

# FIRST PROPERTY GROUP PLC

## UNAUDITED CONSOLIDATED INTERIM RESULTS for the six months to 30 September 2004

### CHIEF EXECUTIVE'S STATEMENT

#### Results and dividend

I am pleased to report that turnover during the six month period to 30 September 2004 was £2,352,000 (2003: £1,597,000), producing an increase of 144% in profit on ordinary activities before taxation of £428,000 (2003: £175,000). The gross profit earned during the period was £848,000 (2003: £652,000). Earnings per share amounted to 0.41 pence (2003: 0.16 pence), an increase of 156%.

Net assets were £5,946,000 at 30 September 2004 (2003: £2,371,000), including cash of £2,222,000 (2003: £724,000).

The Directors have resolved to maintain the dividend policy established last year of only declaring a final dividend. Accordingly, there is no interim dividend. The amount of the final dividend will be determined later in the year.

#### Review of operations

##### Property transaction underwriting

Our underwriting activities have continued to create profitable opportunities for the Group.

Turnover from this activity amounted to £2,120,000 (2003: £1,352,000) producing a gross profit of £586,000 (2003: £368,000).

In the absence of any material adverse change in the UK economy, we expect this division to make a further improved contribution to profits for the remainder of the year.

##### Property asset management

Our asset management activities are growing at a fast pace.

Revenue earned by this division during the period to 30 September 2004 was unchanged compared to the same period last year, at £67,000. However, the six months to 30 September 2003 included £40,000 of super performance fees. Super performance fees are now calculated and paid annually in arrears. There was no super performance fee paid in the six months under review. We anticipate earning super performance fees for the year to 31 March 2005, which will be reflected in the annual accounts.

We now have £15.2 million (2003: £7 million) under management. We are in the process of raising another fund, which is likely to add at least £15 million to our assets under management, once fully invested.

As shareholders will recall, our asset management service aims to deliver superior rates of return to its clients. The pre-tax rate of return on equity from rent alone, for all our funds, exceeds 10% per annum. In addition, a combination of judicious purchasing and active management has resulted in the portfolio being worth significantly more than the price paid to acquire it.

We are confident that we can scale up our activities considerably without compromising our ability to deliver these superior rates of return.

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## Commercial Property Database (“CPD”)

CPD is trading satisfactorily, although the effect of the reduction in website design mandates continues to be felt. This division earned revenue of £100,000 (2003: £168,000).

CPD launched a new public portal earlier this year. This has been received well by its membership base. In the short time since it was launched, it has generated traffic of some 200 unique viewers a day. We expect the new public portal will increase the attraction of our service to both new and existing members.

Our strategy of targeting local boroughs and regional authorities is beginning to pay dividends. Recently secured new members include Brighton and Hove City Council, Bedfordshire and Luton Economic Development Agency, 1066 Enterprise and West Sussex Economic Partnership.

The data entry team in Pakistan is assisting materially our data collection efforts. This resource provides an excellent basis for the integration of acquisitions, as they occur.

We expect the division to contribute a healthy result for the year to 31 March 2005.

## Online marketing of commercial property

Revenue earned from the online sale of commercial properties was £40,000 (2003: £10,000)

This product has now repeatedly proven how very effective it is in selling commercial property. The challenge for us is to build on this success by either recruiting dedicated staff to promote it, or to grow it by acquisition. To this end we are actively looking for suitable personnel.

## **Strategy**

Shareholders will recall that we raised some £2.9 million in July in order to underpin the Group’s growth and empower it to act quickly in the event that a suitable acquisition is found.

It is of paramount importance that, when we do make an acquisition, it is sound, earnings enhancing and can genuinely deliver growth. We will use these key tests when considering opportunities.

## **Current trading and prospects**

We are pleased by the rate at which revenue generation has increased and, subject to market conditions, we would expect this growth to continue during the year to 31 March 2005.

## **Ben Habib**

Chief Executive

10 November 2004

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**CONSOLIDATED PROFIT & LOSS ACCOUNT**  
for the six months to 30 September 2004

	Notes	Six months to 30 September 2004 (unaudited) <b>Total Results</b>	Six months to 30 September 2003 (unaudited) <b>Total Results</b>	Year to 31 March 2004 (audited) <b>Total Results</b>
		£'000	£'000	£'000
<b>Turnover</b>				
- continuing operations		2,352	1,597	3,745
<b>Total turnover</b>	2	2,352	1,597	3,745
<b>Cost of sales</b>				
- continuing operations		(1,504)	(945)	(2,244)
<b>Gross profit</b>		848	652	1,501
Net operating expenses		(401)	(428)	(868)
<b>Operating profit</b>				
- continuing operations		447	224	633
<b>Total operating profit</b>		447	224	633
Net interest payable		(19)	(49)	(47)
<b>Profit on ordinary activities before taxation</b>		428	175	586
Taxation on profit on ordinary activities		-	(10)	(2)
<b>Profit on ordinary activities before minority interest</b>		428	165	584
Equity minority interest		(17)	(15)	34
<b>Profit for the period</b>		411	150	618
Dividend on ordinary shares	3	(18)	-	(93)
<b>Profit transferred to reserves</b>		393	150	525
<b>Earnings per Ordinary 1p share - basic</b>	4	0.41p	0.16p	0.67p

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**CONSOLIDATED BALANCE SHEET**  
as at 30 September 2004

	Notes	As at 30 Sept 2004 (unaudited) £'000	As at 30 Sept 2003 (unaudited) £'000	As at 31 March 2004 (audited) £'000
<b>Fixed assets</b>				
Intangible assets		-	-	-
Tangible assets		6	10	8
Investments		25	25	5
		<b>31</b>	<b>35</b>	<b>13</b>
<b>Current assets</b>				
Stocks - land and buildings		3,533	3,416	3,728
Debtors		381	473	1,207
Cash at bank and in hand		2,222	724	469
		<b>6,136</b>	<b>4,613</b>	<b>5,404</b>
<b>Creditors:</b> amounts falling due within one year		<b>(221)</b>	<b>(621)</b>	<b>(2,661)</b>
<b>Net current assets</b>		<b>5,915</b>	<b>3,992</b>	<b>2,743</b>
Total assets less current liabilities		<b>5,946</b>	<b>4,027</b>	<b>2,756</b>
<b>Creditors:</b> amounts falling due after more than one year		-	(1,656)	-
<b>Net assets</b>		<b>5,946</b>	<b>2,371</b>	<b>2,756</b>
<b>Capital and reserves</b>				
Called up share capital	6	1,112	928	931
Share premium	6	5,292	2,669	2,676
Merger reserve	6	5,823	5,823	5,823
Profit and loss account	6	(6,281)	(7,049)	(6,674)
<b>Equity shareholders' funds</b>		<b>5,946</b>	<b>2,371</b>	<b>2,756</b>

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**SUMMARISED CONSOLIDATED CASH FLOW STATEMENT**  
**for the six months to 30 September 2004**

	Notes	<b>Six months to 30 Sept 2004 (unaudited) £'000</b>	Six months to 30 Sept 2003 (unaudited) £'000	Year to 31 March 2004 (audited) £'000
<b>Net cash inflow/(outflow) from operating activities</b>	7	<b>1,264</b>	272	(388)
<b>Returns on investment and servicing of finance</b>				
Interest received		26	6	23
Interest paid		(45)	(55)	(70)
<b>Net cash (outflow) from returns on investment and servicing of finance</b>		<b>(19)</b>	(49)	(47)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		-	(2)	(6)
Sale of tangible fixed assets		-	-	-
Purchase of fixed asset investments		(20)	-	-
Sale of fixed asset investments		-	-	20
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<b>(20)</b>	(2)	14
Equity Dividends paid		(111)	(46)	(46)
<b>Cash inflow/(outflow) before management of liquid resources and financing</b>		<b>1,114</b>	175	(467)
<b>Management of liquid resources</b>				
(Increase)/decrease in short term deposits		(2,174)	(522)	(1)
<b>Financing</b>				
Issue of Ordinary share capital		2,797	12	22
Minority interest		(17)	(15)	34
Bank overdraft		-	-	(9)
Loans advanced		-	981	2,163
Loans repaid		(2,141)	(743)	(1,588)
<b>Net cash (outflow)/inflow from management of liquid resources and financing</b>		<b>(1,535)</b>	(287)	621
<b>(Decrease)/increase in cash in period</b>		<b>(421)</b>	(112)	154

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN  
NET (DEBT)/ FUNDS**

	Notes	<b>Six months to 30 Sept 2004 (unaudited) £'000</b>	Six months to 30 Sept 2003 (unaudited) £'000	Year to 31 March 2004 (audited) £'000
<b>(Decrease)/increase in cash in period</b>		<b>(421)</b>	(112)	154
Movement in short term deposits		<b>2,174</b>	522	1
Movement in loans		<b>2,141</b>	(238)	(566)
<b>Movement in net funds in period</b>		<b>3,894</b>	172	(411)
Net funds at beginning of period		<b>(1,694)</b>	(1,283)	(1,283)
<b>Net funds/(debt) at end of period</b>		<b>2,200</b>	(1,111)	(1,694)

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### NOTES TO THE CONSOLIDATED RESULTS for the six months ended 30 September 2004

1. The interim accounts have been prepared on a basis which is consistent with the accounting policies adopted for the year ended 31 March 2004.
2. Turnover consists entirely of revenue arising in the United Kingdom and relates solely to the Group's principal activities.
3. The dividend charge of £18,000 is in respect of last year's final of 0.10 pence per share paid on the new shares issued on 23 July 2004 by the share placing, but not accrued at 31 March 2004.
4. The basic earnings per Ordinary Share is calculated on the profit on ordinary activities after taxation and minority interest on the weighted average number of Ordinary Shares in issue, during the period, of 99,960,582 (30 September 2003: 92,580,782 and 31 March 2004: 92,724,244).
5. The company has no recognised gains or losses other than those disclosed in the profit and loss account.

#### 6. Capital and Reserves

	Share capital	Share premium	Merger reserve	Profit and loss account
	£'000	£'000	£'000	£'000
At 1 April 2004	931	2,676	5,823	(6,674)
Issue of shares net of expenses	181	2,616	-	-
Profit for the period	-	-	-	393
<b>At 30 Sept 2004</b>	<b>1,112</b>	<b>5,292</b>	<b>5,823</b>	<b>(6,281)</b>

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**7. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	<b>Six months to 30 Sept 2004 (unaudited) £'000</b>	Six months to 30 Sept 2003 (unaudited) £'000	Year to 31 March 2004 (audited) £'000
<b>Operating profit</b>	<b>447</b>	224	633
Depreciation and profit on disposal of fixed assets	<b>2</b>	11	17
Decrease/ (increase) in stocks	<b>196</b>	(226)	(538)
Decrease/ (increase) in debtors	<b>826</b>	179	(555)
(Decrease)/ increase in creditors	<b>(207)</b>	84	55
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,264</b>	272	(388)

8. The financial information contained in this interim report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. This information has been neither audited nor reviewed within the meaning of APB Bulletin 1999/4 by the Company's auditors. The financial statements for the year ended 31 March 2004, incorporating an unqualified report of the auditors, have been filed with the Registrar of Companies.

9. The interim results are being circulated to all shareholders. Further copies can be obtained from the registered office at 17 Quayside Lodge, William Morris Way, London SW6 2UZ.