

# **FIRST PROPERTY GROUP PLC**

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# FIRST PROPERTY GROUP PLC

## DIRECTORS AND ADVISERS

### **Directors**

Alasdair J D Locke  
(Non-Executive Chairman)

Benyamin N Habib  
(Chief Executive)

George R. W. Digby  
(Finance Director)

### **Company Secretary**

Alec W J Banyard

### **Registered Office**

17 Quayside Lodge  
William Morris Way  
London SW6 2UZ  
Registered No. 02967020

Website: [www.fprop.com](http://www.fprop.com)

### **Registered Auditors**

Haines Watts  
Sterling House  
19-23 High Street  
Kidlington  
Oxford OX5 2DH

### **Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### **Bankers**

Leopold Joseph & Sons Ltd  
99 Gresham Street  
London EC2V 7NG

Anglo Irish Bank Corporation plc  
10 Old Jewry  
London EC2R 8DN

Nationwide Building Society  
10 Culver Street West  
Colchester  
Essex CO1 1JG

Heritable Bank Ltd  
8 Hill Street  
Berkeley Square  
London W1J 5NG

### **Legal Adviser**

Harbottle and Lewis  
Hanover House  
14 Hanover Square  
London W1S 1HP

### **Nominated Adviser & Broker**

Arden Partners Ltd  
Arden House  
Highfield Road  
Edgbaston  
Birmingham  
B15 3DU

# FIRST PROPERTY GROUP PLC

## CHIEF EXECUTIVE'S STATEMENT

### Results and dividend

I am pleased to report that turnover during the year was £3,745,000 (2003: £2,281,000), providing a gross profit of £1,501,000 (2003: £1,095,000) and a profit on ordinary activities before taxation and goodwill amortisation of £586,000 (2003: £102,000).

I am also pleased to report that the Directors have resolved to recommend a dividend for the year of 0.1 pence per share (2003: 0.05 pence per share), which, if approved, will be paid on 16 September 2004 to shareholders on the register at 20 August 2004.

Net assets have also increased to £2,756,000 (2003: £2,209,000).

### Review of operations

#### Property transaction underwriting

Our underwriting activities have continued to grow and made another substantial contribution during the year. Turnover from this activity amounted to £3,186,000 (2003: £1,823,000) producing a gross profit contribution of £983,000 (2003: £592,000).

The underwriting business has also made a very good start to the current year. In the absence of any 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 2005.

#### First Property Asset Management

Revenue earned by FPAM during the year amounted to £208,000 (2003: £13,000 for the seven month period from its commencement in October 2002). Of the fees earned, £139,000 (2003: nil) was in respect of the out performance of our first two funds.

FPAM now has three funds under management, with a total of some £13 million of assets (2003: £8 million). We have raised a fourth fund (which, when fully invested, will amount to a further sum in the region of £4 million under management) and are in the process of raising a fifth.

Investors in our funds mainly 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. The Group has proven its ability to successfully source such investments and we believe this will continue despite the property investment market being more competitive than last year.

The pre-tax rates of return on equity earned by our first two funds last year, being their first full year in existence, exceeded 30%. It may not be possible to sustain such high levels of returns but we are confident of continuing to earn attractive rates.

I anticipate that FPAM will go on growing its activities by launching successive funds. We are building a good track record and, in due course, we will also endeavour to offer our services to a broader investor base.

#### Commercial Property Database

CPD, our online property database and web design division, continues to trade satisfactorily. This division earned revenue of £289,000 (2003: £406,000). Whilst turnover was lower than in 2003, this was primarily caused by a difficult environment for the website design part of CPD's business.

# FIRST PROPERTY GROUP PLC

We will be releasing a new public portal in July 2004 to enhance the marketing of properties on our database. This will be a valuable service for our members and should allow us to increase membership income without resulting in any material additional hosting or other costs to the Company.

As mentioned at the interim stage, we have expanded our data-entry team by employing a number of new staff in Pakistan. They have since proved to be a useful part of the team and have, together with our staff in the UK, made significant progress in ensuring that our database of commercial properties is comprehensive and up-to-date. Some six to seven hundred new properties are now added to the database each week. I view this new resource in Pakistan as a growth opportunity for the Company.

## Online marketing of commercial property

Revenue earned from the online sale of commercial properties was £63,000 (2003: £16,000).

We had some notable successes with this product last year. By combining email direct marketing campaigns (to our database of over 35,000 property agents and principals) and the property data stored at [www.fprop.com](http://www.fprop.com), we sold some £17 million of property entirely online and at excellent values. There is no doubt that the system works more effectively and efficiently than any traditional form of marketing. We have also recently assisted and worked with other agents to market their properties in this way.

It remains difficult to predict the rate at which this product might grow but I am increasingly confident of it succeeding. As such, we are currently working to recruit a high calibre individual or team to exploit the inherent revenue generating potential of this product.

## **Strategy**

In our report and accounts for the year to 31 March 2002, I outlined our strategy to reach profitability before attempting to expand. Having achieved the first of our goals we are now targeting the second.

We are, therefore, actively seeking acquisitions. Whilst we will necessarily be somewhat opportunistic in this endeavour we are only interested in businesses which complement our existing products, operate in areas in which we have expertise and are demonstrably earnings enhancing. Specific areas of interest naturally include property services and online-based businesses.

We will, at all times, also remain focused on the growth of our products and the Company's profitability.

## **Placing of new ordinary shares in the Company**

Following the announcement of these results on 23 June 2004 the Company placed 18,125,000 new ordinary shares at a price of 16 pence per share, raising a total of £2.9 million before expenses. This sum is due to be received on 26 July 2004.

The purpose of this placing of new shares is to underpin the Company's growth and empower it to act quickly in the event that a suitable acquisition is found.

## **Current trading and prospects**

We continue to be pleased by the rate of growth of the Company and, subject to market conditions, we would expect this growth to continue during the current year.

**Ben Habib**  
Chief Executive  
16 July 2004

# FIRST PROPERTY GROUP PLC

## DIRECTORS' REPORT

*for the year ended 31 March 2004*

The Directors present their report and the audited financial statements for the year ended 31 March 2004.

### Change of name

At the Annual General Meeting held on 9 September 2003 shareholders approved the change of name of the company from First Property Online PLC to First Property Group PLC.

### Principal activities and review of the business

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

The consolidated profit and loss account is set out on page 9.

### Share capital

644,444 new shares were issued during the year following the exercise of share options. Details of share options are set out in Note 20 on page 20.

### Placing of new ordinary shares in the Company

Following the announcement of these results on 23 June 2004 the Company placed 18,125,000 new ordinary shares at a price of 16 pence per share, raising a total of £2.9 million before expenses. This sum is due to be received on 26 July 2004.

### Results and Dividends

The Group made a profit before taxation and goodwill amortisation of £586,000 (2003: £102,000). The profit after taxation, and goodwill amortisation was £525,000 (2003: £2,563,000 loss) and will be transferred to the Group's profit and loss account. The Directors recommend the payment of a dividend of 0.10 pence per ordinary share (2003: 0.05p) payable on 16 September 2004 to shareholders on the register at 20 August 2004.

### Directors and their interests

The Directors are listed on page 2. George Digby was appointed Finance Director with effect from 31 July 2003, following the resignation of Jeremy Phillips.

The beneficial interests of the Directors in the share capital of the Company at 1 April 2003, at 31 March 2004 and 24 June 2004, 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		
	24/6/2004	31/3/2004	1/4/2003	24/6/2004	31/3/2004	1/4/2003
A J D Locke	7,915,740	7,915,740	7,915,740	-	-	-
B N Habib	13,611,783	13,611,783	13,561,783	2,000,000	2,000,000	1,500,000
G.R.W.Digby	-	-	-	-	-	-

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Of the share options 1,500,000 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 remaining 500,000 options were granted on 17 July 2003 under the Enterprise Management Incentive arrangements at an exercise price of 6.25p per share. The options may be exercised as to one third on or after 17 July 2004, 17 July 2005 and 17 July 2006 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 15.0p and the range of market prices during the year was between 3.0p and 20.25p.

## Fixed assets

Details of tangible fixed assets and capital expenditure are shown in Note 14 to the financial statements on page 18.

## Substantial shareholdings

The Directors have been notified that the following shareholders held 3% or more of the issued share capital of the Company at 24 June 2004.

	Number of 1p Ordinary shares	Percentage of issued Ordinary 1p shares held %
B N Habib	13,611,783	14.61%
J C Kottler	13,071,783	14.03%
A J D Locke	7,915,740	8.50%
FPDSavills Commercial Ltd	6,403,481	6.87%
Universities Superannuation Scheme Ltd	3,500,000	3.76%
R.S. Duckworth	2,925,000	3.14%

## 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 2004 was 30 days (2003: 30 days).

## Annual general meeting

The notice convening the annual general meeting to be held on 7 September 2004, which can be found on pages 27 - 28, contains details of resolutions empowering the Directors to:

1. increase the authorised share capital of the Company from £1,200,000 to £2,400,000 by the creation of 120,000,000 new ordinary shares of 1 pence each.
2. allot relevant securities for cash up to a maximum nominal amount of £222,558, representing 20% of the issued share capital of the Company following the placing of new ordinary shares referred to above.

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Given the growth stage of the Company and the Group, the resolutions being proposed are 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 12 and 13 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 2004. 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.

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

16 July 2004

# **FIRST PROPERTY GROUP PLC**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST PROPERTY GROUP PLC**

We have audited the financial statements of First Property Group plc for the year ended 31 March 2004, which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 29. 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 2004 and of the profit 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  
16 July 2004

# FIRST PROPERTY GROUP PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

*for the year ended 31 March 2004*

	Notes	2004			2003		
		Results before goodwill amortisation  £'000	Goodwill amortisation  £'000	Total results  £'000	Results before goodwill amortisation & exceptional items  £'000	Goodwill amortisation & exceptional items  £'000	Total results  £'000
<b>Turnover</b>							
- continuing operations		3,745	-	3,745	2,281	-	2,281
<b>Total turnover</b>	2	3,745	-	3,745	2,281	-	2,281
<b>Cost of sales</b>	3	(2,244)	-	(2,244)	(1,186)	-	(1,186)
<b>Gross profit</b>		1,501	-	1,501	1,095	-	1,095
<b>Net operating expenses</b>	4	(868)	-	(868)	(929)	(2,915)	(3,844)
<b>Operating profit/ (loss)</b>							
- continuing operations		633	-	633	166	(2,915)	(2,749)
<b>Total operating profit/(loss)</b>		633	-	633	166	(2,915)	(2,749)
Income - fixed asset investment		10	-	10	-	-	-
Net interest (payable) /receivable	5	(57)	-	(57)	(64)	-	(64)
<b>Profit/(Loss) on ordinary activities before taxation</b>	8	586	-	586	102	(2,915)	(2,813)
Taxation on ordinary activities	9	(2)	-	(2)	-	292	292
<b>Profit/(Loss) for the year before minority interest</b>		584	-	584	102	(2,623)	(2,521)
<b>Equity minority interest</b>		34	-	34	4	-	4
<b>Profit/(Loss) for the year</b>		618	-	618	106	(2,623)	(2,517)
<b>Dividend on ordinary shares</b>	11	(93)	-	(93)	(46)	-	(46)
<b>Profit/(Loss) transferred to reserves</b>	21 22	525	-	525	60	(2,623)	(2,563)
<b>Profit per Ordinary 1p share - basic before goodwill amortisation</b>	12	0.67p			0.11p		
- diluted before goodwill amortisation	12	0.65p			0.11p		
<b>Profit/(Loss) per Ordinary 1p share – basic after goodwill amortisation</b>	12			0.67p			(2.72p)
- diluted after goodwill amortisation	12			0.65p			(2.72p)

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

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## BALANCE SHEETS

at 31 March 2004

	Notes	2004		2003	
		Group £'000	Company £'000	Group £'000	Company £'000
<b>Fixed assets</b>					
Intangible assets	13	-	-	-	-
Tangible assets	14	8	-	19	-
Investments	15	5	524	25	565
		<b>13</b>	<b>524</b>	44	565
<b>Current assets</b>					
Stocks	16	3,728	-	3,190	-
Debtors	17	1,207	3,327	652	3,349
Cash at bank and in hand		469	19	314	13
		<b>5,404</b>	<b>3,346</b>	4,156	3,362
<b>Creditors:</b> amounts falling due within one year	18	(2,661)	(151)	(1,316)	(109)
<b>Net current assets</b>		<b>2,743</b>	<b>3,195</b>	2,840	3,253
<b>Total assets less current liabilities</b>		<b>2,756</b>	<b>3,719</b>	2,884	3,818
<b>Creditors:</b> amounts falling due after more than one year	18	-	-	(675)	-
<b>Net assets</b>		<b>2,756</b>	<b>3,719</b>	2,209	3,818
<b>Capital and reserves</b>					
Called up share capital	20	931	931	924	924
Share premium	21	2,676	2,676	2,661	2,661
Merger reserve	21	5,823	-	5,823	-
Profit and loss account	21	(6,674)	112	(7,199)	233
<b>Equity shareholders' funds</b>	22	<b>2,756</b>	<b>3,719</b>	2,209	3,818

The financial statements on pages 9 to 26 were approved by the Board of Directors on 16 July 2004 and were signed on its behalf by:

**George Digby**  
Finance Director

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## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
<b>Net cash (outflow) from operating activities</b>	23	<b>(388)</b>	(2,068)
<b>Returns on investments and servicing of finance</b>			
- Dividends paid		(46)	-
- Dividends received		10	-
- Interest received		13	19
- Interest paid		(70)	(83)
<b>Net cash (outflow) from returns on investments and servicing of finance before taxation</b>		<b>(93)</b>	(64)
<b>Capital expenditure and financial investment</b>			
- Purchase of tangible fixed assets		(6)	(6)
- Sale of tangible fixed assets		-	8
- Purchase of fixed asset investments		-	(5)
- Sale of fixed asset investments		20	30
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>14</b>	27
<b>Cash (outflow) before management of liquid resources and financing</b>		<b>(467)</b>	(2,105)
<b>Management of liquid resources</b>			
- (Increase)/decrease in short term deposits	24	(1)	1,429
<b>Financing</b>			
- Issue of shares		22	-
- Minority interest		34	4
- Bank overdraft		(9)	9
- Loans advanced		2,163	871
- Loan repayments		(1,588)	(114)
<b>Net cash inflow from management of liquid resources and financing</b>		<b>621</b>	2,199
<b>Increase in cash in the year</b>	24	<b>154</b>	94
<b>Reconciliation of net cash flow to movement in net funds</b>			
	Notes	2004 £'000	2003 £'000
Increase in cash in the year		154	94
Movement in short term deposits		1	(1,429)
Movement in loans and bank overdraft		(566)	(766)
<b>Movement in net funds in the year</b>		<b>(411)</b>	(2,101)
Net funds at 1 April		(1,283)	818
<b>Net funds at 31 March</b>	24	<b>(1,694)</b>	(1,283)

# FIRST PROPERTY GROUP PLC

## 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 2004. 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 previously been capitalised and written off.

#### 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.

#### Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

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## 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.

## 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	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
<b>Business analysis</b>				
Database provision – continuing operations	159	195	(11)	(17)
Website design and hosting – continuing operations	130	211	7	31
Property underwriting and related services -continuing operations	3,248	1,862	2,057	1,809
Property asset management	208	13	174	-
Unallocated (central assets)	-	-	529	386
	<b>3,745</b>	<b>2,281</b>	<b>2,756</b>	<b>2,209</b>

# FIRST PROPERTY GROUP PLC

	Profit/ (loss) before tax			
	Before goodwill		After goodwill	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
<b>Business analysis</b>				
Database provision – continuing operations	90	96	90	96
Website design and hosting – continuing operations	30	36	30	36
Property underwriting and related services- continuing operations	874	589	874	589
Property asset management	155	-	155	-
Unallocated (central costs)	(563)	(619)	(563)	(3,534)
	<b>586</b>	102	<b>586</b>	(2,813)

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

### 3. Cost of sales

	2004	2003
	£'000	£'000
<b>Cost of sales</b>		
- continuing operations	2,244	1,186

### 4. Net operating expenses

	2004	2003
	£'000	£'000
<b>Administrative expenses</b>		
- continuing operations	868	3,844
	<b>868</b>	3,844

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

### 5. Net interest (payable)/receivable

	2004	2003
	£'000	£'000
Interest payable – property loans	(70)	(83)
<b>Total interest payable</b>	<b>(70)</b>	<b>(83)</b>
Interest receivable – bank deposits	13	19
Total interest receivable	13	19
<b>Net interest (payable)/ receivable</b>	<b>(57)</b>	<b>(64)</b>

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## 6. Employee information

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

	2004 Number	2003 Number
Management	2	2
Property operations	3	3
Technical operations	4	7
	<b>9</b>	<b>12</b>

An analysis of staff costs is set out below:

	2004 £'000	2003 £'000
Wages and salaries	499	648
Social security costs	58	68
Other pension costs	23	22
	<b>580</b>	<b>738</b>

The Group contributes to a number of defined contribution pension schemes. The total contribution payable in respect of these schemes amounted to £22,730 (2003: £21,596). At 31 March 2004 there were no prepaid contributions (2003: nil) in respect of the above schemes. There were no outstanding contributions at 31 March 2004 in respect of the above schemes (2003: nil).

## 7. Directors' remuneration

	2004 £'000	2003 £'000
Aggregate emoluments	249	291
Pension contributions	-	10
	<b>249</b>	<b>301</b>

### Highest paid Director

	2004 £'000	2003 £'000
Aggregate emoluments	190	170
Pension contributions	-	6
	<b>190</b>	<b>176</b>

There are no retirement benefits accruing to Directors (2003: none) under money purchase pension schemes. No directors exercised options in the year.

# FIRST PROPERTY GROUP PLC

## 8. Profit on ordinary activities before taxation

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation is stated after charging:		
<b>Goodwill amortisation</b>	-	2,727
<b>Depreciation charge</b>		
- Tangible owned fixed assets	17	42
<b>(Loss) on disposal of fixed assets</b>	-	(5)
<b>Auditors' remuneration</b>		
- Group audit [Company £11,000 (2003: £11,000)]	22	19
- Non-audit fees	-	-
<b>Operating lease rentals</b>		
- Land and buildings	26	10
- Computer and office equipment	-	-

The Company's auditors received no remuneration for professional services relating to acquisitions (2003: nil).

## 9. Taxation on profit on ordinary activities

Analysis of charge in period	2004 £'000	2003 £'000
<b>Current tax</b>		
- UK Corporation tax	2	-
- Over provision in previous years	-	292

The charge for the year relates to corporation tax on interest receivable, which is unable to be relieved by brought forward trading losses.

### Factors affecting the tax charge for the period

The rate of tax applicable to the profit in the period is lower than the standard rate of corporation tax. The differences are explained as follows:

	2004 £'000	2003 £'000
Profit/(Loss) on ordinary activities before tax	586	(2,813)
Profit/(Loss) on ordinary activities multiplied by standard rate	176	(844)
<b>Effects of:</b>		
- Expenses not deductible for tax purposes (primarily goodwill)	9	818
- Depreciation in excess of capital allowances	(9)	(2)
- Movement on deferred tax unprovided	(172)	32
- Other adjustments	(2)	(4)
Current tax charge for period	2	-

### Factors that may affect future tax charges

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

# FIRST PROPERTY GROUP PLC

## Provision for deferred tax

	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation in excess of capital allowances	40	-	48	-
Tax losses carried forward	547	167	721	170
Unprovided deferred tax asset	587	167	769	170

## 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 £121,000 (2003: loss £50,000).

## 11. Dividend on ordinary shares

	2004 £'000	2003 £'000
Proposed Final Dividend of 0.10 pence per share (2003: 0.05 pence per share)	93	46

## 12. Earnings per share

The calculation of basic earnings per share on the net basis is based on the profit on ordinary activities after taxation, namely £618,000 (2003: loss £2,517,000) and on 92,724,244 (2003: 92,441,254) ordinary shares being the weighted average number of ordinary shares in issue and ranking for dividend during the year.

The calculation of diluted earnings per share on the net basis is based on an adjusted profit on ordinary activities after taxation of £627,000 (2003: £108,000) and on 96,123,302 (2003: 94,128,754) ordinary shares being the adjusted weighted average number of ordinary shares at the year-end.

## 13. Intangible fixed assets

Group	Goodwill £'000
<b>Cost</b>	
At 1 April 2003	6,870
Additions during the year	-
At 31 March 2004	6,870
<b>Amortisation</b>	
At 1 April 2003	(6,870)
Charge for the year	-
At 31 March 2004	(6,870)
<b>Net book value</b>	
At 31 March 2004	-
At 31 March 2003	-

# FIRST PROPERTY GROUP PLC

## 14. Tangible fixed assets

Group	Computer equipment £'000	Office equipment £'000	Short leasehold improvements £'000	Total £'000
<b>Cost</b>				
At 1 April 2003	60	22	12	<b>94</b>
Additions	6	-	-	<b>6</b>
Disposals	(4)	-	-	<b>(4)</b>
At 31 March 2004	62	22	12	<b>96</b>
<b>Depreciation</b>				
At 1 April 2003	47	19	9	<b>75</b>
Charge for year	11	3	3	<b>17</b>
Disposals	(4)	-	-	<b>(4)</b>
At 31 March 2004	54	22	12	<b>88</b>
<b>Net book value</b>				
<b>At 31 March 2004</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>8</b>
At 31 March 2003	13	3	3	<b>19</b>

The Company had no tangible fixed assets (2003: nil).

## 15. Fixed asset investments

The Group and the Company have the following investments:

	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Investments in Group undertakings</b>				
- shares at nominal value	-	444	-	444
- expenses	-	244	-	244
- liquidation of dormant subsidiaries	-	(169)	-	(148)
	-	519	-	540
<b>Unlisted securities</b>	<b>5</b>	<b>5</b>	25	25
	<b>5</b>	<b>524</b>	25	565

# FIRST PROPERTY GROUP PLC

The principal investments of the Group at 31 March 2004 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>COMPROPTWO Ltd</i> (formerly CPD Ltd)	- Web design	100	-
<i>First Property Asset Management Ltd</i>	- Property asset management	74	-
<u><i>Unlisted Securities</i></u>			
<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

	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Properties held for resale	3,728	-	3,190	-
	<b>3,728</b>	<b>-</b>	<b>3,190</b>	<b>-</b>

## 17. Debtors

	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	215	-	380	-
Amounts owed by subsidiary undertakings	-	3,228	-	3,149
Other debtors	848	71	185	160
Prepayments and accrued income	48	22	43	28
Other taxation	59	6	40	12
Equity minority interest	37	-	4	-
	<b>1,207</b>	<b>3,327</b>	652	3,349

Amounts owed by subsidiary undertakings to the Company include £3,228,000 falling due in more than one year (2003: Company £3,149,000).

Other debtors of the Group and Company include £19,000 falling due in more than one year (2003: Group and Company £98,800).

# FIRST PROPERTY GROUP PLC

## 18. Creditors

	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Amounts falling due within one year</b>				
Bank loans (note 27)	2,163	-	913	-
Bank overdrafts	-	-	9	9
Trade creditors	217	6	45	18
Corporation tax payable	2	-	-	-
Other taxation and social security	23	13	73	12
Other creditors and accruals	26	39	188	24
Deferred income	137	-	42	-
Dividend payable	93	93	46	46
	<b>2,661</b>	<b>151</b>	1,316	109
<b>Amounts falling due after more than one year</b>				
Bank loans (note 27)	-	-	675	-
	-	-	675	-

Bank loans totalling £2,163,000 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.

## 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

	2004 £'000	2003 £'000
<b>Authorised</b>		
120,000,000 (2003: 120,000,000) Ordinary shares of 1p each	1,200	1,200
<b>Allotted, called up and fully paid</b>		
93,085,698 (2003: 92,441,254) Ordinary shares of 1p each	931	924

# FIRST PROPERTY GROUP PLC

The Company had the following options outstanding at 31 March 2004 and 31 March 2003, including those noted in Directors' interests in the Directors' Report.

Year of grant	Exercise price (p)	Exercise period	2004 Numbers	2003 Numbers
2000/ 01	26.00	Dec 2000 to Dec 2003	-	849,797
2001/ 02	7.00	Dec 2002 to Apr 2011	566,666	1,066,666
2001/ 02	7.00	Dec 2003 to Apr 2011	566,667	1,066,667
2001/ 02	7.00	Dec 2004 to Apr 2011	566,667	1,066,667
2001/ 02	2.75	Dec 2002 to Apr 2011	68,750	275,000
2001/ 02	2.75	Dec 2003 to Apr 2011	137,500	206,250
2001/ 02	2.75	Dec 2004 to Apr 2011	206,250	206,250
2002/ 03	3.50	Dec 2002 to Apr 2011	166,666	333,000
2002/ 03	3.50	Dec 2003 to Apr 2011	166,666	333,000
2002/ 03	3.50	Dec 2004 to Apr 2011	166,667	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 2003 to Apr 2011	46,667	46,667
2003/ 04	6.25	July 2004 to Apr 2011	333,000	-
2003/ 04	6.25	July 2005 to Apr 2011	333,000	-
2003/ 04	6.25	July 2006 to Apr 2011	334,000	-
2003/ 04	14.75	Dec 2004 to Apr 2011	33,300	-
2003/ 04	14.75	Dec 2005 to Apr 2011	33,333	-
2003/ 04	14.75	Dec 2006 to Apr 2011	33,334	-

During the year 1,100,000 options were granted, 644,444 were exercised and 2,573,686 lapsed. A further 68,750 options have been exercised since 31 March 2004.

## 21. Share premium account and reserves

Group	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
<b>At 1 April 2003</b>	2,661	5,823	(7,199)
Shares issued during year	15	-	-
Profit for the year	-	-	525
<b>At 31 March 2004</b>	<b>2,676</b>	<b>5,823</b>	<b>(6,674)</b>

Company	Share premium account £'000	Profit and loss account £'000
<b>At 1 April 2003</b>	2,661	233
Shares issued during year	15	-
(Loss) for the year	-	(121)
<b>At 31 March 2004</b>	<b>2,676</b>	<b>112</b>

# FIRST PROPERTY GROUP PLC

## 22. Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Opening shareholders' funds	2,209	4,772	3,818	3,868
Profit / (loss) for the financial year	525	(2,563)	(121)	(50)
New share capital issued	7	-	7	-
Share Premium	15	-	15	-
Increase in merger reserve	-	-	-	-
Share issue costs	-	-	-	-
<b>Closing shareholders' funds</b>	<b>2,756</b>	<b>2,209</b>	<b>3,719</b>	<b>3,818</b>

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

	2004 £'000	2003 £'000
Operating profit/(loss)	633	(2,749)
Depreciation and profit on disposal of fixed assets	17	37
Amortisation of goodwill	-	2,727
Decrease in book value of fixed asset investments	-	188
(Increase) in stocks	(538)	(2,069)
Decrease/(increase) in trade debtors	165	(206)
(Increase) in prepayments and other debtors	(720)	(25)
Increase in trade creditors	172	2
(Decrease) in taxation and social security	(50)	(20)
(Decrease)/increase in other creditors, accruals and deferred income	(67)	47
<b>Net cash (outflow) from operating activities</b>	<b>(388)</b>	<b>(2,068)</b>

## 24. Reconciliation of movement in net funds

	1 April 2003 £'000	Cash flow £'000	31 March 2004 £'000
Cash at bank and in hand	314	155	469
Short term deposits	(13)	(1)	(14)
Cash (excluding short term deposits)	301	154	455
Short term deposits	13	1	14
<b>Debt due within one year</b>			
- Bank overdraft	(9)	9	-
- Property loan	(913)	(1,250)	(2,163)
<b>Debt due after more than one year</b>			
- Property loans	(675)	675	-
	(1,283)	(411)	(1,694)

## 25. Capital commitments

The Group had no capital commitments at 31 March 2004 (2003: nil).

# FIRST PROPERTY GROUP PLC

## 26. Financial commitments

At 31 March 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	2004		2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	35	-	35	-
	<b>35</b>	-	35	-

The Company had no commitments under non-cancellable operating leases expiring within one year at 31 March 2004 (2003: 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 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.

#### 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 2004 and 31 March 2003 was as follows:

	<b>Floating rate financial assets £'000</b>	<b>Fixed rate financial assets £'000</b>	<b>Non-interest bearing £'000</b>	<b>Total £'000</b>
<b>Other debtors due after 1 year</b>	-	-	19	19
<b>Cash</b>	455	-	-	455
<b>Short term deposits</b>	14	-	-	14
<b>At 31 March 2004</b>	<b>469</b>	-	<b>19</b>	<b>48</b>
Other debtors due after 1 year	-	-	99	99
Cash	-	-	301	301
Short term deposits	13	-	-	13
<b>At 31 March 2003</b>	<b>13</b>	-	<b>400</b>	<b>413</b>

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 2004 and 31 March 2003 there were no fixed rate short term deposits.

## Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 March 2004 and 31 March 2003 was as follows:

	<b>Floating rate financial liabilities £'000</b>	<b>Total £'000</b>
<b>Bank loans</b>	<b>2,163</b>	<b>2,163</b>
<b>Finance lease obligations</b>	-	-
<b>Other financial liabilities</b>	-	-
<b>At 31 March 2004</b>	<b>2,163</b>	<b>2,163</b>
Bank loans	1,588	1,588
Finance lease obligations	-	-
Other financial liabilities	-	-
<b>At 31 March 2003</b>	<b>1,588</b>	<b>1,588</b>

At 31 March 2004 the Group had no fixed rate or non-interest bearing financial liabilities (2003: 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.

# FIRST PROPERTY GROUP PLC

The Group's debt maturity other than short term trade creditors and accruals at 31 March 2004 and 31 March 2003 was as follows:

	<b>Bank loans £'000</b>	<b>Total £'000</b>
<b>In one year or less</b>	<b>2,163</b>	<b>2,163</b>
<b>Between one and two years</b>	-	-
<b>Between two and five years</b>	-	-
<b>Over five years</b>	-	-
<b>Total at 31 March 2004</b>	<b>2,163</b>	<b>2,163</b>
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
<b>Total at 31 March 2003</b>	<b>1,588</b>	<b>1,588</b>

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

- a) Property loan of £577,500 with Nationwide Building Society repayable in 20 quarterly instalments with an interest rate of 1.25% over base.
- b) Property loan of £1,585,000 with Heritable Bank on interest only basis with an interest rate of 2.75% over base.

First Property Online.com 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.

Both loans are classified as falling due within one year as the properties to which they relate are being actively marketed for sale.

## **Borrowing facilities**

At 31 March 2004 the group had undrawn committed borrowing facilities available of £224,000 (31 March 2003: £477,000).

## **Currency risk exposures**

At 31 March 2004 and 31 March 2003 the Group had no currency risk exposures.

## **28. Related party transactions**

- a) Agency fees of £23,400 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 Group plc. No amounts were outstanding at 31 March 2004.
- b) Agency and management fees of £129,168 were charged by the Group during the year to First Property Trading Ltd, a Company of which Benyamin Habib is a director. £38,600 (inc. VAT) was owed to the Group at 31 March 2004.
- c) Agency and management fees of £99,275 were charged by the Group during the year to Second Property Trading Ltd, a Company of which Benyamin Habib is a director. £70,928 (inc. VAT) was owed to the Group at 31 March 2004.

## FIRST PROPERTY GROUP PLC

- d) Management fees of £3,914 were charged by the Group during the year to Third Property Trading Ltd, a Company of which Benyamin Habib is a director. £4,320 (inc.V.A.T.) was owed to the Group at 31 March 2004.

### **29. Post balance sheet event**

On 7 July 2004 the Company announced that it had placed 18,125,000 new ordinary shares of 1p each at a placing price of 16 pence per share, thereby raising £2.9 million before expenses for the benefit of the company.

The placing is conditional on the shares being listed which is expected on 26 July 2004 and will increase the total number of shares in issue to 111,279,448. The new shares will rank pari passu in all respects, including the proposed final dividend, with the Company's existing ordinary shares.

# FIRST PROPERTY GROUP PLC

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of FIRST PROPERTY GROUP PLC will be held at the offices of Tavistock Communications Limited, 131 Finsbury Pavement, London, EC2A 1NT on 7 September 2004 at noon 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 2004.
2. To approve the final dividend of 0.10p per Ordinary Share.
3. To re-appoint Benyamin Habib as a Director.
4. 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.
5. To authorise the Directors to determine the remuneration of the Auditors.

### Special Business

To consider and, if thought fit, pass the following resolutions, each of which will be proposed as an Ordinary Resolution:

6. That the authorised share capital of the Company be hereby increased from £1,200,000 to £2,400,000 by the creation of 120,000,000 new ordinary shares of 1 pence each ranking pari passu in all respects with the existing ordinary shares.
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 £333,838, 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 resolution, 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

# FIRST PROPERTY GROUP PLC

- b) the allotment of equity securities (otherwise than pursuant to (a) above) up to an aggregate nominal amount of £222,558;

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.

Dated 16 July 2004

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.