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Directors and Advisers

Directors

Alasdair J D Locke
(Non-Executive Chairman)

Benyamin N Habib
(Chief Executive)

George R. W. Digby
(Finance Director)

Company secretary

Alec W J Banyard

Registered office

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Registered No. 02967020

Website: www.fprop.com

Registered auditors

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Kidlington
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Registrars

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

Bankers

Butterfield Private Bank
99 Gresham Street
London EC2V 7NG

Anglo Irish Bank Corporation plc
10 Old Jewry
London EC2R 8DN

Nationwide Building Society
10 Culver Street West
Colchester
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Heritable Bank Ltd
8 Hill Street
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Legal adviser

Harbottle and Lewis
Hanover House
14 Hanover Square
London W1S 1HP

Nominated adviser & broker

Arden Partners Ltd
Arden House
Highfield Road
Edgbaston
Birmingham
B15 3DU

Chief Executive's Statement

Results and dividend

I am pleased to report that the results for the year to 31 March 2005 show another period of progress for the Group. Turnover for the year grew to £5,650,000 (2004: £3,745,000), providing an increased gross profit of £1,881,000 (2004: £1,501,000) and a profit on ordinary activities before taxation of £955,000 (2004: £586,000). During the period, net assets more than doubled to £6,375,000 (2004: £2,756,000).

On the basis of these results and our continued confidence in the Company's performance, the Directors have resolved to recommend an increased dividend for the year of 0.125 pence per share (2004: 0.1 pence per share), which, if approved, will be paid on 16 September 2005 to shareholders on the register at 19 August 2005.

Review of operations

Property transaction underwriting

Profits earned from our underwriting activities have continued to grow and this division made another substantial contribution during the year. Turnover from this activity improved to £5,058,000 (2004: £3,186,000), producing a gross profit contribution of £1,307,000 (2004: £983,000).

As many shareholders will be aware, the commercial property investment market in the UK has risen sharply over the last few years and a large proportion of properties for sale are, in our view, overvalued. A reason often given for the sustainability of higher values is the currently low interest rate environment. However, this two dimensional analysis of the market fails to take into account the relatively poor occupational markets both for offices and retail, where there is a serious risk of marked reductions in value if properties become vacant. Opportunities continue to present themselves but we remain judicious in our decisions.

However, the underwriting business has made a good start to the current year having entered into a number of what we anticipate will be profitable transactions already. In the absence of any material adverse change in the UK economy, we expect this division to make a further strong contribution to profits during the year to 31 March 2006.

Property asset management

Revenue earned by this division during the year amounted to £334,000 (2004: £208,000). Of the fees earned, £146,000 (2004: £139,000) was in respect of super performance fees.

We now have over £21 million of property assets under management (2004: £13 million). We are in the process of investing our most recent fund which, when fully invested, will amount to an additional sum of £10 million under management.

We are taking steps to raise a further fund, which we will close once our existing funds are fully invested.

The pre-tax rates of return on equity earned by our first three funds in the last year (being the three funds which had been in existence for the full year) were 30%, 27% and 23% respectively. It may not be possible to sustain such high levels of returns but we are confident of continuing to earn attractive rates.

As mentioned above, the commercial property investment market in the UK has risen sharply over the last few years. As with our underwriting activities, we continue to find good investment opportunities, even in this climate, although they are harder to come by.

Given the above, we have been exploring the possibility of buying properties in other parts of the world, where we believe the rate of growth will be better than in the UK and where our skills can be effectively deployed. In particular, we are attracted by the opportunities available in Poland and, following a number of trips to the country, we are in the process of opening an office in Warsaw, for which a general manager has already been recruited.

It is early days but if we are successful in expanding our asset management activities internationally, we would expect to grow this division at a materially faster rate than at present.

Commercial property database

CPD, our online property database and web design division, continues to trade satisfactorily, though, as mentioned at the interim stage, the loss of certain website design mandates was felt particularly in the first half of the year. This division earned revenue of £204,000 (2004: £289,000).

We have a number of initiatives underway which we expect will boost the revenue of this division, including the continued targeting of local boroughs and regional development authorities. Since we reported in November, we have secured the City of Sunderland and Portsmouth Harbour Forum as members and created a new Client Relationship Management system for each of them. In addition, we have gained fourteen new agents as members.

We expect this division to continue to trade satisfactorily for the year to 31 March 2006.

Online sales of commercial property

During the period, we continued to sell properties successfully through our online system. Revenue earned from the online sale of commercial properties was £54,000 (2004: £63,000).

Given the reach of the Internet, our system lends itself well to selling residential and international property. Indeed, we have already successfully marketed English residential properties and, most recently, a retail parade in Marbella in Spain. Our email database of property agents and principals is also becoming increasingly broader and more international.

In order to accelerate the expansion of this division, we would ideally like to recruit a dedicated team. This has proved very difficult given the strength of the commercial property investment market, though we continue to work on identifying and recruiting such a team.

We remain convinced that, with or without a dedicated team, this division will prove to be very valuable for the Company.

Strategy

Our strategy remains to grow our sustainable lines of revenue, most notably our asset management, CPD and online sales divisions. We will also continue to target interesting properties through our underwriting service.

In order to bolster CPD and the online sales division, we continue to look for earnings enhancing acquisitions, although none that we have considered have thus far been of a sufficiently high quality to pursue.

Current trading and prospects

We continue to be pleased by the rate of growth of the Company and, subject to market conditions we expect this growth to continue during the current year.

Ben Habib
Chief Executive
7 July 2005

Directors' Report

for the year ended 31 March 2005

The Directors present their report and the audited financial statements for the year ended 31 March 2005.

Principal activities and review of the business

The principal activity of the Group is the provision of financial and technical services, facilitated by the Internet, to the property industry.

The consolidated profit and loss account is set out on page 9.

Share capital

390,417 new shares were issued during the year following the exercise of share options. Details of share options are set out in Note 19 on page 20. On 23 June 2004 the Company placed 18,125,000 new ordinary shares at a price of 16 pence per share, raising a total of £2.9 million before expenses.

Results and dividends

The Group made a profit before taxation of £955,000 (2004: £586,000). The retained profit was £812,000 (2004: £525,000) and will be transferred to the Group's profit and loss account. The Directors recommend the payment of a dividend of 0.125 pence per ordinary share (2004: 0.10p) payable on 16 September 2005 to shareholders on the register at 19 August 2005.

Directors and their interests

The Directors are listed on page 2.

The beneficial interests of the Directors in the share capital of the Company at 1 April 2004, at 31 March 2005 and 21 June 2005, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act were as shown on figure 1 below:

Of the share options 1,500,000 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. 500,000 options were granted on 17 July 2003 under the Enterprise Management Incentive arrangements at an exercise price of 6.25p per share. The options may be exercised as to one third on or after 17 July 2004, 17 July 2005 and 17 July 2006 respectively with an expiry date of 5 April 2011. The remaining 1,250,000 options were granted on 19th July 2004 as Unapproved Share Options at an exercise price of 16.5p per share. The options may be exercised as to one third on or after 18 July 2005, 18 July 2006 and 18 July 2007 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 13.75p and the range of market prices during the year was between 13.0p and 18.75p.

Fixed assets

Details of tangible fixed assets and capital expenditure are shown in Note 13 to the financial statements on page 17.

Figure 1

	Ordinary shares of 1p			Options over Ordinary shares of 1p		
	21/6/2005	31/3/2005	1/4/2004	21/6/2005	31/3/2005	1/4/2004
A J D Locke	8,071,990	8,071,990	7,915,740	-	-	-
B N Habib	13,924,283	13,924,283	13,611,783	2,750,000	2,750,000	2,000,000
G.R.W.Digby	-	-	-	500,000	500,000	-

Substantial shareholdings

The Directors have been notified that the following shareholders held 3% or more of the issued share capital of the Company at 21 June 2005.

	Number of 1p Ordinary shares	Percentage of issued Ordinary 1p shares held %
B N Habib	13,924,283	12.48%
J C Kottler	13,071,783	11.71%
Universities Superannuation Scheme Ltd	8,125,000	7.28%
A J D Locke	8,071,990	7.23%
FPDSavills Commercial Ltd	6,403,481	5.74%
R.S. Duckworth	4,203,580	3.76%
NFU Mutual Insurance Society	3,750,000	3.36%

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 2005 was 30 days (2004: 30 days).

Annual General Meeting

The notice convening the annual general meeting to be held on 6 September 2005, which can be found on pages 26-27, contains details of special resolutions empowering the Directors to:

- allot relevant securities for cash up to a maximum nominal amount of £223,202, representing 20% of the issued share capital of the Company.

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 cost.

- purchase up to 10% of its own issued ordinary shares of 1p each.

The directors now propose that the Company be authorised to purchase a maximum of 11,160,111 ordinary shares of 1p each (representing just under 10% of the Company's issued ordinary share capital as at 1 July 2005) within the limits described in Resolution 8 contained in the notice of the Annual General Meeting. It is intended that purchases will only be made on the London Stock Exchange plc. This should not be taken to imply that shares will be purchased. The directors will only exercise the authority to purchase its own shares if to do so would result in an increase in earning per share and is in the best interests of its shareholders generally.

The effect of such purchases would either be to cancel the number of shares in issue (and the directors would accordingly only make such purchases after considering the effect on earnings per share and the benefit for longer term shareholders), 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 the Company's assets may be made to the Company in respect of the treasury shares.

If the directors exercise the authority conferred by Resolution 8 they will consider holding those shares in treasury, rather than cancelling them. The directors believe that holding shares in treasury may provide the Company with greater flexibility in the management of its share capital. The directors will also consider using the treasury shares to satisfy any share awards under any employees' share scheme.

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 pages 12 and 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 2005. 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

7 July 2005

Independent Auditors' Report to the Members of the First Property Group plc

We have audited the financial statements of First Property Group plc for the year ended 31 March 2005, which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out on pages 12 and 13.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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.

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 the law regarding Directors' remuneration and transactions with the Company and other members of the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chief Executive's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 if 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 circumstances of the Company, 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 as at 31 March 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Haines Watts, Oxford
Chartered Accountants and Registered Auditors

7 July 2005

Consolidated Profit and Loss Report

for the year ended 31 March 2005

	Notes	2005 Total results £'000	2004 Total results £'000
Turnover			
- continuing operations		**5,650**	3,745
Total turnover	2	**5,650**	3,745
Cost of sales	3	**(3,769)**	(2,244)
Gross profit		**1,881**	1,501
Next operating expenses	4	**(931)**	(868)
Operating profit			
- continuing operations		**950**	633
Total operating profit		**950**	633
Income - fixed asset investment		**1**	10
Share of associated company's profit before tax		**11**	-
Net interest payable	5	**(7)**	(57)
Profit on ordinary activities before taxation	8	**955**	586
Taxation on ordinary activities	9	**(2)**	(2)
Profit for the year before minority interest		**953**	584
Equity minority interest		**17**	34
Profit for the year	10	**970**	618
Dividend on ordinary shares	11	**(158)**	(93)
Profit transferred to reserves	20 21	**812**	525
Earnings per Ordinary 1p share - basic	12	**0.92p**	0.67p
- diluted	12	**0.90p**	0.65p

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

Balance Sheets

at 31 March 2005

	Notes	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Fixed assets					
Tangible assets	13	21	-	8	-
Investments	14	100	609	5	524
		121	609	13	524
Current assets					
Stocks	15	4,001	-	3,728	-
Debtors	16	1,355	4,657	1,207	3,327
Cash at bank and in hand		1,588	1,456	469	19
		6,944	6,113	5,404	3,346
Creditors: amounts falling due within one year	17	(690)	(287)	(2,661)	(151)
Net current assets		6,254	5,826	2,743	3,195
Total assets less current liabilities		6,375	6,435	2,756	3,719
Net assets		6,375	6,435	2,756	3,719
Capital and reserves					
Called up share capital	19	1,116	1,116	931	931
Share premium	20	5,298	5,298	2,676	2,676
Merger reserve	20	5,823	-	5,823	-
Profit and loss account	20	(5,862)	21	(6,674)	112
Equity shareholders' funds	21	6,375	6,435	2,756	3,719

The financial statements on pages 9 to 25 were approved by the Board of Directors on 7 July 2005 and were signed on its behalf by:

George Digby
Finance Director

Consolidated Cash Flow Statement

for the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow/(outflow) from operating activities	22	**565**	(354)
Returns on investments and servicing of finance			
- Dividends paid		**(112)**	(46)
- Dividends received		**1**	10
- Interest received		**53**	13
- Interest paid		**(60)**	(70)
Net cash (outflow) from returns on investments and servicing of finance before taxation		**(118)**	(93)
Taxation		**(2)**	-
Capital expenditure and financial investment			
- Purchase of tangible fixed assets		**(19)**	(6)
- Sale of tangible fixed assets		**-**	-
- Purchase of fixed asset investments		**(85)**	-
- Sale of fixed asset investments		**-**	20
Net cash (outflow)/inflow from capital expenditure and financial investment		**(106)**	14
Cash inflow/(outflow) before management of liquid resources and financing		**341**	(433)
Management of liquid resources			
- (Increase) in short term deposits	23	**(995)**	(1)
Financing			
- Issue of shares net of expenses		**2,807**	22
- Bank overdraft		**-**	(9)
- Loans advanced		**134**	2,163
- Loan repayments		**(2,163)**	(1,588)
Net cash (outflow) / inflow from management of liquid resources and financing		**(217)**	587
Increase in cash in the year	23	**124**	154

Reconciliation of net cash flow to movement in net funds

	Notes	2005 £'000	2004 £'000
Increase in cash in the year		**124**	154
Movement in short term deposits		**995**	1
Movement in loans and bank overdraft		**2,029**	(566)
Movement in net funds in the year		**3,148**	(411)
Net funds at 1 April		**(1,694)**	(1,283)
Net funds at 31 March	23	**1,454**	(1,694)

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.

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 2005. 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 previously been capitalised and written off.

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.

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.

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	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Business analysis				
Database provision – continuing operations	152	159	(16)	(11)
Website design and hosting – continuing operations	52	130	44	7
Property underwriting and related services – continuing operations	5,058	3,185	4,977	2,057
Property asset management	334	208	163	174
Property online sales	54	63	-	-
Unallocated (central assets)	-	-	1,207	529
	5,650	3,745	6,375	2,756

	Profit/(loss) before tax	
	2005 £'000	2004 £'000
Business analysis		
Database provision – continuing operations	92	90
Website design and hosting – continuing operations	(10)	30
Property underwriting and related services- continuing operations	1,261	811
Property asset management	231	155
Online sales of commercial property	54	63
Unallocated (central costs)	(673)	(563)
	955	586

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

3 Cost of sales

	2005 £'000	2004 £'000
Cost of sales		
- continuing operations	**3,769**	2,244

4 Net operating expenses

	2005 £'000	2004 £'000
Administrative expenses		
- continuing operations	**931**	868
	931	868

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

5 Net interest (payable)/receivable

	2005 £'000	2004 £'000
Interest payable – property loans	**(60)**	(70)
Total interest payable	**(60)**	(70)
Interest receivable – bank deposits	**53**	13
Total interest receivable	**53**	13
Net interest (payable)	**(7)**	(57)

6 Employee information

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

	2005 Number	2004 Number
Management	**3**	2
Property operations	**3**	3
Technical operations	**4**	4
	10	9

An analysis of staff costs is set out below:

	2005 £'000	2004 £'000
Wages and salaries	**520**	499
Social security costs	**56**	58
Other pension costs	**3**	23
	579	580

The Group contributes to a number of defined contribution pension schemes. The total contribution payable in respect of these schemes amounted to £2,488 (2004: £22,730). At 31 March 2005 there were no prepaid contributions (2004: nil) in respect of the above schemes. There were no outstanding contributions at 31 March 2005 in respect of the above schemes (2004: nil).

7 Directors' remuneration

	2005 £'000	2004 £'000
Aggregate emoluments	**268**	249
Pension contributions	**-**	-
	268	249

Highest paid Director

	2005 £'000	2004 £'000
Aggregate emoluments	**218**	190
Pension contributions	**-**	-
	218	190

There are no retirement benefits accruing to Directors (2004: none) under money purchase pension schemes. No directors exercised options in the year.

8 Profit on ordinary activities before taxation

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge		
- Tangible owned fixed assets	6	17
(Loss) on disposal of fixed assets	-	-
Auditors' remuneration		
- Group audit [Company £11,000 (2004: £11,000)]	22	22
- Non-audit fees	8	-
Operating lease rentals		
- Land and buildings	45	26
- Computer and office equipment	-	-

The Company's auditors received £8,000 (2004: nil) for professional services relating to an abortive acquisition.

9 Taxation on profit on ordinary activities

Analysis of charge in period

	2005 £'000	2004 £'000
Current tax		
- UK Corporation tax - Group	-	2
- Associates	2	-
- Over provision in previous years	-	-

The charge for the year to 31 March 2004 relates to corporation tax on interest receivable, which is unable to be relieved by brought forward trading losses.

Factors affecting the tax charge for the period

The 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:

	2005 £'000	2004 £'000
Profit/(Loss) on ordinary activities before tax	955	586
Profit/(Loss) on ordinary activities multiplied by standard rate	286	176
Effects of:		
- Expenses not deductible for tax purposes	12	9
- Depreciation in excess of capital allowances	(11)	(9)
- Movement on deferred tax unprovided	(282)	(172)
- Other adjustments	(3)	(2)
Current tax charge for period	2	2

Factors that may affect future tax charges

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

Provision for deferred tax

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	29	-	40	-
Tax losses carried forward	263	146	547	167
Unprovided deferred tax asset	292	146	587	167

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 retained loss for the year was £91,000 (2004: loss £121,000).

11 Dividend on ordinary shares

	2005 £'000	2004 £'000
Final Dividend for 2004, paid on new issues	**18**	-
Proposed Final Dividend of 0.125 pence per share (2004: 0.10 pence per share)	**140**	93
	158	93

12 Earnings per share

The calculation of basic earnings per share on the net basis is based on the profit on ordinary activities after taxation, namely £970,000 (2004: £618,000) and on 105,642,729 (2004: 92,742,244) ordinary shares being the weighted average number of ordinary shares in issue and ranking for dividend during the year.

The calculation of diluted earnings per share on the net basis is based on an adjusted profit on ordinary activities after taxation of £980,000 (2004: £627,000) and on 108,842,729 (2004: 96,123,302) ordinary shares being the adjusted weighted average number of ordinary shares at the year-end including shares under option which are exercisable at less than the market price at the year-end.

13 Tangible fixed assets

Group	**Computer equipment £'000**	**Office equipment £'000**	**Short leasehold improvements £'000**	**Total £'000**
Cost				
At 1 April 2004	62	22	12	**96**
Additions	19	-	-	**19**
Disposals	(2)	-	-	**(2)**
At 31 March 2005	79	22	12	**113**
Depreciation				
At 1 April 2004	54	22	12	**88**
Charge for year	6	-	-	**6**
Disposals	(2)	-	-	**(2)**
At 31 March 2005	58	22	12	**92**
Net book value				
At 31 March 2005	21	-	-	**21**
At 31 March 2004	8	-	-	**8**

The Company had no tangible fixed assets (2004: nil).

14 Fixed asset investments

The Group and the Company have the following investments:

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in Group undertakings				
- shares at nominal value	-	444	-	444
- expenses	-	244	-	244
- liquidation of dormant subsidiaries	-	(169)	-	(169)
	-	519	-	519
Unlisted securities				
At 1 April	5	5	25	25
Additions	85	85	-	-
Disposals	-	-	(20)	(20)
Share of associated company's profit after tax	10	-	-	-
At 31 March	100	90	5	5
	100	609	5	524

The principal investments of the Group at 31 March 2005 are as follows:

	Principal activities	% of ordinary shares held by	
		Company %	Subsidiary %
First Property Online Ltd	- Internet based property trading, property underwriting, database and web design	100 100	- -
First Property Underwriting Ltd	- Dormant	100	
FULONE Ltd	- Dormant	-	100
First Property International Ltd (formerly COMPROPTWO LTD)	- Dormant	100	-
First Property Asset Management Ltd	- Property asset management	74	-
Unlisted Securities			
First Property Trading Ltd	- Property fund	6	-
Regional Property Trading Ltd	- Property fund	22	-
5th Property Trading Ltd	- Property fund	20	-

The above companies are incorporated and registered in England and Wales and operate principally in their countries of incorporation/ registration. Since the year-end FULONE LTD and First Property Underwriting Ltd have been struck off the Companies House register with no assets or liabilities outstanding.

15 Stocks

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Properties held for resale	4,001	-	3,728	-
	4,001	-	3,728	-

16 Debtors

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	456	-	215	-
Amounts owed by subsidiary undertakings	-	3,866	-	3,228
Other debtors	803	787	848	71
Prepayments and accrued income	30	4	48	22
Other taxation	12	-	59	6
Equity minority interest	54	-	37	-
	1,355	4,657	1,207	3,327

Amounts owed by subsidiary undertakings to the Company include £3,866,000 falling due in more than one year (2004: Company £3,228,000).
Other debtors of the Group and Company include nil falling due in more than one year (2004: Group and Company £19,000).

17 Creditors

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year				
Bank loans (note 26)	134	-	2,163	-
Trade creditors	185	8	217	6
Corporation tax payable	-	-	2	-
Other taxation and social security	24	80	23	13
Other creditors and accruals	161	59	26	39
Deferred income	46	-	137	-
Dividend payable	140	140	93	93
	690	287	2,661	151

Bank loans totalling £134,000 (2004: £2,163,000) included within creditors are secured against properties owned by the Group shown under stocks at the lower of purchase cost, together with incidental costs of acquisition and any subsequent development costs, and net realisable value.

18 Provisions for liabilities and charges

Deferred taxation

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

19 Called-up share capital

	2005 £'000	2004 £'000
Authorised		
240,000,000 (2004: 120,000,000) Ordinary shares of 1p each	**2,400**	1,200
Allotted, called up and fully paid		
111,601,115 (2004: 93,085,698) Ordinary shares of 1p each	**1,116**	931

The authorised share capital of the Company was increased, following shareholder approval on 7 September 2004 from £1,200,000 to £2,400,000 by the creation of 120,000,000 new ordinary shares of 1p each ranking pari passu in all respects with the existing ordinary shares.

The Company had 5,437,500 options outstanding at 31 March 2005 (2004: 3,759,167), including those noted in Directors' interests in the Directors' Report.

Year of grant	Exercise price (p)	Exercise period	2005 Numbers	2004 Numbers
2001/02	7.00	Dec 2002 to Apr 2011	566,666	566,666
2001/02	7.00	Dec 2003 to Apr 2011	566,667	566,667
2001/02	7.00	Dec 2004 to Apr 2011	566,667	566,667
2001/02	2.75	Dec 2002 to Apr 2011	-	68,750
2001/02	2.75	Dec 2003 to Apr 2011	-	137,500
2001/02	2.75	Dec 2004 to Apr 2011	-	206,250
2002/03	3.50	Dec 2002 to Apr 2011	166,666	166,666
2002/03	3.50	Dec 2003 to Apr 2011	166,667	166,667
2002/03	3.50	Dec 2004 to Apr 2011	166,667	166,667
2002/03	4.50	Dec 2003 to Apr 2011	-	46,667
2003/04	6.25	July 2004 to Apr 2011	333,000	333,000
2003/04	6.25	July 2005 to Apr 2011	333,000	333,000
2003/04	6.25	July 2006 to Apr 2011	334,000	334,000
2003/04	14.75	Dec 2004 to Apr 2011	33,333	33,333
2003/04	14.75	Dec 2005 to Apr 2011	33,333	33,333
2003/04	14.75	Dec 2006 to Apr 2011	33,334	33,334
2004/05	16.50	July 2005 to Apr 2011	712,500	-
2004/05	16.50	July 2006 to Apr 2011	712,500	-
2004/05	16.50	July 2007 to Apr 2011	712,500	-

During the year 2,137,500 options were granted, 390,417 were exercised and 68,750 lapsed.

20 Share premium account and reserves

Group	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 April 2004	2,676	5,823	(6,674)
Shares issued during year	2,726	-	-
Cost of share issue	(104)	-	-
Profit for the year	-	-	812
At 31 March 2005	**5,298**	**5,823**	**(5,862)**

Company	Share premium account £'000	Profit and loss account £'000
At 1 April 2004	2,676	112
Shares issued during year	2,726	-
Cost of share issue	(104)	-
(Loss) for the year	-	(91)
At 31 March 2005	**5,298**	**21**

21 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Opening shareholders' funds	**2,756**	2,209	**3,719**	3,818
Profit / (loss) for the financial year	**812**	525	**(91)**	(121)
New share capital issued	**185**	7	**185**	7
Share Premium	**2,726**	15	**2,726**	15
Increase in merger reserve	**-**	-	**-**	-
Share issue costs	**(104)**	-	**(104)**	-
Closing shareholders' funds	**6,375**	2,756	**6,435**	3,719

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

	2005 £'000	2004 £'000
Operating profit	**950**	633
Depreciation and profit on disposal of fixed assets	**6**	17
(Increase) in stocks	**(273)**	(538)
(Increase) /decrease in trade debtors	**(241)**	199
Decrease/(increase) in prepayments and other debtors	**110**	(720)
(Decrease)/increase in trade creditors	**(32)**	172
Increase/(decrease) in taxation and social security	**1**	(50)
Increase/ (decrease) in other creditors, accruals and deferred income	**44**	(67)
Net cash inflow/(outflow) from operating activities	**565**	(354)

23 Reconciliation of movement in net funds

	1 April 2004 £'000	Cash flow £'000	31 March 2005 £'000
Cash at bank and in hand	469	1,119	**1,588**
Short term deposits	(14)	(995)	**(1,009)**
Cash (excluding short term deposits)	455	124	**579**
Short term deposits	14	995	**1,009**
Debt due within one year			
- Property loan	(2,163)	2,029	**(134)**
	(1,694)	3,148	**1,454**

24 Capital commitments

The Group had no capital commitments at 31 March 2005 (2004: nil).

25 Financial commitments

At 31 March 2005 the Group had annual commitments under non-cancellable operating leases as follows:

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	**-**	-	-	-
Expiring between two and five years inclusive	**35**	-	35	-
	35	-	35	-

The Company had no commitments under non-cancellable operating leases expiring within one year at 31 March 2005 (2004: nil).

26 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 financing and that maximum returns are being achieved on its cash and short-term deposits.

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.

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.

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 2005 and 31 March 2004 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	**-**	**-**	**-**	**-**
Cash	**579**	**-**	**-**	**579**
Short term deposits	**1,009**	**-**	**-**	**1,009**
At 31 March 2005	**1,588**	**-**	**-**	**1,588**
Other debtors due after 1 year	-	-	19	19
Cash	455	-	-	455
Short term deposits	14	-	-	14
At 31 March 2004	469	-	19	488

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 2005 and 31 March 2004 there were no fixed rate short term deposits.

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2005 and 31 March 2004 was as follows:

	Floating rate financial liabilities £'000	Total £'000
Bank loans	**134**	**134**
Finance lease obligations	**-**	**-**
Other financial liabilities	**-**	**-**
At 31 March 2005	**134**	**134**
Bank loans	2,163	2,163
Finance lease obligations	-	-
Other financial liabilities	-	-
At 31 March 2004	2,163	2,163

At 31 March 2005 the Group had no fixed rate or non-interest bearing financial liabilities (2004: 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 2005 and 31 March 2004 was as follows:

	Bank loans £'000	Total £'000
In one year or less	**134**	**134**
Between one and two years	**-**	**-**
Between two and five years	**-**	**-**
Over five years	**-**	**-**
Total at 31 March 2005	**134**	**134**
In one year or less	2,163	2,163
Between one and two years	-	-
Between two and five years	-	-
Over five years	-	-
Total at 31 March 2004	2,163	2,163

The bank loan is with Heritable Bank, as follows:

Property loan of £134,000 with Heritable Bank on interest only basis with an interest rate of 2.75% over base.

First Property Online Ltd has granted fixed charges over specific properties and floating charges over the company's assets in favour of Heritable Bank.

The loan is classified as falling due within one year as the properties to which they relate are being actively marketed for sale.

Borrowing facilities

At 31 March 2005 the group had no undrawn committed borrowing facilities available (31 March 2004: £224,000).

Currency risk exposures

At 31 March 2005 and 31 March 2004 the Group had no currency risk exposures.

27 Related party transactions

a) Agency fees of £3,562 (2004: £23,400) were charged by the Group during the year to J.K.L. (21) Ltd, a Company controlled by John Kottler, a substantial shareholder in First Property Group plc. No amounts were outstanding at 31 March 2005 (2004: nil).

b) Agency and management fees of £59,978 (2004: £129,168) were charged by the Group during the year to First Property Trading Ltd, a Company of which Benyamin Habib is a director and shareholder. £50,544 (inc. VAT) was owed to the Group at 31 March 2005 (2004: £38,600).

c) Agency and management fees of £107,003 (2004: £99,275) were charged by the Group during the year to Second Property Trading Ltd, a Company of which Benyamin Habib is a director and shareholder. £80,601 (inc. VAT) was owed to the Group at 31 March 2005 (2004: £70,928).

d) Management fees of £127,507 (2004: £3,414) were charged by the Group during the year to Third Property Trading Ltd, a Company of which Benyamin Habib is a director. £55,076 (inc. VAT) was owed to the Group at 31 March 2005 (2004: £4,320).

e) Property sales and management fees of £612,132 (2004: nil) were charged by the Group during the year to Regional Property Trading Ltd, a Company of which Benyamin Habib is a director and shareholder. £439 (inc. VAT) was owed to the Group at 31 March 2005.

f) Management fees of £10,023 (2004: nil) were charged by the Group during the year to 5th Property Trading Ltd, a Company of which Benyamin Habib is a director and shareholder. £174 (inc. VAT) was owed to the Group at 31 March 2005.

Notice of Annual General Meeting

Notice is hereby given that the **Annual General Meeting** of **First Propert Group PLC** will be held at the offices of Tavistock Communications Limited, 131 Finsbury Pavement, London, EC2A 1NT on 6 September 2005 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' Reports and Accounts for the year ended 31 March 2005.

2 To approve the final dividend of 0.125p per Ordinary Share.

3 To re-appoint Alasdair J. D. Locke as a Director.

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 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 Companies Act 1985 ("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 £372,000 being 33.33 per cent of the issued share capital of the company as at 21 June 2005, 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.

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

7 That, subject to resolution 6 being passed, in substitution for any existing authorities, the Directors be and are hereby generally empowered in accordance with Section 95 of 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 nominal amount of £223,202;

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.

8 That in accordance with Article 52 of the Articles of Association of the Company and Chapter VII of Part V 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 166 of the Act) to make market purchases (within the meaning of section 163(3) of the Act) of any of its own ordinary shares of 1p each on such terms and in such manner as the directors of the Company may from time to time determine provided that:-

a) the maximum number of ordinary shares of 1p each authorised to be acquired is 11,160,111 (representing just under 10 per cent of the Company's issued ordinary capital as at 1 July 2005);

b) the minimum price which may be paid for each ordinary share is 1p (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 per cent above the average of the middle market quotation of an ordinary share of the Company taken from 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.

Dated 7 July 2005

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

By Order of the Board

Alec W J Banyard
Secretary

Notes:

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.

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 Registrars, The Registry, 34 Beckenham Road Beckenham, Kent, BR3 4BR not less than 48 hours before the time of the meeting.