate of three month Euribor plus an all in margin of 2.68%.

Borrowing facilities

At 31 March 2014 the Group had £nil committed borrowing facilities available (31 March 2013: nil undrawn).

27. Related party transactions

First Property Group plc is the parent Company of the Group and the ultimate controlling party. Although the parent Company does not trade it does incur the costs of the Board of Directors and other unallocated central costs. The parent Company 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	2014 £'000	2013 £'000
Property management fees to associates	**153**	170
Amounts owed by associates at year-end	**31**	19

Related party transactions for the Company	£'000	£'000
Management charge to subsidiaries	**320**	100
Profit share charged to subsidiaries	**3,230**	–
Dividends received from subsidiaries during the year	**2,562**	3,010
Net funding transactions with subsidiaries	**2,598**	2,728
Shareholder loan interest receivable from subsidiaries during the year	**37**	40
Shareholder loan interest payable to subsidiaries during the year	**38**	44
Amounts owed by subsidiaries at year-end	**15,071**	7,219
Amounts owed to subsidiaries and associates at year-end	**4,187**	3,200

Key management compensation	£'000	£'000
Short-term employee benefits (see note 6)	**2,072**	1,012
Share-based payment (see note 6)	**130**	–

27. Related party transactions continued

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 £9,006,000 (2013: £6,960,000) are unsecured. All are interest free except for one loan to First Property Retail Centres Limited for £124,000 which is charged interest at commercial rates. All loans made by the Company to non-UK subsidiaries totalling £1,679,000 (2013: £259,000) are unsecured but interest bearing at commercial rates of interest.

Five year financial summary

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Continuing operations					
Profit before tax	**6,598**	3,543	3,969	2,950	2,610
Performance fees	**451**	–	–	–	–
Net (borrowings)/cash	**(38,053)**	(10,772)	(13,747)	(16,738)	3,133
Net cash flow from operating activities	**1,377**	5,440	4,166	3,154	816
Net assets (excluding non-controlling interest)	**23,462**	18,142	17,087	16,377	15,403
Basic earnings per share	**4.75p**	2.31p	2.88p	2.02p	2.00p
Dividend per share	**1.12p**	1.08p	1.08p	1.06p	1.03p
Dividend cover	**4.2**	2.1	2.7	1.9	1.9

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the "Meeting") of FIRST PROPERTY GROUP PLC (the "Company") will be held at Cavalry and Guards Club, 127 Piccadilly, London, W1J 7PX on 24 September 2014 at noon for the following purposes:

Ordinary Business

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

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2014.

2. To declare and approve a final dividend of 0.79 pence per Ordinary Share of 1 pence each ("Ordinary Share") which makes a total dividend of 1.12 pence per Ordinary Share for the year.

3. To re-appoint Alasdair Locke as a Director who retires in accordance with Article 97 of the Company's Articles of Association ("Articles") and is entitled to be re-appointed in accordance with Article 97 of the Articles.

4. To re-appoint Haines Watts as Auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next General Meeting of the Company at which accounts are laid.

5. To authorise the Directors to determine the remuneration of the Auditors.

Special Business

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

6. That the Directors be and are hereby generally and unconditionally authorised and empowered pursuant to and in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares and/or grant rights to subscribe for or to convert any security into shares ("Rights") up to an aggregate nominal amount of £376,469 being 33.33% of the issued share capital of the Company as at 9 July 2014, less shares in treasury, such authority to expire on the earlier of the next Annual General Meeting of the Company held after the date on which this resolution is passed and the date fifteen months after the passing of this resolution, save that the Company may at any time before such expiry make an offer or enter into an agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

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

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

7. That the Directors be and are hereby generally authorised in accordance with Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company either pursuant to the authority conferred by Resolution 6 above or 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 or sale by the Company of treasury shares (otherwise than pursuant to Resolution 7 (a)) up to a maximum aggregate nominal amount of £56,476,

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

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

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

   a. the maximum number of Ordinary Shares authorised to be acquired is 11,295,215 (representing just under 10% of the Company's issued Ordinary Share capital as at 9 July 2014);

   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 is, in respect of a share contracted to be purchased on any day, to be not more than 5% above the average of the middle market quotation of an Ordinary Share of the Company taken from the Daily Official List of London Stock Exchange plc for the five business days immediately preceding the day on which the contract of purchase is made;

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

   e. this authority will (unless renewed, varied or revoked) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, on the date twelve months from the date of passing this resolution.

Date 30 July 2014

By Order of the Board

George R W Digby
Company Secretary

Registered Office:
35 Old Queen Street
London
SW1H 9JA

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specified that only those members registered on the Company's register of members by:
   - 6.00 pm on 22 September 2014 or,
   - if this meeting is adjourned, at 6.00 pm on the day two business days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. If you have not received a proxy form and intend to vote by proxy at the meeting please contact Jill Holmes at 35 Old Queen Street, London, SW1H 9JA as soon as possible.

3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.

4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. Failure to specify the number of shares to which each proxy appointment relates or specifying more shares than the number of shares held by you at the time set out in note 1 above will result in the proxy appointments being invalid.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

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

   To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
   - received by Capita Registrars Limited no later than 48 hours before the meeting.

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

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

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

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

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING continued

Appointment of proxies through CREST

8. As an alternative to completing the hardcopy proxy form, CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from http://www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA 10) by not later than 48 hours prior to the time appointed for the Meeting or adjourned meeting. For this purpose, the time of the receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such actions as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

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

Changing proxy instructions

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

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

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

Termination of proxy appointments

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

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

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

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

Corporate representatives

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

Issued shares and total voting rights.

13. As at midday on 9 July 2014, the Company's issued share capital comprised 112,952,158 Ordinary Shares of 1 pence each and 1,898,957 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 9 July 2014 is 112,952,158.

Communication

14. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
    - calling the Capita Asset Services shareholder helpline on 0871 664 0300 or, if calling from outside the UK on +44 208 639 3399 (calls cost 10 pence per minute plus network extras). The helpline is available between the hours of 9.00am and 5.30pm Monday to Friday excluding public holidays;

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

    You may not use any electronic address provided either:
    - in this notice of Annual Meeting; or
    - any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

DIRECTORS AND ADVISERS

Directors
Alasdair J D Locke
(Non-Executive Chairman)

Peter G Moon
(Non-Executive Director)

Benyamin N Habib
(Chief Executive)

George R W Digby
(Chief Financial Officer)

Company Secretary
George R W Digby

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Registered No. 02967020

Website
www.fprop.com

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

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers
Handelsbanken
5th Floor
13 Charles II Street
London
SW1Y 4QU

Lloyds TSB Bank
60 Grosvenor Street
London
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