

FIRST PROPERTY ONLINE PLC

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FIRST PROPERTY ONLINE PLC

DIRECTORS AND ADVISERS

Directors

Alasdair J D Locke
(Non-Executive Chairman)

Benyamin N Habib
(Chief Executive)

Jeremy C Phillips
(Finance Director)

Company Secretary

Alec W J Banyard

Registered Office

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Registered Auditors

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Registrars

Capita Registrars
The Registry
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Bankers

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Anglo Irish Bank Corporation plc
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Nominated Adviser

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London E1 8AF

Nominated Broker

Robert W. Baird Limited
Mint House
77 Mansell Street
London E1 8AF

FIRST PROPERTY ONLINE PLC

CHIEF EXECUTIVE'S STATEMENT

The year to 31 March 2003, First Property Online plc's second full year of trading, was a watershed for the Group. I am pleased to report that we earned a profit for the year and we are confident of further growth.

Results and dividend

Turnover during the year was £2,281,000 (2002: £372,000), providing a gross profit of £1,095,000 (2002: £352,000) and a profit on ordinary activities before taxation and goodwill amortisation of £102,000 (2002: loss of £575,000).

I am also pleased to report that the Directors have resolved to recommend First Property Online plc's maiden dividend of 0.05 pence per share, which, if approved, will be paid on 19 September 2003 to shareholders on the register at 29 August 2003.

The tangible net assets in the Group's balance sheet have also been strengthened and having written off all the goodwill generated at the time of our reverse takeover of the Hansom Group, net assets amounted to £2,209,000 at 31 March 2003, as opposed to £2,045,000 on a comparable basis, excluding goodwill, at 31 March 2002.

Review of operations

Property transaction underwriting

Our underwriting activities have continued to grow and made a substantial contribution during the year. Turnover from this activity amounted to £1,823,000 (2002: £84,000) producing a gross profit contribution of £592,000 (2002: £53,000).

The underwriting business has also made a good start to the current year. In the absence of any further material adverse change in the UK economy, we expect this division to make a further improved contribution to profits during the year to 31 March 2004.

First Property Asset Management

Our fund management business, FPAM, which commenced trading in October last year, has made a promising start. FPAM now has two funds under management, which, when fully invested, will amount to some £8 million of assets under management. We are currently in the process of raising our third fund.

Investors in our first two funds, First Property Trading Ltd and Second Property Trading Ltd, comprise high net worth individuals seeking superior rates of return from commercial property. FPAM sources, purchases, finances and manages relatively high yielding property on behalf of these funds. To boost rates of return the funds borrow up to 80% of the value of these properties and hedge interest rate risk by the purchase of interest rate caps.

The weighted average annualised pre-tax rates of return on equity currently being earned purely from rental income on the properties held in our two funds is c17.2% per annum and c18.5% per annum respectively. These rates of return take no account of any capital gains, which we are confident in achieving.

FPAM is remunerated for the management of these funds by the payment of monthly fees calculated by reference to the gross assets invested and super performance fees if rates of return exceed a minimum pre-defined hurdle.

Revenue earned by FPAM during the short period from October 2002 to 31 March 2003 was £13,000. We expect this to rise significantly during the current year.

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Commercial Property Database

CPD continues to trade satisfactorily in a difficult environment. This division earned revenue of £406,000 (£255,000 for the seven months we owned the business in the year to 31 March 2002).

Shareholders will recall that the business of CPD is to create, maintain and host databases on behalf of commercial property agents in the UK, as well as to provide bespoke web design and related services. The number of agent members has stayed relatively static, as has revenue earned from web design. With the recent contraction in the UK economy certain clients have cut their own expenditure on such services. However, we expect the division to contribute a healthy result for the year to 31 March 2004.

Other products and services

Our bespoke loan arrangement business has grown, albeit more slowly than we had anticipated, but did contribute revenue of £22,750. It does, however, play a very important role for FPAM, providing our funds with instant access to the debt markets. As such it is proving to be valuable to the Group.

Online marketing of commercial property is now beginning to establish itself well. We have, by combining email direct marketing campaigns and the data stored at www.fprop.com, sold a number of properties virtually entirely online. In revenue terms this is still small and amounted to £16,000. It is difficult to predict the rate at which this might grow. However, as far as the Group is concerned this service is also valuable as it allows us to market properties on behalf of our funds and ourselves very efficiently and cost effectively.

Portfolio of products and services

Our current portfolio of products and services can be summarised as follows:

- Underwriting of property transactions
- Asset management
- CPD membership and related subscription services
- Website design and hosting services
- Online transactions at www.fprop.com
- Loan and valuation services

We are using these products extremely effectively to support each other. The property databases provide our asset management and underwriting services with property opportunities and information. The loan and valuation services provide our asset management and underwriting services with instant access to the debt markets. And our website at www.fprop.com provides an excellent means of disposing of properties on behalf of our clients, our funds and ourselves.

Strategy

Our strategy remains substantially the same as set out in our annual report last year. We are concentrating on:

- growing revenues from our existing product range and cross selling these wherever possible
- growing our product range in those areas which complement our existing products and can be implemented using our existing infrastructure
- making, where appropriate, strategic acquisitions which allow us to accelerate this growth

Change of name

Given the broader range of the Group's products and services, the Board has decided that the name of the Company should be changed from First Property Online plc to First Property Group plc. This change of name proposal will be put to shareholders at our forthcoming Annual General Meeting on 9 September 2003 and, if approved, adopted with immediate effect on that day.

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Board of directors

Jeremy Phillips will resign from the Board with effect from 31 July 2003. I would like to thank Jeremy for his commitment and contribution to the development of the Group since December 2000.

George Digby will replace Jeremy as finance director, with effect from that date. George brings to the Board considerable accounting and public company experience, being a fully qualified chartered accountant and having, for ten years, been finance director of Fired Earth, a former publicly quoted company.

Current trading and prospects

We continue to be pleased by the rate at which revenue generation is increasing and, subject to market conditions, we would expect this growth to continue during the year to 31 March 2004.

Ben Habib

Chief Executive

17 July 2003

FIRST PROPERTY ONLINE PLC

DIRECTORS' REPORT

for the year ended 31 March 2003

The Directors present their report and the audited financial statements for the year ended 31 March 2003.

Principal activities and review of the business

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

During the year the Group extended its range of technical and financial services as described in the Chief Executive's statement on page 3.

The consolidated profit and loss account is set out on page 10.

Share capital

No new shares were issued during the year. Details of share options are set out in Note 20 on page 23.

Results and Dividends

The Group made a profit before goodwill amortisation of £102,000 (2002: £575,000 loss). The loss after taxation, goodwill amortisation and exceptional items was £2,563,000 (2002: £3,917,000 loss) and will be charged to the Group's profit and loss account. The Directors recommend the payment of a dividend of 0.05 pence per ordinary share (2002: nil) payable on 19 September 2003 to shareholders on the register at 29 August 2003.

Directors and their interests

The Directors are listed on page 2. Jeremy Phillips, Finance Director has resigned effective 31 July 2003. His replacement, George Digby, will be appointed on 31 July 2003.

The beneficial interests of the Directors in the share capital of the Company at 1 April 2002, at 31 March 2003 and 24 June 2003, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act were as follows:

	Ordinary shares of 1p			Options over Ordinary shares of 1p		
	24/6/2003	31/3/2003	1/4/2002	24/6/2003	31/3/2003	1/4/2002
A J D Locke	7,915,740	7,915,740	6,915,740	-	-	-
B N Habib	13,561,783	13,561,783	13,411,783	1,500,000	1,500,000	1,500,000
J C Phillips	200,000	200,000	-	-	1,500,000	1,500,000

The share options 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. The market price of the company's shares at the end of the financial year was 3.25p and the range of market prices during the year was between 2.75p and 6.75p.

Fixed assets

Details of tangible fixed assets and capital expenditure are shown in Note 14 to the financial statements on page 20.

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Substantial shareholdings

The Directors have been notified that the following shareholders hold 3% or more of the issued share capital of the Company at 31 March 2003 and at 24 June 2003.

	Number of 1p Ordinary shares	Percentage of issued Ordinary 1p shares held %
B N Habib	13,561,783	14.67%
J C Kottler	12,806,783	13.85%
A J D Locke	7,915,740	8.56%
FPDSavills Commercial Ltd	6,403,481	6.93%
Edinburgh Smaller Company Trusts plc	5,980,000	6.47%

Optimax Holdings Ltd (previously CPD Online plc) held until 8th May 2003 7,461,538 ordinary shares (8.07%) following which they disposed of this holding.

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 2003 was 30 days (2002: 30 days).

Annual general meeting

The notice convening the annual general meeting to be held on 9 September 2003, which can be found on pages 29 - 30, contains details of a special resolution empowering the Directors to allot relevant securities for cash up to a maximum nominal amount of £184,883, representing 20% of the current issued share capital of the Company. Given the growth stage of the Company and the Group, the resolution is being proposed as a means of ensuring that the Directors have the ability to take advantage of opportunities becoming available, rapidly and without undue transaction cost.

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 14 and 15 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 2003. 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.

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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

17 July 2003

FIRST PROPERTY ONLINE PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST PROPERTY ONLINE PLC

We have audited the financial statements of First Property Online PLC for the year ended 31 March 2003, which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

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 2003 and of the loss 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
17 July 2003

FIRST PROPERTY ONLINE PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2003

	Note	2003			2002		
		Results before goodwill amortisation & exceptional items £'000	Goodwill amortisation & exceptional items £'000	Total results £'000	Results before goodwill amortisation £'000	Goodwill amortisation £'000	Total results £'000
Turnover							
- continuing operations		2,281	-	2,281	97	-	97
- acquisitions		-	-	-	275	-	275
Total turnover	2	2,281	-	2,281	372	-	372
Cost of sales	3	(1,186)	-	(1,186)	(20)	-	(20)
Gross profit		1,095	-	1,095	352	-	352
Net operating expenses	4	(929)	(2,915)	(3,844)	(1,006)	(3,342)	(4,348)
Operating profit/ (loss)							
- continuing operations		166	(2,915)	(2,749)	(686)	(3,204)	(3,890)
- acquisitions		-	-	-	32	(138)	(106)
Total operating profit/(loss)		166	(2,915)	(2,749)	(654)	(3,342)	(3,996)
Net interest receivable/(payable)	5	(64)	-	(64)	79	-	79
Profit/(Loss) on ordinary activities before taxation	8	102	(2,915)	(2,813)	(575)	(3,342)	(3,917)
Taxation on ordinary activities	9	-	292	292	-	-	-
Profit/(Loss) for the year before minority interest		102	(2,623)	(2,521)	(575)	(3,342)	(3,917)
Equity minority interest		4	-	4	-	-	-
Profit/(Loss) for the year		106	(2,623)	(2,517)	(575)	(3,342)	(3,917)
Dividend on ordinary shares	11	(46)	-	(46)	-	-	-
Profit/(Loss) transferred to reserves	21,2 2	60	(2,623)	(2,563)	(575)	(3,342)	(3,917)
Profit/(Loss) per Ordinary 1p share - basic and diluted, before goodwill amortisation	12	0.11p			(0.65p)		
Profit/(Loss) per Ordinary share – basic and diluted, after goodwill amortisation	12			(2.72p)			(4.41p)

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

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BALANCE SHEETS

at 31 March 2003

	Notes	2003		2002	
		Group £'000	Company £'000	Group £'000	Company £'000
Fixed assets					
Intangible assets	13	-	-	2,727	-
Tangible assets	14	19	-	58	-
Investments	15	25	565	238	847
		44	565	3,023	847
Current assets					
Stocks	16	3,190	-	1,121	-
Debtors	17	652	3,349	381	1,912
Cash at bank and in hand		314	13	1,649	1,505
		4,156	3,362	3,151	3,417
Creditors: amounts falling due within one year	18	(1,316)	(109)	(600)	(396)
Net current assets		2,840	3,253	2,551	3,021
Total assets less current liabilities		2,884	3,818	5,574	3,868
Creditors: amounts falling due after more than one year	18	(675)	-	(802)	-
Net assets		2,209	3,818	4,772	3,868
Capital and reserves					
Called up share capital	20	924	924	924	924
Share premium	21	2,661	2,661	2,661	2,661
Merger reserve	21	5,823	-	5,823	-
Profit and loss account	21	(7,199)	233	(4,636)	283
Equity shareholders' funds	22	2,209	3,818	4,772	3,868

The financial statements on pages 10 to 28 were approved by the Board of Directors on 17 July 2003 and were signed on its behalf by:

Jeremy Phillips
Finance Director

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CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Net cash (outflow) from operating activities	23	(2,068)	(1,822)
Returns on investments and servicing of finance			
- Interest received		19	132
- Interest paid		(83)	(36)
Net cash (outflow)/inflow from returns on investments and servicing of finance before taxation		(64)	96
Capital expenditure and financial investment			
- Purchase of tangible fixed assets		(6)	(15)
- Sale of tangible fixed assets		8	15
- Purchase of fixed asset investments		(5)	-
- Sale of fixed asset investments		30	-
Net cash inflow from capital expenditure and financial investment		27	-
Acquisitions			
- Cash considerations on acquisitions		-	(13)
- Acquisition expenses paid		-	(32)
- Net cash acquired with subsidiary undertakings		-	15
Net cash (outflow) from acquisition		-	(30)
Cash (outflow) before management of liquid resources and financing		(2,105)	(1,756)
Management of liquid resources			
- Decrease in short term deposits		1,429	1,158
Financing			
- Issue cost of shares		-	(2)
- Minority interest		4	-
- Bank overdraft		9	-
- Loans advanced		871	831
- Loan repayments		(114)	(28)
Net cash inflow from management of liquid resources and financing		2,199	1,959
Increase in cash in the year	24	94	203

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CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 March 2003

Reconciliation of net cash flow to movement in net funds

	Notes	2003 £'000	2002 £'000
Increase in cash in the year		94	203
Movement in short term deposits		(1,429)	(1,158)
Borrowings acquired with subsidiaries		-	(28)
Movement in loans and bank overdraft		(766)	(803)
Movement in net funds in the year		(2,101)	(1,786)
Net funds at 1 April		818	2,604
Net funds at 31 March	24	(1,283)	818

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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 2003. 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 been capitalised and is being written off on a straight line basis over its expected useful economic life in accordance with FRS 10. However, the Directors have decided to write off all remaining goodwill arising on acquisition in the current period.

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.

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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.

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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	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Business analysis				
Database provision – continuing operations	195	-	(17)	-
Database provision - acquisition	-	139	-	211
Website design and hosting – continuing operations	211	-	31	-
Website design and hosting - acquisition	-	116	-	279
Property underwriting and related services -continuing operations	1,875	97	1,809	533
- acquisition	-	20	-	-
Unallocated (central assets)	-	-	386	3,749
	2,281	372	2,209	4,772

	Profit/ (loss) before tax			
	Before goodwill		After goodwill	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Business analysis				
Database provision – continuing operations	96	-	96	-
Database provision - acquisition	-	54	-	54
Website design and hosting – continuing operations	36	-	36	-
Website design and hosting - acquisition	-	7	-	7
Property underwriting and related services- continuing operations	589	3	589	3
- acquisition	-	(18)	-	(18)
Unallocated (central costs)	(619)	(621)	(3,534)	(3,963)
	102	(575)	(2,813)	(3,917)

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

3. Cost of sales

	2003 £'000	2002 £'000
Cost of sales		
- continuing operations	1,186	1
- acquisitions	-	19
	1,186	20

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4. Net operating expenses

	2003 £'000	2002 £'000
Administrative expenses		
- continuing operations	3,844	3,986
- acquisitions	-	362
	3,844	4,348

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

Net operating expenses include an exceptional item of £188,000 in relation to the write-down on the company's investment in Richmond Road Cab Centre Limited, which in the opinion of the Directors has suffered a permanent diminution in value.

5. Net interest receivable/(payable)

	2003 £'000	2002 £'000
Interest payable – bank loans and overdrafts	-	(1)
Interest payable – property loans	(83)	(33)
Interest payable – other loans	-	(2)
Total interest payable	(83)	(36)
Interest receivable and similar income	19	115
Net interest (payable)/ receivable	(64)	79

6. Employee information

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

	2003 Number	2002 Number
Management	2	2
Property operations	3	5
Technical operations	7	4
	12	11

An analysis of staff costs is set out below:

	2003 £'000	2002 £'000
Wages and salaries	648	484
Social security costs	68	54
Other pension costs	22	33
	738	571

The Group contributes to a number of defined contribution pension schemes. The total contribution payable in respect of these schemes amounted to £21,596 (2002: £33,046). At 31 March 2003 there were no prepaid contributions (2002: £6,250) in respect of the above schemes. There were no outstanding contributions at 31 March 2003 in respect of the above schemes (2002: nil).

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7. Directors' remuneration

	2003	2002
	£'000	£'000
Aggregate emoluments	285	275
Pension contributions	10	24
	295	299

Highest paid Director

	2003	2002
	£'000	£'000
Aggregate emoluments	177	168
Pension contributions	6	15
	183	183

There are no retirement benefits accruing to Directors (2002: two) under money purchase pension schemes. No directors exercised options in the year.

8. Loss on ordinary activities before taxation

	2003	2002
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging:		
Goodwill amortisation	2,727	3,342
Depreciation charge		
- Tangible owned fixed assets	42	44
(Loss)/Profit on disposal of fixed assets	(5)	5
Auditors' remuneration		
- Group audit [Company £11,000 (2002: £11,000)]	19	22
- Non-audit fees	-	13
Operating lease rentals		
- Land and buildings	10	78
- Computer and office equipment	-	3

The Company's auditors received no remuneration for professional services relating to acquisitions (2002: nil).

9. Taxation on loss on ordinary activities

	2003	2002
	£'000	£'000
Analysis of charge in period		
Current tax		
- UK Corporation tax at 30% (2002: 30%)	-	-
- Over provision in previous years	292	-

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Factors affecting the tax charge for the period

The tax losses assessed for the period are lower than the standard rate of corporation tax. The differences are explained as follows:

	2003	2002
	£'000	£'000
Loss on ordinary activities before tax	(2,813)	(3,917)
Loss on ordinary activities multiplied by standard rate	(844)	(1,175)
Effects of:		
- Expenses not deductible for tax purposes (primarily goodwill)	818	1,034
- Depreciation in excess of capital allowances	(2)	8
- Movement on deferred tax unprovided	32	-
- Other adjustments	(4)	133
Current tax charge for period	-	-

Factors that may affect future tax charges

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

Provision for deferred tax

	2003		2002	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Depreciation in excess of capital allowances	48	-	9	-
Tax losses carried forward	721	170	255	94
Unprovided deferred tax asset	769	170	264	94

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 £50,000 (2002: profit £10,000).

11. Dividend on ordinary shares

	2003	2002
	£'000	£'000
Proposed Final Dividend of 0.05 pence per share	46	-

12. Earnings per share

The calculation of basic and diluted earnings per share on the net basis is based on the loss on ordinary activities after taxation, namely £2,517,000 (2002: loss £3,917,000) and on 92,441,254 (2002: 88,879,821) Ordinary shares being the weighted average number of Ordinary shares in issue and ranking for dividend during the year. For the years ended 31 March 2003 and 31 March 2002, the inclusion of unexercised share options does not have a dilutive effect.

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13. Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 April 2002	6,870
Additions during the year	-
At 31 March 2003	6,870
Amortisation	
At 1 April 2002	(4,143)
Charge for the year	(2,727)
At 31 March 2003	(6,870)
Net book value	
At 31 March 2003	-
At 31 March 2002	2,727

14. Tangible fixed assets

Group	Computer equipment £'000	Office equipment £'000	Short leasehold improvements £'000	Total £'000
Cost				
At 1 April 2002	60	24	18	102
Additions	6	-	-	6
Disposals	(6)	(2)	(6)	(14)
At 31 March 2003	60	22	12	94
Depreciation				
At 1 April 2002	26	11	7	44
Charge for year	26	10	6	42
Disposals	(5)	(2)	(4)	(11)
At 31 March 2003	47	19	9	75
Net book value				
At 31 March 2003	13	3	3	19
At 31 March 2002	34	13	11	58

The Company had no tangible fixed assets (2002: nil).

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15. Fixed asset investments

The Group and the Company have the following investments:

	2003		2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in Group undertakings				
- shares at nominal value	-	444	-	500
- expenses	-	244	-	257
- liquidation of dormant subsidiaries	-	(148)	-	(148)
	-	540	-	609
Unlisted securities	25	25	238	238
	25	565	238	847

The principal investments of the Group at 31 March 2003 are as follows:

	Principal activities	% of ordinary shares held by	
		Company %	Subsidiary %
<i>First Property Online.com Ltd</i>	- Internet based property trading, database and web design	100	-
<i>First Property Underwriting Ltd</i>	- Property underwriting	100	-
<i>FULONE Ltd</i>	- Property trading	-	100
<i>COMPROPONE Ltd</i> (formerly Commercial Property Database Ltd)	- Database and web design	100	-
<i>COMPROPTWO Ltd</i> (formerly CPD Ltd)	- Web design	100	-
<i>First Property Asset Management Ltd</i>	- Property fund management	74	
<u>Unlisted Securities</u>			
<i>Richmond Road Cab Centre Ltd</i>	- Operation of licensed taxi cabs	20	-
<i>First Property Trading Ltd</i>	- Property fund	6	

The above companies are incorporated and registered in England and Wales and operate principally in their countries of incorporation/ registration.

16. Stocks

	2003		2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Properties held for resale	3,190	-	1,121	-
	3,190	-	1,121	-

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17. Debtors

	2003		2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	380	-	174	-
Amounts owed by subsidiary undertakings	-	3,149	-	1,739
Other debtors	185	160	184	162
Prepayments and accrued income	43	28	23	11
Other taxation	40	12	-	-
Equity minority interest	4	-	-	-
	652	3,349	381	1,912

Amounts owed by subsidiary undertakings to the Company include £3,149,000 falling due in more than one year (2002: Company £1,739,000).

Other debtors of the Group and Company include £98,800 falling due in more than one year (2002: Group and Company £100,000).

18. Creditors

	2003		2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year				
Bank loans (note 27)	913	-	29	-
Bank overdrafts	9	9	-	-
Trade creditors	45	18	43	7
Corporation tax payable	-	-	292	292
Other taxation and social security	73	12	53	26
Other creditors and accruals	188	24	129	71
Deferred income	42	-	54	-
Dividend Payable	46	46	-	-
	1,316	109	600	396
Amounts falling due after more than one year				
Bank loans (note 27)	675	-	802	-
	675	-	802	-

Bank loans totalling £1,588,000 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.

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19. Provisions for liabilities and charges

Deferred taxation

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

20. Called-up share capital

	2003	2002
	£'000	£'000
<hr/>		
Authorised		
120,000,000 (2002: 120,000,000) Ordinary shares of 1p each	1,200	1,200
Allotted, called up and fully paid		
92,441,254 (2002: 92,441,254) Ordinary shares of 1p each	924	924

The Company had the following options outstanding at 31 March 2003 and 31 March 2002, including those noted in Directors' interests in the Directors' Report.

Year of grant	Exercise price (p)	Exercise period	2003 Numbers	2002 Numbers
2000/ 01	26.00	Dec 2000 to Dec 2003	849,797	849,797
2001/ 02	7.00	Dec 2002 to Apr 2011	1,066,666	1,066,666
2001/ 02	7.00	Dec 2003 to Apr 2011	1,066,667	1,066,667
2001/ 02	7.00	Dec 2004 to Apr 2011	1,066,667	1,066,667
2001/ 02	2.75	Dec 2002 to Apr 2011	275,000	275,000
2001/ 02	2.75	Dec 2003 to Apr 2011	206,250	275,000
2001/ 02	2.75	Dec 2004 to Apr 2011	206,250	275,000
2002/ 03	3.50	Dec 2002 to Apr 2011	333,000	-
2002/ 03	3.50	Dec 2003 to Apr 2011	333,000	-
2002/ 03	3.50	Dec 2004 to Apr 2011	334,000	-
2002/ 03	4.50	Dec 2002 to Apr 2011	46,666	-
2002/ 03	4.50	Dec 2003 to Apr 2011	46,667	-
2002/ 03	4.50	Dec 2004 to Apr 2011	46,667	-

During the year 1,340,000 options were granted and none were exercised and 337,500 lapsed. A further 1,500,000 options have lapsed since 31 March 2003.

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21. Share premium account and reserves

Group	Share premium account	Merger reserve	Profit and loss account
	£'000	£'000	£'000
At 1 April 2002	2,661	5,823	(4,636)
Loss for the year	-	-	(2,563)
At 31 March 2003	2,661	5,823	(7,199)

Company	Share premium account	Profit and loss account
	£'000	£'000
At 1 April 2002	2,661	283
(Loss) for the year	-	(50)
At 31 March 2003	2,661	233

22. Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Opening shareholders' funds	4,772	8,344	3,868	3,786
(Loss)/ profit for the financial year	(2,563)	(3,917)	(50)	10
New share capital issued	-	74	-	74
Increase in merger reserve	-	273	-	-
Share issue costs	-	(2)	-	(2)
Closing shareholders' funds	2,209	4,772	3,818	3,868

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23. Reconciliation of operating loss to net cash (outflow) from operating activities

	2003 £'000	2002 £'000
Operating loss	(2,749)	(3,996)
Depreciation and profit on disposal of fixed assets	37	39
Amortisation of goodwill	2,727	3,342
Decrease in book value of fixed asset investments	188	-
(Increase) in stocks	(2,069)	(1,121)
(Increase) in trade debtors	(206)	(104)
(Increase)/decrease in prepayments and other debtors	(25)	119
Increase/ (decrease) in trade creditors	2	(55)
(Decrease) in taxation and social security	(20)	(4)
Increase/(decrease) in other creditors, accruals and deferred income	47	(42)
Net cash (outflow) from operating activities	(2,068)	(1,822)

24. Reconciliation of movement in net funds

	1 April 2002 £'000	Cash flow £'000	31 March 2003 £'000
Cash at bank and in hand	1,649	(1,335)	314
Short term deposits	(1,442)	1,429	(13)
Cash (excluding short term deposits)	207	94	301
Short term deposits	1,442	(1,429)	13
Debt due within one year			
- Bank overdraft	-	(9)	(9)
- Property loan	(29)	(884)	(913)
Debt due after more than one year			
- Property loans	(802)	127	(675)
	818	(2,101)	(1,283)

25. Capital commitments

The Group had no capital commitments at 31 March 2003 (2002: nil).

26. Financial commitments

At 31 March 2003 the Group had annual commitments under non-cancellable operating leases as follows:

	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	-	-	4
Expiring between two and five years inclusive	35	-	92	1
	35	-	92	5

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The Company had no commitments under non-cancellable operating leases expiring within one year at 31 March 2003 (2002: nil).

27. 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 long term 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.

Short-term flexibility is achieved through bank overdraft facilities when required.

Numerical disclosures

Short term debtors and creditors have been excluded from the following numerical disclosures.

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Financial assets

The interest rate profile of the Group's financial assets at 31 March 2003 and 31 March 2002 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	-	-	99	99
Cash	-	-	301	301
Short term deposits	13	-	-	13
At 31 March 2003	13	-	400	413
Other debtors due after 1 year	-	-	100	100
Cash	4	-	203	207
Short term deposits	-	1,442	-	1,442
At 31 March 2002	4	1,442	303	1,749

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 2003 the weighted average rate of interest on fixed rate short term deposits was 3.85% per annum (2002: 4.76% per annum) and the weighted average period for which the rate was fixed was 14 days (2002: 16 days).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2003 and 31 March 2002 was as follows:

	Floating rate financial liabilities £'000	Total £'000
Bank loans	1,588	1,588
Finance lease obligations	-	-
Other financial liabilities	-	-
At 31 March 2003	1,588	1,588
Bank loans	831	831
Finance lease obligations	-	-
Other financial liabilities	-	-
At 31 March 2002	831	831

At 31 March 2003 the Group had no fixed rate or non-interest bearing financial liabilities (2002: 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.

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The Group's debt maturity other than short term trade creditors and accruals at 31 March 2003 and 31 March 2002 was as follows:

	Bank loans £'000	Total £'000
In one year or less	913	913
Between one and two years	21	21
Between two and five years	70	70
Over five years	584	584
Total at 31 March 2003	1,588	1,588
In one year or less	29	29
Between one and two years	31	31
Between two and five years	102	102
Over five years	669	669
Total at 31 March 2002	831	831

The bank loans, with Nationwide Building Society and Heritable Bank, are split as follows:

- a) Property loan of £700,000 with Nationwide Building Society repayable in 60 quarterly instalments with an interest rate of 1.75% over base.
- b) Property loan of £780,000 with Heritable Bank on interest only basis with an interest rate of 2.75% over base.
- c) Property loan of £100,000 with Heritable Bank on interest only basis with interest rate of 2.75% over base.

FULONE Ltd has granted fixed charges over specific properties and floating charges over the company's assets in favour of Nationwide Building Society and Heritable Bank.

Borrowing facilities

At 31 March 2003 the group had undrawn committed borrowing facilities available of £477,000 (31 March 2002: nil).

Currency risk exposures

At 31 March 2003 and 31 March 2002 the Group had no currency risk exposures.

28. Related party transactions

- a) Agency fees of £15,275 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 Online plc. This amount was outstanding at 31 March 2003, and subsequently has been paid.
- b) Agency fees of £7,050 were charged by the Group during the year to Angus Chisholm Ltd and E&S Estates Ltd, companies controlled by Benyamin Habib. No amounts were owing at 31 March 2003.
- c) Management fees of £14,703 (inc. VAT) were charged by the Group during the year to First Property Trading Ltd, a company of which Benyamin Habib is a director. £7,965 was owed to the Group at 31 March 2003.
- d) Management fees of £121 (inc. VAT) were charged by the Group during the year to Second Property Trading Ltd, a company of which Benyamin Habib is a director. £121 was owed to the Group at 31 March 2003.

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of FIRST PROPERTY ONLINE PLC will be held at the offices of Tavistock Communications Limited, 1 Angel Court, London EC2R 7HX on 9 September 2003 at 12 pm 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 2003.
2. To approve the final dividend of 0.05p per Ordinary Share.
3. To re-appoint Alasdair J.D. Locke as a Director.
4. To re-appoint George W. Digby as a Director.
5. 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.
6. 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:

7. 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 £275,587, 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:

8. That, subject to resolution 7 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 allotment of equity securities (otherwise than pursuant to (a) above) up to an aggregate nominal amount of £184,883;

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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.

9. THAT the name of the Company be changed to First Property Group plc.

Dated 17 July 2003

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

By Order of the Board

Alec W J Banyard
Secretary

Notes:

1. 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.
2. 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.