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Date: 22 November 2007
On behalf of: First Property Group plc (“First Property” or “the Group”)
Embargoed: 0700hrs

First Property Group plc Interim Results 2007

First Property Group plc (AIM: FPO), the AIM-listed property services group specialising in property asset management, today announces its interim results for the six months to 30 September 2007.

Financial Highlights:

- Transformation of Group demonstrated by growth in assets under management of 167% to £240 million (2006: £90 million) underpinning strong interim performance
- Profit on ordinary activities before taxation grew 167% to £1.6 million (2006: £0.6 million)
- Increase in diluted Earnings per Share of 174% to 0.96p (2006: 0.35p)
- Group declares its first interim dividend of 0.15 pence per share
- Revenue from asset management increased 150% to £1 million (2006: £0.4 million)
- First Property Services generated a pre-tax profit of £345,000 (2006: £79,000)
- Positive cash flow of some £2 million – no bank borrowings

Operational Highlights:

- Recent credit market turmoil has not affected chosen markets of Poland and Romania
- Capacity to acquire a further £200 million of property on behalf of the fund managed for the Universities Superannuation Scheme
- Strategic emphasis - to grow asset management division - continues to progress successfully
- FSA registration gained in May 2007 enabling the Group to build further portfolio of funds
- The Group now manages £226 million (€23 million) of property in Central and Eastern Europe, representing 94% of the total portfolio
- Pipeline of a further £20 million (€28 million) of property under offer
- UK commercial property market remains significantly over-valued

A briefing for analysts will be held at 09:30hrs today at Redleaf Communications, 9-13 St Andrew Street, London EC4A 3AF

Commenting on the results, Ben Habib, Chief Executive of First Property, said,

“This has been a good interim period for the Group. We are delighted with the progress being made with the Group’s overall operations, in particular, the profit growth resulting from the company’s strategic transformation put in place last year.

“Our portfolio of property assets under management during the period increased substantially and the Company’s asset management activities continue to progress strongly in Poland which appears largely unaffected by the recent credit crunch.

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“Given our capacity to acquire a further £200 million of property on behalf of the fund we manage for the Universities Superannuation Scheme and prospects for growth in our asset management division, I look forward to the rest of the year with confidence.”

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- **Publication quality photos are available from Redleaf Communications**

CHIEF EXECUTIVE'S STATEMENT

Results and dividend

I am pleased to report our interim results for the six months to 30 September 2007, which reflect a marked increase in the Group's profits.

Revenue has increased by 5% to £5,401,000 (2006: £5,148,000), earning a doubling in gross profit to £2,512,000 (2006: £1,255,000) and yielding a profit on ordinary activities before taxation of £1,555,000 (2006: £559,000).

Diluted earnings per ordinary share was 0.96 pence (2006: 0.35 pence).

In view of the significant increase in profits, the Directors have reviewed the Group's dividend policy and have resolved to declare an interim dividend of 0.15 pence per share which will be paid on 21 December 2007 to shareholders on the register at 30 November 2007. The final dividend for the year will be decided at the end of the year once the full year's results are known.

For the financial year ending 31 March 2008, the Group will prepare its annual consolidated statements in accordance with International Financial Reporting Standards (IFRS) accepted by the European Union and implemented in UK. These half year financial statements are therefore prepared based on IFRS.

Review of operations

Property asset management

Revenue earned by this division amounted to £1,057,000 (2006: £375,000).

We now have some £240 million of property assets under management (2006: £90 million). Of these, approximately 85% by number and value are located in Poland, 9% in Romania and only 6% in the UK.

Our experience of the Central and Eastern European property markets continues to bear out our expectations of the region. We are able to purchase prime property on yields of some 6% to 7%, which are significantly higher than the prevailing Euro interest rates of 4.5%, with very real prospects for rental growth. Equally pertinently, the recent credit market turmoil has not noticeably affected our chosen markets of Poland and Romania. Indeed, the Polish Zloty has gone from strength to strength over the last three months, which is in stark contrast to the weakening of both the US Dollar and Sterling against the Euro.

The value of the properties we manage has increased substantially over the last six months both as a result of new acquisitions and by increases in the individual value of properties previously acquired.

There has been much published about the recent reduction in values of UK commercial property. In our view, at current levels of interest rates, the UK market remains significantly over valued. We anticipate that there will be a continued reduction in these values over the coming months. As such we are

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unlikely to reverse, for some time to come, the decision we took in 2005 to move away from the UK markets.

We are working on the acquisition of some Eur 30 million (£20 million) of property in Poland at the moment. This is a smaller pipeline than we would ideally like but we remain judicious in our buying decisions and will not sacrifice quality for speed.

We have the capacity to acquire a further £200 million of property on behalf of the fund we manage for the Universities Superannuation Scheme and prospects for growth in our asset management division are therefore good, without factoring in any new funds we may raise in the future.

Property trading

Revenue from this activity was £1,941,000 (2006: £3,037,000), producing a profit before tax of £728,000 (2006: £415,000). This result includes a profit before tax of £549,000, earned on the sale of a property to an associated company (further details of which are set out in Note 10 below) and a realised currency gain of £78,000.

We have recently acquired an exciting trading opportunity in Warsaw for some £2 million, being a dysfunctional office block in need of redevelopment. Subject to gaining planning consent for its demolition and a new residential development we would expect to make a healthy return on our purchase. We would not expect to be able to crystallise this return during the current financial year.

First Property Services Ltd (“FPS”)

FPS, in which we acquired a 60% interest in February 2006, is engaged in the provision of facilities maintenance and building services to clients in the commercial property sector.

FPS has had an excellent first half and earned revenues of £2,350,000 (2006: £1,573,000) and a profit before tax of £345,000 (2006:79,000).

The business managed to secure a number of new clients. However, it is worth noting that 80% of its revenue was earned from its existing client base, indicating the strength of its client relationships.

With its experienced management team, I am confident that FPS will continue to deliver good results.

Current trading and prospects

I am delighted by our performance in the first half which has yielded excellent results for our clients as well as a pre-tax profit for the Group of £1,555,000 being 31% higher than last year’s full year pre-tax profit of £1,186,000.

The asset management division should continue to grow at a fast rate, further adding to our revenue streams and improving the visibility and security of our income. We are an operationally geared business and a given rate of growth in our assets under management should lead to a substantially greater growth in our profits.

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The expertise we have and our proven track record, coupled with our ability to raise funds independently now that we are FSA registered means that we should be able to continue scaling up our business in the years ahead.

Ben Habib
Chief Executive

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CONSOLIDATED INCOME STATEMENT
for the six months to 30 September 2007

	Notes	Six months to 30 Sept 2007 (unaudited)	Six months to 30 Sept 2006 (unaudited)	Year to 31 March 2007 (audited)
		Total Results	Total Results	Total Results
		£'000	£'000	£'000
Revenue				
- continuing operations		5,401	5,148	7,854
Total revenue	4/5	5,401	5,148	7,854
Cost of sales				
- continuing operations		(2,889)	(3,893)	(5,216)
Gross profit		2,512	1,255	2,638
Net operating expenses		(1,067)	(775)	(1,611)
Operating profit				
- continuing operations		1,445	480	1,027
Total operating profit		1,445	480	1,027
Income from investments		-	46	116
Share of associated companies' profits after tax		50	26	76
Net interest receivable / (payable)		60	7	(33)
Profit on ordinary activities before taxation	6	1,555	559	1,186
Taxation on profit on ordinary activities	7	(319)	(133)	(227)
Profit on ordinary activities before minority interest		1,236	426	959
Equity minority interest		(101)	(28)	(44)
Profit for the period		1,135	398	915
Earnings per Ordinary 1p share - basic	8	1.02p	0.36p	0.82p
Earnings per Ordinary 1p share - diluted	8	0.96p	0.35p	0.80p

CONSOLIDATED BALANCE SHEET
as at 30 September 2007

	Notes	As at 30 Sept 2007 (unaudited) £'000	As at 30 Sept 2006 (unaudited) £'000	As at 31 March 2007 (audited) £'000
Non current assets				
Goodwill		25	25	25
Tangible assets		154	152	139
Investments - Share of associates net assets	9	(24)	259	274
		155	436	438
Current assets				
Inventory - land and buildings		398	2,103	2,314
Receivables	10	6,131	5,673	4,267
Cash at bank and in hand		3,856	3,046	2,522
		10,385	10,822	9,103
Current liabilities :	11	(1,819)	(3,880)	(1,812)
Net current assets		8,566	6,942	7,291
Total assets less current liabilities		8,721	7,378	7,729
Non current liabilities : amounts falling due after more than one year	11	(48)	(194)	(41)
Net assets		8,673	7,184	7,688
Equity				
Called up Share capital		1,116	1,116	1,116
Share premium		5,298	5,298	5,298
Merger reserve		5,823	5,823	5,823
Foreign Exchange Translation Reserve		128	11	80
Retained Earnings		(3,793)	(5,072)	(4,653)
Equity minority interest		101	8	24
Equity shareholders' funds		8,673	7,184	7,688

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 September 2007

	Share capital	Share premium	Merger reserve	Foreign Exchange Translation Reserve	Purchas e of own Shares	Retained Earnings £'000	Equity Minority Interest £'000
	£'000	£'000	£'000	£'000	£'000		
At 1 April 2006	1,116	5,298	5,823	70	-	(5,315)	(20)
Profit/(Loss) for the period	-	-	-	-	-	398	28
Movement on Foreign Exchange							
Translation Reserve	-	-	-	(59)	-	-	-
Purchase of Treasury Shares	-	-	-	-	-	-	-
Dividends Paid	-	-	-	-	-	(168)	-
At 30 Sept 2006	1,116	5,298	5,823	11	-	(5,085)	8
Profit/(Loss) for the period	-	-	-	-	-	518	16
Movement on Foreign Exchange							
Translation Reserve	-	-	-	69	-	-	-
Purchase of Treasury Shares	-	-	-	-	(86)	-	-
Dividends Paid	-	-	-	-	-	-	-
At 1 April 2007	1,116	5,298	5,823	80	(86)	(4,567)	24
Profit/(Loss) for the period	-	-	-	-	-	1,135	101
Movement on Foreign Exchange							
Translation Reserve	-	-	-	-	-	-	-
Purchase of Treasury Shares	-	-	-	-	(81)	-	-
Dividends Paid	-	-	-	-	-	(194)	(24)
At 30 Sept 2007	1,116	5,298	5,823	128	(167)	(3,626)	101

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT
for the six months to 30 September 2007

Notes	Six months to 30 Sept 2007 (unaudited)	Six months to 30 Sept 2006 (unaudited)	Year to 31 March 2007 (audited)
	£'000	£'000	£'000
Cash flows from operating activities			
Operating profit	1,445	480	1,027
Depreciation and profit/loss on disposal of fixed assets	35	34	51
Profit on disposal of investments	(19)	-	(46)
Movement in foreign exchange translation reserve	48	(59)	10
Decrease / (increase) in stock	1,916	595	384
Decrease / (increase) in debtors	(1,864)	14	1,419
(Decrease) / increase in creditors	821	(69)	(307)
Net cash from operating activities	2,382	995	2,538
Cash flows from financing activities			
Equity dividends paid	(194)	(168)	(168)
Minority interest dividend paid	(24)	-	-
Dividends received	-	-	117
Interest received	71	28	99
Interest paid	(11)	(21)	(132)
Net cash used in financing activities	(158)	(161)	(84)
Taxation	(175)	(47)	(367)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(68)	(13)	(45)
Purchase of goodwill	-	(9)	(9)
Purchase of investments	-	(30)	(54)
Purchase of treasury shares	(81)	-	(86)
Sale of tangible fixed assets	19	44	54
Sale of investments	33	74	132
Net cash used in investing activities	(97)	66	(8)
Net increase in cash and cash equivalents	1,952	853	2,079
Cash and cash equivalents at beginning of period	1,816	(263)	(263)
Cash and cash equivalents at end of period	3,768	590	1,816

NOTES TO THE CONSOLIDATED RESULTS for the six months ended 30 September 2007

1. Basis of preparation and transition to International Financial Reporting Standards

- For all periods up to and including 31 March 2007, the Group prepared its financial statements in accordance with UK Generally Accepted Accounting Principles (“UK GAAP”). For the financial year ending 31 March 2008, the Group will prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and implemented in the UK.
- In preparing these financial statements, the Group started from an opening balance sheet as at 1 April 2006, the Group’s effective date of transition to IFRS, and considered those changes in accounting policies and other restatements required by IFRS.
- The Group has applied IFRS as expected to be applicable for the year ended 31 March 2008. These are subject to ongoing review and endorsements by the European Commission, and possible amendment by the International Accounting Standards Board, and are therefore subject to possible changes. These potential changes and the development of industry consensus could result in the need to change the basis of accounting or presentation of certain financial information from that presented in this document.
- These half year financial statements have not been audited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. They have been prepared in accordance with the Group’s accounting policies based on IFRS standards that are expected to apply for the financial year ending 31 March 2008.
- The comparative figures for the financial year ended 31 March 2007 are not the statutory accounts for the financial year but are abridged from those accounts prepared under UK GAAP which have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include references to any matter to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.
- The interim financial statements were approved by the Board of Directors on 21 November 2007.

2. Principal items arising from the transition from UK GAAP to IFRS

- The group half year financial statements have been prepared based on IFRS. The accounting policies and methods of computation used in the preparation of these half year financial statements are consistent with those used in the financial statements for the year ended 31 March 2007 except where there are differences between UK GAAP and IFRS. The main differences between the group financial statements prepared under UK GAAP and those under IFRS are detailed below:
 - The cash flow statement has been prepared in conformity with IAS 7 “cash flow statements”
 - No other material adjustments have been identified during the transition from UK GAAP to IFRS that require a restatement of prior period results and as such no reconciliations have been presented.

3. Goodwill and intangible assets

- The purchase method of accounting is applied to all business combinations.
- The costs of intangible assets acquired through a business combination is deemed to be their fair value at acquisition.

- The excess of purchase consideration paid over the fair value of the assets acquired is treated as purchased goodwill and capitalized as an intangible asset. Goodwill is not amortised but is subject to an annual impairment review.
- Impairment reviews are carried out to ensure that goodwill and intangible assets are not carried above their recoverable amounts. Any amortisation or impairment write downs are charged to the income statement.
- The fair values of the intangible assets acquired have been capitalized as intangible assets in accordance with IFRS 3 “ Business Combinations”

4. Revenue consists of revenue arising in the United Kingdom 47% (2006: 58%) and Central and Eastern Europe 53% (2006: 42%) and all relates solely to the Group’s principal activities.

5. Segment Information

	Revenue		
	Six months ended 30 Sept 2007	Six months ended 30 Sept 2006	12 months ended 31 March 2007
Property Asset Management	1,057	375	1,362
Property Trading	1,941	3,037	3,252
Property facilities management	2,350	1,573	2,870
Other fees and income	53	163	370
	5,401	5,148	7,854

6. Segment Information

	Profit before tax		
	Six months ended 30 Sept 2007	Six months ended 30 Sept 2006	12 months ended 31 March 2007
Property Asset Management	893	303	1,166
Property Trading	728	415	481
Property facilities management	345	79	122
Other fees and income	43	196	226
Unallocated central costs	(454)	(434)	(809)
	1,555	559	1,186

7. The tax charge is based on the effective rate that is expected to apply to the profits for the full year.

8. The basic earnings per Ordinary Share is calculated on the profit on ordinary activities after taxation and after minority interest on the weighted average number of Ordinary Shares in issue, excluding the number of treasury shares held during the period, of 111,069,694 (30 September 2006: 111,601,115 and 31 March 2007: 111,556,731). The diluted earnings per Ordinary Share is calculated on an adjusted profit on ordinary activities after taxation of £1,152,000 (2006: £401,000) and an adjusted number of Ordinary shares in issue of 119,507,194 (2006: 115,051,115).

9. Investments – Share of associates’ net assets

	Six months ended 30 Sept 2007	Six months ended 30 Sept 2006	12 months ended 31 March 2007
Cost of investment	158	205	170
Share of accumulated post tax profit	154	54	104
Less: Share of profit after tax on sale of property to associate	(336)	-	-
	(24)	259	274

10. Receivables

	Six months ended 30 Sept 2007	Six months ended 30 Sept 2006	12 months ended 31 March 2007
Trade receivables	2,184	984	1,335
Amounts due from undertakings in which the company has a participation interest	3,555	4,436	2,663
Other receivables	87	75	11
Prepayments and accrued income	305	178	247
Other taxation	-	-	11
	6,131	5,673	4,267

During the period under review, the Group sold a multi-let office block yielding a net operating income of some £260,000 per annum for a cash consideration of £2,963,000, which is to be settled shortly. The proceeds from the sale will be retained by the Group for use as additional capital.

The sale was made to an associated company, 5th Property Trading Poland Sp.zo.o, in which the Group has a 40.79% equity interest and the results for the period therefore only recognise 59.21% of the revenue and profit before taxation arising on the sale, being £1,754,000 and 549,000 respectively.

B. N. Habib is a director of the associated company and consequently the transaction is a related party transaction within the meaning of the AIM Rules for Companies. Accordingly, Alasdair Locke and George Digby, being independent directors of First Property for the purposes of this transaction, having consulted with the Company’s nominated adviser Arden Partners plc, consider that the terms of the transaction are fair and reasonable insofar as First Property Group plc is concerned.

11. Current Liabilities

	Six months ended 30 Sept 2007	Six months ended 30 Sept 2006	12 months ended 31 March 2007
Bank loans	-	2,243	645
Trade payables	649	467	411
Corporation tax payable	258	221	69
Other taxation and social security	228	92	260
Other payables and accruals	526	715	322
Deferred income	118	122	85

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Finance Leases	40	20	20
	1,819	3,880	1,812
Non current Liabilities			
Finance Leases	48	194	41

12. 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.