

# FIRST PROPERTY GROUP PLC

## UNAUDITED CONSOLIDATED INTERIM RESULTS for the six months to 30 September 2005

### CHIEF EXECUTIVE'S STATEMENT

#### Results and dividend

I am pleased to report that our interim results for the six month period to 30 September 2005 show that the Group continues to make good progress.

Turnover for the period was £2,537,000 (2004: £2,352,000), producing an increase of 18% in profit on ordinary activities before goodwill amortisation and taxation of £505,000 (2004: £428,000).

The Group has now virtually fully utilised tax losses brought forward. We will be paying corporation tax for the first time this year and have made a provision of £78,000 (2004: nil) for the taxation of profit on ordinary activities arising in the six months to 30 September 2005.

As a consequence of the provision for tax, earnings per share reduced by 7.3% from the same period last year and amounted to 0.38 pence (2004: 0.41 pence).

Assets under management grew by 59% to £24.2 million (2004: £15.2 million).

The Directors have resolved to maintain the dividend policy established in previous years 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

The property underwriting division made a good start to the year. Turnover from this activity amounted to £2.2 million (2004: £2.12 million) producing a gross profit of £605,000 (2004: £586,000).

We also expect that it will make a continued improved contribution for the year to 31 March 2006, largely earned by selling properties to which we made commitments earlier this and last year.

As I mentioned when we reported our annual results in June 2005, the property market in the UK has risen sharply over the last few years, even though the occupational market has remained weak. We have therefore found it increasingly difficult to identify properties which we would be comfortable underwriting and buying. As a result, we expect that the contribution earned by this division in the UK, is going to reduce from its current levels in the future.

On the other hand, we have acquired two supermarkets in Poland and our new office in Warsaw has identified further interesting property trading situations. I anticipate that we will replace some of this revenue decline in the UK with revenue earned in Poland. The speed with which we achieve this transition is difficult to predict but early signs are positive.

##### Property asset management

The rate of growth of our asset management activities has been fast with revenues earned by this division increasing by 100% to £134,000 (2004: £67,000).

We now have £24.2 million (2004: £15.2 million) under management, an increase of 59%. However, shareholders will recall that in August we secured a significant asset management mandate on behalf of the Universities Superannuation Scheme, to invest £50 million in the UK, Central and Eastern Europe. It is intended that we borrow in the region of 75 per cent of the value of any properties acquired on behalf of this fund and thus, once fully invested, we expect assets under management to rise to in excess of £200 million.

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As with our underwriting activities we have found it difficult to identify properties in the UK which meet our target rates of return and investment criteria. We do, from time to time, come across such properties but the occurrence is much less frequent than has hitherto been the case.

The greater part of our efforts has recently been and is likely to continue to be on buying properties in Poland rather than the UK. We bought our first Polish property, with a value of some £1.4 million, on behalf of a fund last month. In addition to this purchase, we have signed conditional contracts for the purchase of three further properties worth £4.6 million and have agreed terms to acquire eight properties worth over £25 million. It is not possible to know with certainty how many of these properties will come to be acquired but the pipeline is large and growing.

The better investment environment in Poland gives me confidence that we will continue to grow our assets under management at a substantial rate.

### Commercial Property Database ("CPD")

CPD is trading satisfactorily and earned revenues of £103,000 (2004: £100,000). We expect the division to contribute a healthy result for the year to 31 March 2006.

### Online marketing of commercial property

Revenue earned from the online sale of commercial properties was £39,000 (2004: £40,000).

Given the buoyancy of the property market in the UK it has proved difficult recruiting the right team to take this product forward and grow it to its full potential. However, we continue to receive sales instructions and I am confident that this product will come into its own.

### **Strategy**

Our strategy remains to grow our sustainable lines of revenue. Particular emphasis has been placed on our asset management activities since we commenced these operations in 2002.

We will also continue to look for earnings enhancing acquisitions. We have considered a number of acquisition opportunities but none of them has thus far been of sufficiently high quality to pursue.

### **Current trading and prospects**

We are experiencing three major changes in our business, which once completed will create a much stronger Group.

First, the income we earn from our underwriting activities is likely to reduce. Second, the income we earn from our asset management activities is likely to materially increase. Third, a significant amount of our income is likely to be earned in Poland rather than the UK.

Given that turnover from our underwriting activities is determined by the value of properties sold, as these activities reduce, the turnover of the Group will also reduce. This will be replaced, to some extent, by higher margin income earned by the asset management division.

Once our existing asset management mandates have been fully invested, we expect the Group's profit to materially exceed the level of profit we are currently earning. All that remains to be determined is the rate at which this transformation takes place.

Given the above, I am more confident about our prospects than I have ever been since the Group was established.

**Ben Habib**  
Chief Executive

16 November 2005

**FIRST PROPERTY GROUP PLC**

**CONSOLIDATED PROFIT & LOSS ACCOUNT**

**for the six months to 30 September 2005**

Six months to 30 September 2005

(unaudited)

Six months to 30  
September  
2004  
(unaudited)

Year to 31  
March 2005  
(audited)

	Notes	<b>Before Goodwill Amortisation</b>	<b>Goodwill Amortisation</b>	<b>Total Results</b>	Total Results	<b>Total Results</b>
		£'000	£'000	£'000	£'000	£'000
<b>Turnover</b>						
- continuing operations		2,537	-	2,537	2,352	5,650
<b>Total turnover</b>	2	2,537	-	2,537	2,352	5,650
<b>Cost of sales</b>						
- continuing operations		(1,611)	-	(1,611)	(1,504)	(3,769)
<b>Gross profit</b>		926		926	848	1,881
Net operating expenses	3	(430)	(391)	(821)	(401)	(931)
<b>Operating profit</b>						
- continuing operations		496	(391)	105	447	950
<b>Total operating profit</b>		496	(391)	105	447	950
Income - fixed asset investment		-	-	-	-	1
Share of associated companies' profits before tax		24	-	24	-	11
Net interest payable		(15)	-	(15)	(19)	(7)
<b>Profit on ordinary activities before taxation</b>		505	(391)	114	428	955
Taxation on profit on ordinary activities	4	(78)	-	(78)	-	(2)
<b>Profit on ordinary activities before minority interest</b>		427	(391)	36	428	953
Equity minority interest		-	-	-	(17)	17
<b>Profit for the period</b>		427	(391)	36	411	970
Dividend on ordinary shares		-	-	-	(18)	(158)
<b>Profit transferred to reserves</b>		427	(391)	36	393	812
<b>Earnings per Ordinary 1p share - basic before goodwill amortisation</b>	5	0.38p		-	0.41p	0.92p
<b>Earnings per Ordinary 1p share - basic after goodwill amortisation</b>	5	-		0.04p	0.41p	0.92p
<b>Earnings per Ordinary 1p share - diluted before goodwill amortisation</b>	5	0.37p		-	0.40p	0.90p
<b>Earnings per Ordinary 1p share - diluted after goodwill amortisation</b>	5	-		0.04p	0.40p	0.90p

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**CONSOLIDATED BALANCE SHEET**  
**as at 30 September 2005**

	Notes	As at 30 Sept 2005 (unaudited) £'000	As at 30 Sept 2004 (unaudited) £'000	As at 31 March 2005 (audited) £'000
<b>Fixed assets</b>				
Intangible assets		-	-	-
Tangible assets		22	6	21
Investments		124	25	100
		<b>146</b>	<b>31</b>	<b>121</b>
<b>Current assets</b>				
Stocks - land and buildings		5,423	3,533	4,001
Debtors		1,604	381	1,355
Cash at bank and in hand		789	2,222	1,588
		<b>7,816</b>	<b>6,136</b>	<b>6,944</b>
<b>Creditors:</b> amounts falling due within one year		<b>(1,473)</b>	<b>(221)</b>	<b>(690)</b>
<b>Net current assets</b>		<b>6,343</b>	<b>5,915</b>	<b>6,254</b>
Total assets less current liabilities		<b>6,489</b>	<b>5,946</b>	<b>6,375</b>
<b>Creditors:</b> amounts falling due after more than one year		<b>(78)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>6,411</b>	<b>5,946</b>	<b>6,375</b>
<b>Capital and reserves</b>				
Called up share capital	7	1,116	1,112	1,116
Share premium	7	5,298	5,292	5,298
Merger reserve	7	5,823	5,823	5,823
Profit and loss account	7	(5,826)	(6,281)	(5,862)
<b>Equity shareholders' funds</b>		<b>6,411</b>	<b>5,946</b>	<b>6,375</b>

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**SUMMARISED CONSOLIDATED CASH FLOW STATEMENT  
for the six months to 30 September 2005**

	Notes	<b>Six months to 30 Sept 2005 (unaudited)</b>	Six months to 30 Sept 2004 (unaudited)	Year to 31 March 2005 (audited)
		<b>£'000</b>	£'000	£'000
<b>Net cash inflow/(outflow) from operating activities</b>	8	<b>(1,169)</b>	1,247	565
<b>Returns on investment and servicing of finance</b>				
Equity dividends paid		(139)	(111)	(111)
Interest received		32	26	53
Interest paid		(47)	(45)	(60)
<b>Net cash (outflow) from returns on investment and servicing of finance before taxation</b>		<b>(154)</b>	(130)	(118)
<b>Taxation</b>		-	-	(2)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(8)	-	(19)
Sale of tangible fixed assets		-	-	-
Purchase of fixed asset investments		(337)	(20)	(85)
Sale of fixed asset investments		-	-	-
<b>Net cash (outflow) from capital expenditure and financial investment</b>		<b>(345)</b>	(20)	(106)
<b>Cash inflow/(outflow) before management of liquid resources and financing</b>		<b>(1,668)</b>	1,097	341
<b>Management of liquid resources</b>				
(Increase)/decrease in short term deposits		596	(2,174)	(995)
<b>Financing</b>				
Issue of Ordinary share capital		-	2,797	2,807
Bank overdraft		-	-	-
Loans advanced		1,003	-	134
Loans repaid		(134)	(2,141)	(2,163)
<b>Net cash inflow/(outflow) from management of liquid resources and financing</b>		<b>1,465</b>	(1,518)	(217)
<b>(Decrease)/increase in cash in period</b>		<b>(203)</b>	(421)	124

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

Notes	<b>Six months to 30 Sept 2005 (unaudited) £'000</b>	Six months to 30 Sept 2004 (unaudited) £'000	Year to 31 March 2005 (audited) £'000
<b>(Decrease)/increase in cash in period</b>	<b>(203)</b>	(421)	124
Movement in short term deposits	<b>(596)</b>	2,174	995
Movement in loans	<b>(869)</b>	2,141	2,029
<b>Movement in net funds In period</b>	<b>(1,668)</b>	3,894	3,148
Net funds at beginning of period	<b>1,454</b>	(1,694)	(1,694)
<b>Net funds/(debt) at end of period</b>	<b>(214)</b>	2,200	1,454

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## NOTES TO THE CONSOLIDATED RESULTS for the six months ended 30 September 2005

1. The interim accounts have been prepared on a basis which is consistent with the accounting policies adopted for the year ended 31 March 2005.
2. Turnover consists of revenue arising in the United Kingdom (99%, 2004: 100%) and Poland 1% (2004: 0%) and all relates solely to the Group's principal activities.
3. Goodwill arising on consolidation has been fully written off in the period in which it arose and relates to the purchase of all the outstanding 26% minority interest in First Property Asset Management Ltd in September 2005, now a wholly owned subsidiary of First Property Group plc. There was no goodwill amortisation in the comparative year ending 31 March 2005.
4. The tax charge is based on the effective rate that is expected to apply to the profits for the full year.
5. The basic earnings per Ordinary Share is calculated on the profit on ordinary activities after taxation on the weighted average number of Ordinary Shares in issue, during the period, of 111,601,115 (30 September 2004: 99,960,582 and 31 March 2005: 105,642,729). The diluted earnings per Ordinary Share is calculated on an adjusted profit on ordinary activities after taxation of £438,000 and an adjusted number of Ordinary shares in issue of 117,138,615.
6. The company has no recognised gains or losses other than those disclosed in the profit and loss account.

### 7. Capital and Reserves

	Share capital	Share premium	Merger reserve	Profit and loss account
	£'000	£'000	£'000	£'000
At 1 April 2005	1,116	5,298	5,823	(5,862)
Profit for the period	-	-	-	36
<b>At 30 Sept 2005</b>	<b>1,116</b>	<b>5,298</b>	<b>5,823</b>	<b>(5,826)</b>

### 8. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	Six months to 30 Sept 2005 (unaudited) £'000	Six months to 30 Sept 2004 (unaudited) £'000	Year to 31 March 2005 (audited) £'000
<b>Operating profit</b>	<b>496</b>	447	950
Depreciation and profit on disposal of fixed assets	7	2	6
Decrease/ (increase) in stocks	<b>(1,422)</b>	196	(273)
Decrease/ (increase) in debtors	<b>(303)</b>	809	(131)
(Decrease)/ increase in creditors	<b>53</b>	(207)	13
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(1,169)</b>	1,247	565

## **FIRST PROPERTY GROUP PLC**

- 9.** 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 2005, incorporating an unqualified report of the auditors, have been filed with the Registrar of Companies.
- 10.** 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.