

FIRST PROPERTY ONLINE PLC

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FIRST PROPERTY ONLINE PLC

DIRECTORS AND ADVISERS

Directors

Alasdair J D Locke
(Non-Executive Chairman)

Benyamin N Habib
(Chief Executive)

Jeremy C Phillips
(Finance Director)

Company Secretary

Alec W J Banyard

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Mint House
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London E1 8AF

Nominated Broker

Robert W. Baird Limited
Mint House
77 Mansell Street
London E1 8AF

FIRST PROPERTY ONLINE PLC

CHAIRMAN'S STATEMENT

I am delighted to present our annual results for the year to 31 March 2002.

During the year the Group concentrated determinedly on revenue generation. Turnover for the year was £372,000 (nil in the prior year). The Group has also protected its capital resources during this important growth phase.

Further details of the Group's operating performance are set out in the Chief Executive's statement on page 4.

We have made a good start to the current year. The Commercial Property Database division is trading well and our property underwriting business has secured a number of good opportunities.

I am therefore pleased that, in a comparatively short period of time, the Group has turned the corner towards profitability.

Our sound trading position, coupled with our strong balance sheet, ensures that fprop will be a long term participant in the online property market. We are well positioned and I look forward to the future with confidence.

Alasdair Locke
Chairman

22 July 2002

FIRST PROPERTY ONLINE PLC

CHIEF EXECUTIVE'S STATEMENT

The year to 31 March 2002 has witnessed the progression of the Company from a start-up towards an established business.

Results

I am pleased to report that, as predicted at the time of our last annual results, the Group has generated significant revenues and is moving positively towards profitability. Turnover for the year was £372,000 (nil in the year to 31 March 2001). The majority of this income was generated in the second half of the year.

The Group made a loss on ordinary activities before taxation and goodwill amortisation of £575,000 (against a loss of £363,000 in the year to 31 March 2001, which represented only 3 months of trading activity).

The Group's balance sheet remains strong. Net assets amounted to £4.8 million at 31 March 2002, including £2.6 million of net current assets.

Review of Operations

Commercial Property Database

On 31 August 2001 we completed our acquisition of Commercial Property Database Ltd and CPD Ltd ("CPD"), providers of a range of database hosting and website design services. Since then these businesses have been integrated with fprop and CPD now trades as a division of First Property Online.com Ltd. This integration has allowed us to cut substantially the trading overheads of the CPD businesses. The division is now trading profitably (before goodwill amortisation) and generated revenues of £255,000 in the reporting period.

CPD has made a promising start to the year which commenced on 1 April 2002 and is trading ahead of the comparable period last year (before it was acquired by fprop).

Property transaction underwriting

Our underwriting activities commenced in August 2001 and are providing a substantial and growing revenue stream for fprop. During the reporting period these activities generated revenues of £84,000 for the Group.

The underwriting business has also made a good start to the current year. In the absence of a material change in the UK economy, we expect this division to make a good contribution to profits during the year to 31 March 2003.

Bespoke loan and valuation services online

Our loan arrangement business, which went live in August 2001, is gathering pace. Up to the time of writing, we have received loan quote requests on an aggregate value of over £135 million of property and have organised, or are in the process of organising, loans for properties collectively worth some £7.5 million.

Propertytrade.co.uk

As previously announced, we acquired Propertytrade.co.uk in April 2001 to increase rapidly the number of properties available on the fprop website. This aim has been met and at the time of writing fprop has over 400 investment properties for sale online, plus 12,500 properties for sale or lease on the CPD database. The Propertytrade website has therefore now been closed and we will not report separately on this business in future.

FIRST PROPERTY ONLINE PLC

Portfolio of products and services

Our current portfolio of products and services can be summarised as follows:

- CPD membership and related subscription services
- Website design and hosting services
- Online transactions at www.fprop.com
- Loan and valuation services
- Underwriting of property transactions

Sales of our high margin/ low volume products are being accelerated by the penetration of our lower margin/ higher volume products. This provides the Group with a healthy, relatively stable, mixed and growing income stream.

Strategy

We remain focussed on the profitability of the Group, rather than on non revenue-generating online measures of success such as clickthrough rates or page impressions.

Our strategy remains substantially the same as set out in our annual report last year. We are concentrating on:

- growing revenues from our existing product range and cross selling these wherever possible
- growing our product range in those areas which complement our existing products and can be implemented using our existing infrastructure
- making, where appropriate, strategic acquisitions which allow fprop to accelerate this growth
- reaching profitability and cash generation as quickly as possible

We have not been actively selling our more transformational products (such as our online bidding system), which require time and marketing resources in order to fully penetrate the market. Whilst these products remain live and on offer, we have concluded that it is more important, at this stage of our development, to concentrate on overall profitability rather than fully establishing these products. It is our intention to concentrate on these products, in due course, once the Group is trading profitably and market conditions are right for their cost-effective promotion.

Neither are we offering further shareholdings at nominal value to establish further trade alliances. The aim of forging trade alliances in this way was to build up a body of allies that could accelerate fprop's initial growth. As discussed, growing revenue streams have been established and we therefore will not be pursuing this particular strategy any longer.

Current trading and prospects

We continue to be pleased by the rate at which revenue generation is increasing and, subject to market conditions, we would expect a strong performance in the year to 31 March 2003.

We consider the outlook of the economic environment in the UK on the whole to be buoyant, particularly for commercial property. As a result, we are positive about fprop's prospects and look forward to the coming year.

Ben Habib
Chief Executive

22 July 2002

FIRST PROPERTY ONLINE PLC

DIRECTORS' REPORT

for the year ended 31 March 2002

The Directors present their report and the audited financial statements for the year ended 31 March 2002.

Principal activities and review of the business

The principal activity of the Group is that of a web based business using the Internet to facilitate the sale of commercial properties.

During the year, the Group extended its range of technical and financial services as described in the Chief Executive's statement on page 4.

The consolidated profit and loss account is set out on page 10.

Acquisitions

On 31 August 2001, First Property Online plc acquired the issued share capital of Commercial Property Database Ltd and CPD Ltd, which were the operating companies of CPD Online plc.

The consideration for the acquisition was an initial issue of 6,000,000 new Ordinary shares of 1p each, and a final, performance-related consideration of 1,461,538 new Ordinary shares of 1p each. In addition acquisition costs of £25,000 have been incurred which have been capitalised as part of the investment. The share issues commenced trading on the Alternative Investment Market of the London Stock Exchange on 3 September 2001 and 5 December 2001.

On 19 April 2001, First Property Online.com Ltd acquired the business and assets of Propertytrade plc for a cash consideration of £13,250, plus acquisition costs of £7,000.

Voluntary liquidation

On 29 March 2002 the Directors concluded the members voluntary liquidation of First Property Online Holdings Ltd, an intermediate holding company. As a result, First Property Online.com Ltd is now a directly owned subsidiary of First Property Online plc.

Share capital

During the year 7,461,538 Ordinary shares were issued in respect of the acquisition referred to above. No options were exercised in the year.

Dividends

The Directors do not recommend the payment of a dividend (2001: nil). The loss after taxation was £3,917,000 (2001: £1,164,000 loss) and will be charged to the Group's profit and loss account.

Directors and their interests

The Directors are listed on page 2. During the year and up to the date of this report no directors resigned or were appointed.

FIRST PROPERTY ONLINE PLC

The beneficial interests of the Directors in the share capital of the Company at 1 April 2001, at 31 March 2002 and 14 June 2002, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act were as follows:

	Ordinary shares of 1p			Options over Ordinary shares of 1p		
	14/6/2002	31/3/2002	1/4/2001	14/6/2002	31/3/2002	1/4/2001
A J D Locke	6,915,740	6,915,740	5,665,740	-	-	-
B N Habib	13,411,783	13,411,783	12,486,783	1,500,000	1,500,000	-
J C Phillips	-	-	-	1,500,000	1,500,000	-

The share options were granted on 5 April 2001 under the Enterprise Management Incentive arrangements at an exercise price of 7p per share. The options may be exercised as to one third on or after 22 December 2002, 22 December 2003 and 22 December 2004 respectively, with an expiry date of 5 April 2011. The market price of the company's shares at the end of the financial year was 3.25p and the range of market prices during the year was between 2.25p and 7.75p.

Fixed assets

Details of tangible fixed assets and capital expenditure are shown in Note 13 to the financial statements on page 19.

Substantial shareholdings

The Directors have been notified that the following shareholders hold 3% or more of the issued share capital of the Company at 31 March 2002 and at 14 June 2002.

	Number of 1p Ordinary shares	Percentage of issued Ordinary 1p shares held %
B N Habib	13,411,783	14.51%
J C Kottler	12,736,783	13.78%
Optimax Holdings Ltd (previously CPD Online plc)	7,461,538	8.07%
A J D Locke	6,915,740	7.48%
FPDSavills Commercial Ltd	6,403,481	6.93%
Edinburgh Smaller Company Trusts plc	5,980,000	6.47%

Employees

The Group's policy is to consult and discuss with employees, through regular meetings with subsidiary company management, matters likely to affect employees' interests.

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 2002 was 30 days (2001: 30 days).

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Annual general meeting

The notice convening the annual general meeting to be held on 5 September 2002, which can be found on page 29, contains details of a special resolution empowering the Directors to allot relevant securities for cash up to a maximum nominal amount of £184,883, representing 20% of the current issued share capital of the Company. Given the growth stage of the Company and the Group, the resolution is being proposed as a means of ensuring that the Directors have the ability to take advantage of opportunities becoming available, rapidly and without undue transaction cost.

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.

The Directors confirm that suitable accounting policies have been used and applied consistently, except as discussed on page 13 in order to adopt new accounting standards, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2002. 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 websites have been maintained.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of 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 statements may therefore differ from that in other jurisdictions.

By order of the board
Alec W J Banyard
Company Secretary

22 July 2002

FIRST PROPERTY ONLINE PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST PROPERTY ONLINE PLC

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cashflow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, Chief Executive's Statement and Directors' Report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
22 July 2002

FIRST PROPERTY ONLINE PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2002

	Notes	2002			2001		
		Results before goodwill amortisation £'000	Goodwill amortisation £'000	Total results £'000	Results before goodwill amortisation £'000	Goodwill amortisation £'000	Total results £'000
Turnover							
- continuing operations		97	-	97	-	-	-
- acquisitions		275	-	275	-	-	-
Total turnover	2	372	-	372	-	-	-
Cost of sales	3	(20)	-	(20)	-	-	-
Gross profit		352	-	352	-	-	-
Net operating expenses	4	(1,006)	(3,342)	(4,348)	(547)	(801)	(1,348)
Operating profit/ (loss)							
- continuing operations		(686)	(3,204)	(3,890)	(547)	(801)	(1,348)
- acquisitions		32	(138)	(106)	-	-	-
Total operating loss		(654)	(3,342)	(3,996)	(547)	(801)	(1,348)
Net interest receivable	5	79	-	79	184	-	184
Loss on ordinary activities before taxation	8	(575)	(3,342)	(3,917)	(363)	(801)	(1,164)
Taxation on loss on ordinary activities	9	-	-	-	-	-	-
Loss for the year	20, 21	(575)	(3,342)	(3,917)	(363)	(801)	(1,164)
Loss per Ordinary 1p share - basic and diluted, before goodwill amortisation	11	(0.65p)			(0.68p)		
Loss per Ordinary share – basic and diluted, after goodwill amortisation	11			(4.41p)			(2.18p)

The Group has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

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BALANCE SHEETS

at 31 March 2002

	Notes	2002		2001	
		Group £'000	Company £'000	Group £'000	Company £'000
Fixed assets					
Intangible assets	12	2,727	-	5,607	-
Tangible assets	13	58	-	42	-
Investments	14	238	847	238	896
		3,023	847	5,887	896
Current assets					
Stocks	15	1,121	-	-	-
Debtors	16	381	1,912	337	645
Cash at bank and in hand		1,649	1,505	2,604	2,630
		3,151	3,417	2,941	3,275
Creditors: amounts falling due within one year	17	(600)	(396)	(484)	(385)
Net current assets		2,551	3,021	2,457	2,890
Total assets less current liabilities		5,574	3,868	8,344	3,786
Creditors: amounts falling due after more than one year	17	(802)	-	-	-
Net assets		4,772	3,868	8,344	3,786
Capital and reserves					
Called up share capital	19	924	924	850	850
Share premium	20	2,661	2,661	2,663	2,663
Merger reserve	20	5,823	-	5,550	-
Profit and loss account	20	(4,636)	283	(719)	273
Equity shareholders' funds	21	4,772	3,868	8,344	3,786

The financial statements on pages 10 to 28 were approved by the Board of Directors on 22 July 2002 and were signed on its behalf by:

Jeremy Phillips
Finance Director

FIRST PROPERTY ONLINE PLC

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2002

	Notes	2002 £'000	2001 £'000
Net cash (outflow)/ inflow from operating activities	22	(1,822)	111
Returns on investments and servicing of finance			
- Interest received		132	187
- Interest paid		(36)	(2)
Net cash inflow from returns on investments and servicing of finance		96	185
Capital expenditure and financial investment			
- Purchase of tangible fixed assets		(15)	(15)
- Sale of tangible fixed assets		15	-
Net cash outflow from capital expenditure and financial investment		-	(15)
Acquisitions			
- Cash consideration on acquisitions	23	(13)	-
- Acquisition expenses paid	23	(32)	(232)
- Net cash acquired with subsidiary undertakings	23	15	19
Net cash outflow from acquisitions		(30)	(213)
Cash (outflow)/ inflow before management of liquid resources and financing		(1,756)	68
Management of liquid resources			
- Decrease in short term deposits		1,158	150
Financing			
- Issue of Ordinary share capital		-	110
- Issue cost of shares		(2)	(247)
- Loans advanced		831	-
- Loan repayments		(28)	(100)
Net cash inflow/ (outflow) from management of liquid resources and financing		1,959	(87)
Increase/ (decrease) in cash in the year	24	203	(19)
 Reconciliation of net cash flow to movement in net funds			
	Notes	2002 £'000	2001 £'000
Increase/ (decrease) in cash in the year		203	(19)
Movement in short term deposits		(1,158)	(150)
Borrowings acquired with subsidiaries		(28)	(100)
Movement in loans		(803)	100
Movement in net funds in the year		(1,786)	(169)
Net funds at 1 April		2,604	2,773
Net funds at 31 March	24	818	2,604

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NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom. Set out below is a summary of the more important accounting policies, which have been applied consistently except as noted below.

Changes in accounting policies

The Group has adopted FRS 19 “Deferred Taxation” in these financial statements. This has required a change in policy. The change does not have a material impact on the deferred taxation position of the Group or the Company as at 30 March 2001, and accordingly no restatement of the comparative results for 2001 has been made.

The Group has also adopted FRS 18 “Accounting Policies”. This has not required any change in the accounting policies of the Group or the Company.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and all its subsidiary undertakings made up to 31 March 2002. Intra-Group sales and profits are eliminated fully on consolidation.

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

Goodwill

Goodwill is stated at cost less accumulated amortisation and when appropriate impairment in value. Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the net assets acquired. Goodwill arising on consolidation has been capitalised and is being written off on a straight line basis over its expected useful economic life in accordance with FRS 10, being the period the Directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Investments

Investments are normally carried at cost less provision, where necessary, for impairment in value. Where permitted investments acquired through the issue of shares are stated at the nominal value of the shares issued together with the expenses of acquisition.

Tangible fixed assets

Tangible fixed assets are stated at their purchase cost, together with any incidental costs of acquisition, or fair value on acquisition, less depreciation and where appropriate, provision for impairment. Depreciation is calculated so as to write off the cost of tangible fixed assets, 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
Short Leasehold Improvements	33.33

Stocks

Property 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.

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Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided in full on an undiscounted basis, on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing 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 timing differences can be deducted.

Turnover

Turnover comprises the invoiced value of goods and services (excluding VAT). Subscriptions to database membership and other periodic income are recognised over the period of subscription. Rental income is recognised over the period of the lease.

Pensions

The Group contributes to a number of defined contribution schemes. The charge against profit is the amount of contributions payable to the pension schemes in respect of the accounting period.

Related party transactions

FRS 8 "Related Party Disclosures" requires disclosure of the details of material transactions between the Company and related parties. The Company has taken advantage of exemptions within FRS 8 not to disclose transactions between Group companies.

Financial instruments

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

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2. Segmental analysis

Turnover consists entirely of revenues arising in the United Kingdom. Turnover, net assets and profit/ (loss) before tax are analysed as follows:

	Turnover		Net assets	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Business analysis				
Database provision - acquisition	139	-	211	-
Website design and hosting - acquisition	116	-	279	-
Property underwriting and related services - continuing operations	97	-	533	-
- acquisition	20	-	-	-
Unallocated (central assets)	-	-	3,749	8,344
	372	-	4,772	8,344

	Profit/ (loss) before tax			
	Before goodwill		After goodwill	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Business analysis				
Database provision - acquisition	54	-	54	-
Website design and hosting - acquisition	7	-	7	-
Property underwriting and related services - continuing operations	3	-	3	-
- acquisition	(18)	-	(18)	-
Unallocated (central costs)	(621)	(363)	(3,963)	(1,164)
	(575)	(363)	(3,917)	(1,164)

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

3. Cost of sales

	2002 £'000	2001 £'000
Cost of sales		
- continuing operations	1	-
- acquisitions	19	-
	20	-

4. Net operating expenses

	2002 £'000	2001 £'000
Administrative expenses		
- continuing operations	3,986	1,348
- acquisitions	362	-
	4,348	1,348

Administrative expenses include all software development and website costs, which have been fully expensed.

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5. Net interest receivable

	2002	2001
	£'000	£'000
Interest payable – bank loans and overdrafts	(1)	(2)
Interest payable – property loans	(33)	-
Interest payable – other loans	(2)	-
Total interest payable	(36)	(2)
Interest receivable and similar income	115	186
Net interest receivable	79	184

6. Employee information

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

	2002	2001
	Number	Number
Management	2	2
Property operations	5	3
Technical operations	4	-
	11	5

An analysis of staff costs is set out below:

	2002	2001
	£'000	£'000
Wages and salaries	484	279
Social security costs	54	12
Other pension costs	33	9
	571	300

The Group contributes to a number of defined contribution pension schemes. The total contribution payable in respect of these schemes amounted to £33,046 (2001: £9,505). At 31 March 2002 there were prepaid contributions of £6,250 (2001: £3,166) in respect of the above schemes. There were no outstanding contributions at 31 March 2002 in respect of the above schemes (2001: nil).

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7. Directors' remuneration

	2002 £'000	2001 £'000
Aggregate emoluments	275	129
Compensation for loss of office	-	70
Pension contributions	24	6
	299	205

Highest paid Director

	2002 £'000	2001 £'000
Aggregate emoluments	160	27
Compensation for loss of office	-	50
Pension contributions	15	-
	175	77

Retirement benefits are accruing to two (2001: two) directors under money purchase pension schemes. No directors exercised options in the year.

8. Loss on ordinary activities before taxation

	2002 £'000	2001 £'000
Loss on ordinary activities before taxation is stated after charging:		
Goodwill amortisation	3,342	801
Depreciation charge		
- Tangible owned fixed assets	44	6
Profit on disposal of fixed assets	5	-
Auditors' remuneration		
- Group audit [Company £11,000 (2001: £10,000)]	22	17
- Non-audit fees	13	3
Operating lease rentals		
- Land and buildings	78	18
- Computer and office equipment	3	-

The Company's auditors received no remuneration for professional services relating to acquisitions (2001: £91,000, capitalised).

FIRST PROPERTY ONLINE PLC

9. Taxation on loss on ordinary activities

Analysis of charge in period	2002 £'000	2001 £'000
Current tax		
- UK Corporation tax at 30% (2001: 30%)	-	-
	-	-

Factors affecting tax charge for the period

The tax losses assessed for the period are lower than the standard rate of corporation tax. The differences are explained as follows:

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	(3,917)	(1,164)
Loss on ordinary activities multiplied by standard rate	(1,175)	(349)
Effects of:		
- Expenses not deductible for tax purposes (primarily goodwill)	1,034	208
- Depreciation in excess of capital allowances	8	1
- Movement on deferred tax unprovided	133	140
Current tax charge for period	-	-

Factors that may affect future tax charges

The group has no significant capital investment plans. The group now has tax losses to carry forward which will be utilised against any future taxable profits.

Provision for deferred tax

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	9	-	1	-
Tax losses carried forward	255	94	145	97
Unprovided deferred tax asset	264	94	146	97

On the liquidation of First Property Online Holdings Ltd, £23,000 of unprovided deferred tax asset relating to losses in that company became irrecoverable.

10. Parent company result for the year

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's profit for the year was £10,000 (2001: loss £172,000).

11. Earnings per share

The calculation of basic and diluted earnings per share on the net basis is based on the loss on ordinary activities after taxation, namely £3,917,000 (2001: loss £1,164,000) and on 88,879,821 (2001: 53,350,093) Ordinary shares being the weighted average number of Ordinary shares in issue and ranking for dividend during the year. For the years ended 31 March 2002 and 31 March 2001, the inclusion of unexercised share options does not have a dilutive effect.

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12. Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 April 2001	6,408
Additions during the year	462
At 31 March 2002	6,870
Amortisation	
At 1 April 2001	(801)
Charge for the year	(3,342)
At 31 March 2002	(4,143)
Net book value	
At 31 March 2002	2,727
At 31 March 2001	5,607

Goodwill arising on all acquisitions is being amortised over a two year period in line with the accounting policy set out on page 13.

13. Tangible fixed assets

Group	Computer equipment £'000	Office equipment £'000	Short leasehold improvements £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2001	26	11	11	-	48
Additions	10	4	1	-	15
Acquisitions	30	9	6	10	55
Disposals	(6)	-	-	(10)	(16)
At 31 March 2002	60	24	18	-	102
Depreciation					
At 1 April 2001	4	1	1	-	6
Charge for year	25	10	6	3	44
Disposals	(3)	-	-	(3)	(6)
At 31 March 2002	26	11	7	-	44
Net book value					
At 31 March 2002	34	13	11	-	58
At 31 March 2001	22	10	10	-	42

The Company had no tangible fixed assets (2001: nil).

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14. Fixed asset investments

The Group and the Company have the following investments:

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in Group undertakings				
- shares at nominal value	-	500	-	426
- expenses	-	257	-	232
- liquidation of dormant subsidiaries	-	(148)	-	-
	-	609	-	658
Unlisted securities	238	238	238	238
	238	847	238	896

The principal investments of the Group at 31 March 2002 are as follows:

	Principal activities	% of ordinary shares held by	
		Company %	Subsidiary %
<i>First Property Online.com Ltd</i>	- Internet based property trading, database and web design	100	-
<i>First Property Underwriting Ltd</i>	- Property underwriting	100	-
<i>FULONE Ltd</i>	- Property trading	-	100
<i>COMPROPONE Ltd</i> (formerly Commercial Property Database Ltd)	- Database and web design	100	-
<i>COMPROPTWO Ltd</i> (formerly CPD Ltd)	- Web design	100	-
<i>Richmond Road Cab Centre Ltd</i>	- Operation of licensed taxi cabs	20	-

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

The unlisted securities represent 20% of the issued share capital of Richmond Road Cab Centre Limited. This investment has not been treated as an associated undertaking since, in the opinion of the Directors, First Property Online plc does not have significant influence over the operating and financial policies of the entity.

15. Stocks

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Properties held for resale	1,121	-	-	-
	1,121	-	-	-

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16. Debtors

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	174	-	2	-
Amounts owed by subsidiary undertakings	-	1,739	-	315
Other debtors	184	162	272	295
Prepayments and accrued income	23	11	63	35
	381	1,912	337	645

Amounts owed by subsidiary undertakings to the Company include £1,739,000 falling due in more than one year (2001: Company £315,000).

Other debtors of the Group and Company includes £100,000 falling due in more than one year (2001: Group and Company £162,000).

17. Creditors

	2002		2001	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year				
Bank loans (note 27)	29	-	-	-
Trade creditors	43	7	64	41
Corporation tax payable	292	292	292	292
Other taxation and social security	53	26	34	16
Other creditors and accruals	129	71	94	36
Deferred income	54	-	-	-
	600	396	484	385
Amounts falling due after more than one year				
Bank loans (note 27)	802	-	-	-
	802	-	-	-

18. Provisions for liabilities and charges

Deferred taxation

There is no deferred taxation provided in the financial statements and no potential liability.

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19. Called-up share capital

	2002 £'000	2001 £'000
<hr/>		
Authorised		
120,000,000 (2001: 120,000,000) Ordinary shares of 1p each	1,200	1,200
Allotted, called up and fully paid		
92,441,254 (2001: 84,979,716) Ordinary shares of 1p each	924	850

A total of 7,461,538 Ordinary shares of 1p each were allotted during the year in respect of the following transactions:

	Date of allotment	Number of Ordinary shares	Nominal value £'000	Consideration £'000
<hr/>				
Acquisition of Commercial Property Database Ltd and CPD Ltd				
- initial consideration	3 Sept 2001	6,000,000	60	300
- final consideration	5 Dec 2001	1,461,538	14	47
		7,461,538	74	347

As discussed in note 23, the above shares were issued in consideration of the acquisition of the share capital of the CPD companies. No cash consideration was received for the shares issued.

The Company had the following options outstanding at 31 March 2002 and 31 March 2001, including those noted in Directors' interests in the Directors' Report.

Year of grant	Exercise price (p)	Exercise period	2002 Numbers	2001 Numbers
1996/ 97	5.00	Dec 1997 to Dec 2001	-	400,000
2000/ 01	26.00	Dec 2000 to Dec 2003	849,797	849,797
2001/ 02	7.00	Dec 2002 to Apr 2011	1,066,666	-
2001/ 02	7.00	Dec 2003 to Apr 2011	1,066,667	-
2001/ 02	7.00	Dec 2004 to Apr 2011	1,066,667	-
2001/ 02	2.75	Dec 2002 to Apr 2011	275,000	-
2001/ 02	2.75	Dec 2003 to Apr 2011	275,000	-
2001/ 02	2.75	Dec 2004 to Apr 2011	275,000	-

During the year 4,355,000 options were granted and none were exercised and 730,000 lapsed.

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20. Share premium account and reserves

Group	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 April 2001	2,663	5,550	(719)
Share issue costs	(2)	-	-
Merger reserve created on acquisition of Commercial Property Database Ltd and CPD Ltd	-	273	-
Loss for the year	-	-	(3,917)
At 31 March 2002	2,661	5,823	(4,636)

Company	Share premium account £'000	Profit and loss account £'000
At 1 April 2001	2,663	273
Share issue costs	(2)	-
Profit for the year	-	10
At 31 March 2002	2,661	283

21. Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Opening shareholders' funds	8,344	3,668	3,786	3,668
(Loss)/ profit for the financial year	(3,917)	(1,164)	10	(172)
New share capital issued	74	447	74	447
Increase in share premium	-	90	-	90
Increase in merger reserve	273	5,550	-	-
Share issue costs	(2)	(247)	(2)	(247)
Closing shareholders' funds	4,772	8,344	3,868	3,786

22. Reconciliation of operating loss to net cash (outflow)/ inflow from operating activities

	2002 £'000	2001 £'000
Operating loss	(3,996)	(1,348)
Depreciation and profit on disposal of fixed assets	39	6
Amortisation	3,342	801
Increase in stocks	(1,121)	-
(Increase)/ decrease in trade debtors	(104)	2
Decrease in prepayments and other debtors	119	690
(Decrease)/ increase in trade creditors	(55)	2
(Decrease)/ increase in other taxation and social security	(4)	15
Decrease in other creditors, accruals and deferred income	(42)	(57)
Net cash (outflow)/ inflow from operating activities	(1,822)	111

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23. Acquisitions

Commercial Property Database Ltd and CPD Ltd

On 31 August 2001 the Company acquired the whole of the share capital of Commercial Property Database Ltd and CPD Ltd (“the CPD Companies”). This purchase has been accounted for as an acquisition.

An analysis of the net liabilities acquired is as follows:

	Book value	Fair value adjustments	Accounting policy alignments	Fair value at acquisition
	£'000	£'000	£'000	£'000
Tangible fixed assets	62	-	(7)	55
Debtors	155	(53)	(25)	77
Cash at bank and in hand	15	-	-	15
Creditors	(137)	-	(65)	(202)
Loans	(15)	-	-	(15)
Net assets / (liabilities) acquired	80	(53)	(97)	(70)
Goodwill				442
Consideration				372
Satisfied by				
- Shares allocated				347
- Acquisition expenses				25
				372

The fair value adjustments include: balances not considered to be recoverable (£53,000).

The accounting policy alignments include adjustments in respect of: fixed assets depreciation (£7,000), work in progress (£25,000) and deferred income (£65,000).

In their last financial year to 30 September 2000, the CPD Companies made a loss after tax of £371,000. For the period since that date to the date of acquisition, unaudited management accounts show:

	Pre-acquisition Commercial Property Database Ltd £'000	Pre-acquisition CPD Ltd £'000
Turnover	406	66
Cost of sales	(18)	(41)
Gross profit	388	25
Administrative expenses	(928)	(24)
Operating (loss)/ profit	(540)	1
Net interest receivable	6	-
(Loss)/ profit on ordinary activities after interest	(534)	1
Tax on (loss)/ profit on ordinary activities	-	-
(Loss)/ profit on ordinary activities after taxation	(534)	1

Since acquisition, the operations of the CPD Companies have been integrated with existing operations. As a result it is impractical to isolate the cashflows of these businesses.

Commercial Property Database Ltd has subsequently been renamed COMPROPONE Ltd. CPD Ltd has subsequently been renamed COMPROPTWO Ltd.

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Propertytrade plc

On 19 April 2001, First Property Online.com Ltd acquired the business and assets of Propertytrade plc, which had a fair value of nil, for a cash consideration of £13,250, plus acquisition costs of £7,000.

24. Reconciliation of movement in net funds

	1 April 2001	Cash flow	Acquisition (excluding cash)	31 March 2002
	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,604	(955)	-	1,649
Short term deposits	(2,600)	1,158	-	(1,442)
Cash (excluding short term deposits)	4	203	-	207
Short term deposits	2,600	(1,158)	-	1,442
Debt due within one year				
- Bank loan	-	15	(15)	-
- Property loan	-	(29)	-	(29)
- Hire purchase agreements	-	13	(13)	-
Debt due after more than one year				
- Property loans	-	(802)	-	(802)
	2,604	(1,758)	(28)	818

25. Capital commitments

The Group had no capital commitments at 31 March 2002 (2001: nil).

26. Financial commitments

At 31 March 2002 the Group had annual commitments under non-cancellable operating leases as follows:

	2002		2001	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	4	-	-
Expiring between two and five years inclusive	92	1	41	-
	92	5	41	-

The Company had no commitments under non-cancellable operating leases expiring within one year at 31 March 2002 (2001: nil).

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27. Financial instruments and risk management

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

Objective, policies and strategies

The main areas of the Group's exposure are interest rate risk and liquidity risk. The Group 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 long term financing and short term cash balances and deposits.

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

The Group policy is not to enter into interest rate swaps, options and forward rate agreements to manage interest rate exposures.

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.

Short-term flexibility is achieved through bank overdraft facilities when required.

Numerical disclosures

Short term debtors and creditors have been excluded from the following numerical disclosures.

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2002 and 31 March 2001 was as follows:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Non-interest bearing £'000	Total £'000
Other debtors due after 1 year	-	-	100	100
Cash	4	-	203	207
Short term deposits	-	1,442	-	1,442
At 31 March 2002	4	1,442	303	1,749
Other debtors due after 1 year	-	-	162	162
Cash	4	-	-	4
Short term deposits	-	2,600	-	2,600
At 31 March 2001	4	2,600	162	2,766

The non-interest bearing cash position at 31 March 2002 (£203,000) was unusually high due to preparations for a property purchase.

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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.

At 31 March 2002 the weighted average rate of interest on fixed rate short term deposits was 4.76% per annum (2001: 5.52% per annum) and the weighted average period for which the rate was fixed was 16 days (2001: 1 month).

At 31 March 2002 the weighted average period to maturity of non-interest bearing assets was 6 months (2001: 20 months).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2002 and 31 March 2001 was as follows:

	Floating rate financial liabilities £'000	Total £'000
Bank loans	831	831
Finance lease obligations	-	-
Other financial liabilities	-	-
At 31 March 2002	831	831
Bank loans	-	-
Finance lease obligations	-	-
Other financial liabilities	-	-
At 31 March 2001	-	-

At 31 March 2002 the Group had no fixed rate or non-interest bearing financial liabilities (2001: nil).

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

Floating rate financial liabilities bear interest rates based on LIBOR.

The Group's debt maturity other than short term trade creditors and accruals at 31 March 2002 was as follows:

	Bank loans £'000	Total £'000
In one year or less	29	29
Between one and two years	31	31
Between two and five years	102	102
Over five years	669	669
Total at 31 March 2002	831	831
In one year or less	-	-
Between one and two years	-	-
Between two and five years	-	-
Over five years	-	-
Total at 31 March 2001	-	-

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The bank loans, both with Nationwide Building Society, are split as follows:

- a) Property loan of £330,750 repayable in 60 quarterly instalments with an interest rate of 1.75% over base.
- b) Property loan of £500,000 repayable in 60 quarterly instalments followed by a fixed payment of £210,000 with an interest rate of 1.5% over base.

FULONE Ltd has granted fixed charges over specific properties and floating charges over the company's assets in favour of Nationwide Building Society

Borrowing facilities

At 31 March 2002 and 31 March 2001 the group had no undrawn committed borrowing facilities available.

Currency risk exposures

At 31 March 2002 and 31 March 2001 the Group had no currency risk exposures.

28. Related party transactions

J C Kottler is a director of JKL Property Ltd and also a substantial shareholder of First Property Online plc. During the year, the Group charged JKL Property Ltd £9,718 (2001: nil) for property underwriting and loan introduction services.

S Leaman and N Fox are directors and substantial shareholders in Optimax Holdings Ltd (formerly CPD Online plc), which was the recipient of the consideration for the Company's acquisition of the CPD Companies, and also directors of Stane Consulting Ltd. Since the acquisition of the CPD Companies, Stane Consulting Ltd charged the Group £90,068 (2001: nil) for consultancy services in respect of sales generation and client liaison activities.

FIRST PROPERTY ONLINE PLC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of FIRST PROPERTY ONLINE PLC will be held at the offices of Tavistock Communications Limited, 1 Angel Court, London EC2R 7HX on 5 September 2002 at 1pm for the following purposes:

1. To receive and adopt the Directors Reports and Accounts for the year ended 31 March 2002.
2. To appoint BKR Haines Watts as Auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next General Meeting of the Company at which accounts are laid.
3. To authorise the Directors to determine the remuneration of the Auditors.
4. That in substitution for any existing authorities the Directors be hereby generally and unconditionally authorised and empowered pursuant to and in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in the said Section) up to an aggregate nominal amount of £184,883, such authority to expire on the earlier of the next Annual General Meeting of the Company and the date 15 months after the passing of this resolution, save that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement.

As Special Business, to consider and if thought fit, to pass the following resolution.

5. That, subject to resolution 4 being passed, in substitution for any existing authorities, the Directors be and are hereby generally empowered in accordance with Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (as defined in Section 94(2) of the Act) of the Company as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - a) the allotment of equity securities in connection with an offer by 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 fractional entitlements or legal or practical problems in respect of overseas holders or otherwise;and
 - b) the allotment of equity securities (otherwise than pursuant to (a) above) up to an aggregate nominal amount of £184,883;

and this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date 15 months after the passing of this resolution save that the Company may make an offer or 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 power conferred hereby had not expired.

Dated 22 July 2002

Registered Office:
17 Quayside Lodge
William Morris Way
London SW6 2UZ

By Order of the Board

Alec W J Banyard
Secretary

FIRST PROPERTY ONLINE PLC

Notes:

1. Only holders of Ordinary shares are entitled to attend and vote at the Annual General Meeting. Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company. Completion of a form of proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.
2. A form of proxy is enclosed. Any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, in order to be valid, must reach the Company's Registrars, Capita IRG plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ not less than 48 hours before the time of the meeting.