Fprop plc

First Property Group plc

Half Yearly Report

30 September 2008

First Property Group plc (AIM: FPO), the AIM-listed property services group specialising in commercial property fund management, today announces its interim results for the six months to 30 September 2008.

"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 fund management division."

"We have a strong balance sheet and considerable specialist property expertise within the Group. Our financial position and experienced management team makes us well placed to capitalise on the opportunities that will become available in the market place over the next year or two and we are ready to act on these in order to maximise returns for our clients and shareholders alike."

Ben Habib

Chief Executive of First Property
19 November 2008

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Financial Highlights

- Assets under management increased year-on-year by 21% to £290 million (2007: £240 million)
- Profit on ordinary activities before taxation grew 14% to £1.77 million (2007: £1.55 million)
- Increase in diluted earnings per share by 13% to 1.08p (2007: 0.96p)
- Interim dividend doubled to 0.30 pence per share (2007: 0.15 pence per share)
- Revenue from property fund management increased by 84% to £1.95 million (2007: £1.06 million)
- Positive cash flow of some £5.0 million boosting cash holdings to £11.2 million (31 March 2008: £6.2 million)
- Net assets increased to £12.9 million (31 March 2008: £12.1 million)

Operational Highlights

- Strategic emphasis to grow fund management division continues
- At the period end the Group managed £272 million (€345 million) of property in Central and Eastern Europe, representing 95% of the total portfolio
- Interest rates have fallen dramatically in the UK and Europe making certain classes of commercial property investments increasingly attractive

Chief Executive's Statement

Financial Results

I am pleased to report a strong set of interim results for the six months to 30 September 2008.

Turnover during the period amounted to £4,736,000 (2007: £5,401,000), yielding an increased profit on ordinary activities before taxation of £1,774,000 (2007: £1,555,000). The decrease in turnover resulted from a reduction in the Group's property trading activities, with no significant property disposals taking place during the period.

Diluted earnings per ordinary share were 1.08 pence (2007: 0.96 pence).

The Group ended the period with net assets of £12,855,000 (31 March 2008: £12,069,000) and a cash balance of £11,215,000 (2007: £6,245,000).

Dividend

On the basis of these results, the Board has declared a doubled interim dividend of 0.3 pence per share (2007: 0.15 pence) which will be paid on 17 December 2008 to shareholders on the register at 28 November 2008.

Review of operations

Property fund management

Revenue earned by this division amounted to £1,948,000 (2007: £1,057,000).

We now have some £290 million of property assets under management (2007: £240 million). Of these, approximately 88% by number and value are located in Poland, 7% in Romania and only 5% in the UK.

As announced on 24 September 2008, we have, on behalf of the fund we manage for the Universities Superannuation Scheme, committed to acquiring a new warehouse in Radomsko, Poland, which is to be let to Indesit once it is built and will add some £20 million to our assets under management. Completion of this warehouse is due in April 2009.

We will continue to be very selective in our buying decisions and only acquire properties which we believe will deliver safe and superior rates of return to our clients.

Property trading

Revenue from this activity was £457,000 (2007: £1,941,000), producing an operating profit of £157,000 (2007: £690,000). The reduced turnover and profit was a result of this division not selling any significant properties during the period.

First Property Services Ltd ("FPS")

FPS, is engaged in the provision of specialty facilities maintenance to clients in the commercial property sector.

FPS has had a good first half and earned revenues of £2,276,000 (2007: £2,350,000) and an operating profit of £354,000 (2007: £349,000).

Chief Executive's Statement
continued

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

Commercial property markets outlook

The Polish economy has fared well over the last year in an otherwise dire Global macro-economic environment. Its resilience is a consequence of, amongst other things, high growth rates and relatively low personal and state indebtedness. Growth rates will undoubtedly reduce but we are still experiencing significant rental growth across our portfolio of properties in Poland. Whilst commercial property investment yields have increased in the last six months, the value of our portfolio has held steady as a result of this rental growth.

Interest rates are now reducing across many economies and there are clear signs that the recent coordinated action by Central Banks and Governments to introduce liquidity and confidence into the banking system is having some effect. In addition, inflation is also reducing which should allow Central Banks to adopt a more relaxed monetary policy over the next few years. With its relatively healthy macro-economic picture we expect to be able to find attractive investments in the Polish commercial property market.

Commercial property investment yields in the UK have increased dramatically over the last year and with interest rates now being reduced are beginning to look attractive. However, given the poor state of our economy, occupiers are under pressure, with rents now reducing in many segments of the market. Given the likely further reduction of interest rates, we are once again exploring the UK markets for attractive properties to purchase but we are cognisant of the pressure on occupiers and we will only acquire properties where we are confident that the income is secure.

Current trading and prospects

I am pleased by our performance in the first half of the year and it gives me great pleasure to announce that our profit has grown despite this period of global uncertainty. Our rate of growth may not be as fast as it might have been in fairer economic circumstances but we will continue to grow. The Company is secure and has a bright future.

We have a strong balance sheet and considerable expertise within the Group. Our financial position and experienced management team makes us well placed to capitalise on the opportunities that will become available in the market place over the next year or two and we are ready to act on these in order to maximise returns for our clients and shareholders alike.

Ben Habib
Chief Executive
19 November 2008

Consolidated Income Statement

for the six months to 30 September 2008

	Notes	Six months to 30 Sept 2008 (unaudited) Total results £'000	Six months to 30 Sept 2007 (unaudited) Total results £'000	Year to 31 March 2008 (audited) Total results £'000
Revenue	2/3	4,736	5,401	15,573
Cost of sales		(1,832)	(2,889)	(4,948)
Gross profit		2,904	2,512	10,625
Operating expenses		(1,385)	(1,067)	(4,648)
Operating profit	3	1,519	1,445	5,977
Share of associated companies' profits after tax		76	50	109
Interest income		182	74	225
Interest expense		(3)	(14)	(26)
Profit on ordinary activities before taxation		1,774	1,555	6,285
Income tax expense	4	(446)	(319)	(1,624)
Profit for the year		1,328	1,236	4,661
Earnings per Ordinary 1p share – basic	5	1.14p	1.02p	4.04p
Earnings per Ordinary 1p share – diluted	5	1.08p	0.96p	3.81p

Consolidated Balance Sheet

as at 30 September 2008

	Notes	As at 30 Sept 2008 (unaudited) £'000	As at 30 Sept 2007 (unaudited) £'000	As at 31 March 2008 (audited) £'000
Non-current assets				
Goodwill		25	25	25
Tangible assets		106	154	125
Investments – including share of associates net assets	6	55	(24)	(39)
Deferred tax assets		113	–	11
Total non-current assets		299	155	122
Current assets				
Inventories – land and buildings		2,804	398	2,912
Trade and other receivables	7	1,838	6,131	8,155
Cash and cash equivalents		11,215	3,856	6,245
Total current assets		15,857	10,385	17,312
Current liabilities:				
Trade and other payables	8	(2,576)	(1,517)	(4,216)
Current tax liabilities	8	(474)	(258)	(315)
Total current liabilities	8	(3,050)	(1,775)	(4,531)
Net current assets		12,807	8,610	12,781
Total assets less current liabilities		13,106	8,765	12,903
Non-current liabilities:				
Other payables	8	(31)	(48)	(36)
Deferred tax liabilities		(220)	–	(798)
Net assets		12,855	8,717	12,069
Equity				
Called up share capital		1,116	1,116	1,116
Share premium		5,306	5,298	5,298
Merger reserve		5,823	5,823	5,823
Foreign Exchange Translation Reserve		938	128	780
Share-based payment reserve		83	44	71
Retained earnings		(477)	(3,793)	(1,102)
Shareholders' funds		12.789	8,616	11,986
Equity minority interest		66	101	83
Total equity		12,855	8,717	12,069

Consolidated Statement of Changes in Equity

for the period ended 30 September 2008

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000
At 1 April 2007	1,116	5,298	5,823
Profit/(Loss) for the period	–	–	–
Foreign exchange translation reserve	–	–	–
Treasury shares	–	–	–
Equity minority interest	–	–	–
Share-based payment reserve	–	–	–
Dividends paid	–	–	–
At 30 Sept 2007	1,116	5,298	5,823
Profit/(Loss) for the period	–	–	–
Foreign exchange translation reserve	–	–	–
Treasury shares	–	–	–
Equity minority interest	–	–	–
Share-based payment reserve	–	–	–
Dividends paid	–	–	–
At 1 April 2008	1,116	5,298	5,823
Profit/(Loss) for the period	–	–	–
Foreign exchange translation reserve	–	–	–
Treasury shares	–	8	–
Equity minority interest	–	–	–
Share-based payment reserve	–	–	–
Dividends paid	–	–	–
At 30 Sept 2008	1,116	5,306	5,823

Share-based Payment Reserve £'000	Foreign Exchange Translation Reserve £'000	Purchase/Sale of Own Shares £'000	Retained Earnings £'000	Equity Minority Interest £'000
44	80	(86)	(4,567)	24
–	–	–	1,236	–
–	48	–	–	–
–	–	(81)	–	–
–	–	–	(101)	101
–	–	–	–	–
–	–	–	(194)	(24)
44	128	(167)	(3,626)	101
–	–	–	3,425	–
–	652	–	–	–
–	–	(467)	–	–
–	–	–	(102)	102
27	–	–	–	–
–	–	–	(165)	(120)
71	780	(634)	(468)	83
–	–	–	1,328	–
–	158	–	–	–
–	–	92	–	–
–	–	–	(94)	94
12	–	–	–	–
–	–	–	(701)	(111)
83	938	(542)	65	66

Summarised Consolidated Cash Flow Statement

for the six months to 30 September 2008

	Six months to 30 Sept 2008 (unaudited) £'000	Six months to 30 Sept 2007 (unaudited) £'000	Year to 31 March 2008 (audited) £'000
Cash flows from operating activities			
Operating profit	1,519	1,445	5,977
Adjustments for:			
Depreciation of tangible assets	39	35	74
(Profit)/Loss on sale of tangible assets	–	–	17
(Profit)/Loss on sale of investments	4	(19)	(30)
Impairment loss on investments	–	–	13
Share-based payments	12	–	27
Share of profit before tax in associate not recognized	–	–	378
Foreign currency translation	158	48	700
(Increase)/Decrease in inventories	108	1,916	(598)
(Increase/Decrease in trade and other receivables	6,317	(1,864)	(3.888)
Increase/(Decrease) in trade and other payables	(1,635)	858	3,141
Cash generated from operations	6,522	2,419	5,811
Income taxes paid	(967)	(175)	(645)
Share of tax paid in associate not recognized	–	–	(44)
Net cash flow from operating activities	5,555	2,244	5,122
Cash flow from investing activities			
Proceeds on disposal of investments	34	33	106
Purchase of investments	(56)	–	–
Proceeds on disposal of tangible assets	–	19	5
Purchase of tangible assets	(20)	(68)	(28)
Interest received	182	71	225
Interest paid	(3)	(11)	(26)
Net cash flow from investing activities	137	44	282
Cash flow from financing activities			
Repayment of bank borrowings	–	(645)	(645)
Repayment of finance lease	(10)	(10)	15
Sale/(Purchase) of shares held in Treasury	100	(81)	(548)
Dividends received	–	–	–
Dividends paid	(701)	(194)	(359)
Dividends paid to minority interest	(111)	(24)	(144)
Net cash flow from financing activities	(722)	(954)	(1,681)
Net increase in cash and cash equivalents	4,970	1,334	3,723
Cash and cash equivalents at the beginning of period	6,245	2,522	2,522
Cash and cash equivalents at the end of the period	11,215	3,856	6,245

Notes to the Consolidated Results

for the six months to 30 September 2008

1. Basis of preparation

- 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 as set out in the Group's latest annual financial statements for the year ended 31 March 2008 and are in compliance with IFRS 34 "Interim Financial Reporting". These accounting policies are drawn up in accordance with International Authority Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Authority Standards Board and as adopted by the European Union (EU).

- The comparative figures for the financial year ended 31 March 2008 are not the statutory accounts for the financial year but are abridged from those accounts prepared under IFRS 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 18 November 2008.

2. Revenue consists of revenue arising in the United Kingdom 57% (2007: 47%) and Central and Eastern Europe 43% (2007: 53%) and all relates solely to the Group's principal activities.

3. Segmental Analysis

Segment Reporting 6 months to 30 September 2008

	Property fund Management	Property Trading	Property facilities Management	Other fees & income	Unallocated central overheads	TOTAL
External revenue	1,948	457	2,276	55	–	**4,736**
Deprecation and amortisation	(9)	(1)	(20)	–	(9)	**(39)**
Operating profit	1,655	157	354	19	(666)	**1,519**
Analysed as:						
Before performance fees and related items:	1,655	157	394	19	(666)	**1,559**
Performance fees	–	–	–	–	–	**–**
Staff bonus	–	–	(40)	–	–	**(40)**
Hedging cost	–	–	–	–	–	**–**
Assets	574	2,884	947	35	11,716	**16,156**
Liabilities	(296)	(55)	(1,309)	(45)	(1,596)	**(3,301)**
Net assets	278	2,829	(362)	(10)	10,120	**12,855**

3. Segmental Analysis *continued*

Segment Reporting six months to 30 September 2007

	Property fund Management	Property Trading	Property facilities Management	Other fees & income	Unallocated central overheads	TOTAL
External revenue	1,057	1,941	2,350	53	–	5,401
Deprecation and amortisation	(7)	(1)	(17)	–	(10)	(35)
Operating profit	893	690	349	43	(530)	1,445
Analysed as:						
Before performance fees and related items:	893	690	349	43	(530)	1,445
Performance fees	–	–	–	–	–	–
Staff bonus	–	–	–	–	–	–
Hedging cost	–	–	–	–	–	–
Assets	49	4,425	1,236	6	4,748	10,564
Liabilities	(109)	(12)	(1,317)	(9)	(400)	(1,847)
Net assets	40	4,413	(81)	(3)	4,348	8,717

Segment Reporting twelve months to 31 March 2008

	Property fund Management	Property Trading	Property facilities Management	Other fees & income	Unallocated central overheads	TOTAL
External revenue	8,341	2,116	4,938	178	–	15,573
Deprecation and amortisation	(17)	(2)	(44)	(1)	(23)	(87)
Operating profit	5,735	771	737	(36)	(1,230)	5,977
Analysed as:						
Before performance fees and related items:	2,305	771	806	(36)	(1,230)	2,616
Performance fees	5,650	–	–	–	–	5,650
Staff bonus	(1,734)	–	(69)	–	–	(1,803)
Hedging cost	(486)	–	–	–	–	(486)
Assets	6,585	3,254	1,255	81	6,298	17,473
Liabilities	(3,247)	(414)	(1,520)	(51)	(172)	(5,404)
Net assets	3,338	2,840	(265)	30	6,126	12,069

Notes to the Consolidated Results

for the six months to 30 September 2008 *continued*

3. Segmental Analysis *continued*

Interest income and interest expense are not allocated to a separate segment because all cash is managed centrally. Head office costs and overheads that are common to all segments are shown separately under unallocated central costs. Assets, liabilities and costs that relate to Group central activities have not been allocated to business segments.

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

5. Earnings per Ordinary 1p share

	Six months ended 30 Sept 2008	Six months ended 30 Sept 2007	Twelve months ended 31 March 2008
Basic	**1.14p**	1.02p	4.04p
Diluted	**1.08p**	0.96p	3.81p

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, during the period.

Figures in the table below have been used in the calculations.

	Number	Number	Number
Weighted average number of ordinary shares in issue	**107,897,037**	111,069,694	110,223,796
Share options	**8,437,500**	8,437,500	7,437,500
Total	**116,334,537**	119,507,194	117,661,296

	£'000	£'000	£'000
Basic earnings	**1,234**	1,135	4,458
Diluted earnings assuming full dilution	**1,254**	1,152	4,489

Notes to the Consolidated Results

for the six months to 30 September 2008 *continued*

6. Investments – Share of associates' net assets

	Six months ended 30 Sept 2008	Six months ended 30 Sept 2007	Twelve months ended 31 March 2008
Cost of investment	242	158	186
Share of accumulated post tax profit	147	154	109
Less: Share of profit after tax on sale of property to associate	(334)	(336)	(334)
	55	(24)	(39)

7. Receivables

	Six months ended 30 Sept 2008	Six months ended 30 Sept 2007	Twelve months ended 31 March 2008
Trade receivables	945	2,184	1,794
Amounts due from undertakings in which the company has a participation interest	251	3,555	203
Other receivables	342	87	422
Prepayments and accrued income	300	305	5,736
	1,838	6,131	8,155

8. Current Liabilities

	Six months ended 30 Sept 2008	Six months ended 30 Sept 2007	Twelve months ended 31 March 2008
Trade payables	630	649	914
Corporation tax payable	474	258	315
Other taxation and social security	471	228	269
Other payables and accruals	1,378	482	2,910
Deferred income	62	118	83
Finance Leases	35	40	40
	3,050	1,775	4,531
Non-current Liabilities			
Finance Leases	31	48	36

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.

Directors and Advisers

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