



First Property Group plc

Interim Report

30 September 2006



Fprop Property Asset Manager

Property asset management
(UK and Central Europe)

Property underwriting and trading

Online sales of property

Property facilities management

“We aim to earn superior rates of return for our clients and shareholders by trading and investing in property using a rigorous selection process”

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Highlights

FINANCIAL HIGHLIGHTS

Assets under management grew 275% to £90 million (2005: £24 million)

Turnover increased 103% to £5,148,000 (2005: £2,537,000)

Profit on ordinary activities before goodwill amortisation and taxation grew 11% to £559,000 (2005: £505,000)

Income from asset management increased 180% to £375,000 (2005: £134,000)

Online activities continued to make progress with revenues increasing to £163,000 (2005: £142,000)

OPERATIONAL HIGHLIGHTS

The Group now manages €110 million (£74 million) of property in Central and Eastern Europe, representing 82% of the total portfolio

Portfolio is earning a pre-tax return on equity of 9% per annum from rent alone

Strong pipeline of a further €90 million (£61 million) of property under offer

Recently acquired facilities management and buildings services company, First Property Services, has secured a number of new contracts

Strategic shift to grow asset management division, reducing dependence on income from transaction underwriting and trading, is being successfully progressed

Chief Executive's Statement

I am pleased to report our interim results for the six month period to 30 September 2006.

Results and dividend

They show that the Group has made significant progress in its aim to grow its sustainable lines of revenue, most notably from the continued success of its asset management division where assets under management grew 275% to £90 million (2005: £24 million).

Turnover for the period was £5,148,000 (2005: £2,537,000), producing an increase of 11% in profit on ordinary activities before goodwill amortisation and taxation of £559,000 (2005: £505,000). Excluding First Property Services Ltd, in which we acquired a 60% interest in February 2006, turnover for the period was £3,575,000.

Earnings per share decreased by 5% from the same period last year and amounted to 0.36 pence (2005: 0.38 pence), largely as a result of an increase in the effective rate of tax payable by the Group, now that brought forward losses have been utilised.

The Directors have resolved to maintain the dividend policy established in previous years of only declaring a final dividend. Accordingly, there is no interim dividend.

Review of operations

Property asset management

The rate of growth of our asset management activities has accelerated with revenues



earned by this division increasing by 180% to £375,000 (2005: £134,000).

We now have £90 million (2005: £24 million) under management, an increase of 275%. Virtually half of this was acquired towards the end of the period under review and will therefore markedly improve the performance of this division in the second half of the year.

The greater part of our efforts continues to be on buying properties in Central and Eastern Europe rather than the UK. We now manage some €110 million (£74 million) of property in Central and Eastern Europe representing 82% of our portfolio. We have a further

€90 million (£61 million) under offer and going through our due diligence processes.

Our portfolio is earning its investors a pre-tax return on equity of some 9% per annum from rent alone, giving us confidence that the portfolio should produce significantly higher returns if and when capital gains are realised.

Given the healthy returns we are earning for our investors and the pipeline of properties under offer, I expect this division to continue its rapid growth.

Property transaction underwriting and trading

The property underwriting division made a better start to the year

Chief Executive's Statement (cont.)

I look forward to 2007/8 and beyond with confidence.

than we had anticipated. Turnover from this activity amounted to £3.04 million (2005: £2.2 million), producing a gross profit of £480,000 (2005: £605,000).

When I reported in June, I forecast that the profit earned from this activity would reduce, which it has. However, turnover for this division is equivalent to the value of properties sold and because the value of properties sold in the period exceeded the value of those sold last year, turnover is shown as increasing. This has no bearing on the underlying trend of this division, which remains one of lower profit.

We are working on reversing this trend but by virtue of the nature of this business it is difficult to predict.

First Property Services Ltd

First Property Services (FPS), which we acquired in February 2006, had a good first half, earning revenues of £1.57 million (2005: £ nil) and a pre-tax profit of £79,000 (2005: £ nil) during the period.

FPS is engaged in the provision of facilities maintenance and building services to clients in the commercial property sector.

I expect FPS to make a further contribution in the second half of the year.

Online Activities

Our online activities, particularly the online sales of properties, also had a good first half and earned revenues of £163,000 (2005: £142,000).



Current trading and prospects

As mentioned when we reported our annual results in June, we are experiencing major changes in our business as our assets under management grow and we become less dependent on underwriting and trading income. Shareholders will already have noticed this shift as evidenced by the changes in the source of our earnings.

Given the current level of assets under management, the rate of return these assets are earning for their owners and the number

of attractive properties we have under offer and are negotiating to acquire on behalf of our funds, I look forward to 2007/8 and beyond with confidence.

Ben Habib
Chief Executive

30 November 2006

Consolidated Profit and Loss Account

for the six months to 30 September 2006

| | | Six months to 30 Sept 2006 (unaudited) | Six months to 30 Sept 2005 (unaudited) Before Goodwill Amortisation | Six months to 30 Sept 2005 (unaudited) Total Results £'000 | Year to 31 March 2006 (audited) Total Results £'000 |
|--|-------|---|---|--|---|
| | Notes | Total Results £'000 | | | |
| Turnover | | | | | |
| – continuing operations | | 3,575 | 2,537 | 2,537 | 8,176 |
| – acquired operations | | 1,573 | – | – | 136 |
| Total turnover | 2 | 5,148 | 2,537 | 2,537 | 8,312 |
| Cost of sales | | | | | |
| – continuing operations | | (2,629) | (1,611) | (1,611) | (5,881) |
| – acquired operations | | (1,264) | – | – | (113) |
| Gross profit | | 1,255 | 926 | 926 | 2,318 |
| Net operating expenses | | (775) | (430) | (821) | (1,517) |
| Operating profit | | | | | |
| – continuing operations | | 480 | 496 | 105 | 801 |
| Total operating profit | | 480 | 496 | 105 | 801 |
| Income from fixed asset investments | | 46 | – | – | 2 |
| Share of associated companies' profits before tax | | 26 | 24 | 24 | 23 |
| Net interest payable | | 7 | (15) | (15) | (50) |
| Profit on ordinary activities before taxation | | | | | |
| | | 559 | 505 | 114 | 776 |
| Taxation on profit on ordinary activities | 3 | (133) | (78) | (78) | (236) |
| Profit on ordinary activities before minority interest | | | | | |
| | | 426 | 427 | 36 | 540 |
| Equity minority interest | | (28) | – | – | 20 |
| Profit for the period | | | | | |
| | | 398 | 427 | 36 | 560 |
| Earnings per Ordinary 1p share – basic before goodwill amortisation | | | | | |
| | 4 | 0.36p | 0.38p | – | 0.85p |
| Earning per Ordinary 1p share – basic after goodwill amortisation | | | | | |
| | 4,5 | 0.36p | – | 0.04p | 0.50p |
| Earnings per Ordinary 1p share – diluted before goodwill amortisation | | | | | |
| | 4 | 0.35p | 0.37p | – | 0.83p |
| Earnings per Ordinary 1p share – diluted after goodwill amortisation | | | | | |
| | 4,5 | 0.35p | – | 0.04p | 0.49p |

Consolidated Balance Sheet

as at 30 September 2006

| | Notes | As at 30 Sept 2006 (unaudited) £'000 | As at 30 Sept 2005 (unaudited) £'000 | As at 31 March 2006 (audited) £'000 |
|--|-------|--|--|---|
| Fixed assets | | | | |
| Intangible assets | | 25 | – | 16 |
| Tangible assets | | 152 | 22 | 220 |
| Investments – Share of associates net assets | | 259 | 124 | 230 |
| | | 436 | 146 | 466 |
| Current assets | | | | |
| Stocks – land and buildings | | 2,103 | 5,423 | 2,698 |
| Debtors | | 5,673 | 1,604 | 5,706 |
| Cash at bank and in hand | | 3,046 | 789 | 1,189 |
| | | 10,822 | 7,816 | 9,593 |
| Creditors: amounts falling due within one year | | (3,888) | (1,473) | (2,962) |
| Net current assets | | 6,934 | 6,343 | 6,631 |
| Total assets less current liabilities | | 7,370 | 6,489 | 7,097 |
| Creditors: amounts falling due after more than one year | | (194) | (78) | (92) |
| Net assets | | 7,176 | 6,411 | 7,005 |
| Capital and Reserves | | | | |
| Called up share capital | 6 | 1,116 | 1,116 | 1,116 |
| Share premium | 6 | 5,298 | 5,298 | 5,298 |
| Merger reserve | 6 | 5,823 | 5,823 | 5,823 |
| Foreign Exchange Translation Reserve | 6 | 11 | – | 70 |
| Profit and loss account | 6 | (5,072) | (5,826) | (5,302) |
| Equity shareholders' funds | | 7,176 | 6,411 | 7,005 |

Summarised Consolidated Cash Flow Statement

for the six months to 30 September 2006

| | Notes | Six months to 30 Sept 2006 (unaudited) £'000 | Six months to 30 Sept 2005 (unaudited) £'000 | Year to 31 March 2006 (audited) £'000 |
|---|-------|--|--|---|
| Net cash inflow/(outflow) from operating activities | 7 | 995 | (1,169) | (850) |
| Returns on investment and servicing of finance | | | | |
| Equity dividends paid | | (168) | (139) | (138) |
| Interest received | | 28 | 32 | 101 |
| Interest paid | | (21) | (47) | (151) |
| Net cash (outflow) from returns on investment and servicing of finance before taxation | | (161) | (154) | (188) |
| Taxation | | (47) | – | (1) |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | | (13) | (8) | (222) |
| Purchase of intangible fixed assets | | (9) | – | (16) |
| Sale of tangible fixed assets | | 44 | – | 7 |
| Purchase of fixed asset investments | | (30) | (1) | (111) |
| Sale of fixed asset investments | | 74 | – | – |
| Purchase of minority interest | | – | (336) | (336) |
| Net cash inflow/ (outflow) from capital expenditure and financial investment | | 66 | (345) | (679) |
| Cash inflow/(outflow) before management of liquid resources and financing | | 853 | (1,668) | (1,717) |
| Management of liquid resources | | | | |
| (Increase)/decrease in short term deposits | | (1,346) | 596 | 508 |
| Financing | | | | |
| Issue of Ordinary share capital | | – | – | – |
| Bank overdraft | | (3) | – | 3 |
| Finance Lease | | (60) | – | 145 |
| Loans received | | 1,067 | 1,003 | 1,304 |
| Loans repayments | | – | (134) | (134) |
| Net cash inflow/(outflow) from management of liquid resources and financing | | (342) | 1,465 | 1,826 |
| (Decrease)/increase in cash in period | | 511 | (203) | 109 |

Reconciliation of Net Cash Flow to Movement in Net (Debt)/Funds

| | Six months to 30 Sept 2006 (unaudited) £'000 | Six months to 30 Sept 2005 (unaudited) £'000 | Year to 31 March 2006 (audited) £'000 |
|--|--|--|---|
| Increase/(Decrease) in cash in period | 511 | (203) | 109 |
| Movement in short term deposits | 1,346 | (596) | (508) |
| Movement in finance leases | 60 | – | (145) |
| Movement in overdrafts | 3 | – | (3) |
| Movement in loans | (1,067) | (869) | (1,170) |
| Movement in net funds in period | 853 | (1,668) | (1,717) |
| Net funds at beginning of period | (263) | 1,454 | 1,454 |
| Net funds/(debt) at end of period | 590 | (214) | (263) |

Notes to the Consolidated Results

for the six months ended 30 September 2006

1. The interim accounts have been prepared on a basis which is consistent with the accounting policies adopted for the year ended 31 March 2006.
2. Turnover consists of revenue arising in the United Kingdom 58% (2005: 99%) and Central and Eastern Europe 42% (2005: 1%) and all relates solely to the Group's principal activities.
3. The tax charge is based on the effective rate that is expected to apply to the profits for the full year.
4. The basic earnings per Ordinary Share is calculated on the profit on ordinary activities after taxation on the weighted average number of Ordinary Shares in issue, during the period, of 111,601,115 (30 September 2005: 111,601,115 and 31 March 2006: 111,601,115). The diluted earnings per Ordinary Share is calculated on an adjusted profit on ordinary activities after taxation of £401,000 and an adjusted number of Ordinary shares in issue of 115,051,115.
5. The Group charged goodwill amortisation in the six months to 30 September 2006 of nil (2005: £391,000).
6. Capital and Reserves

| | Share capital | Share premium | Merger reserve | Foreign Exchange Translation Reserve | Profit and loss account |
|--|------------------|------------------|-------------------|---|-------------------------------|
| | £'000 | £'000 | £'000 | | £'000 |
| At 1 April 2006 | 1,116 | 5,298 | 5,823 | 70 | (5,302) |
| Profit/(Loss) for the period | - | - | - | - | 398 |
| Movement on Foreign Exchange Translation Reserve | - | - | - | (59) | - |
| Dividends Paid | - | - | - | - | (168) |
| At 30 Sept 2006 | 1,116 | 5,298 | 5,823 | 11 | (5,072) |



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

| | Six months to 30 Sept 2006 (unaudited) £'000 | Six months to 30 Sept 2005 (unaudited) £'000 | Year to 31 March 2006 (audited) £'000 |
|--|--|--|---|
| Operating profit | 480 | 105 | 801 |
| Depreciation and profit/loss on disposal of fixed assets | 34 | 7 | 18 |
| Amortisation of goodwill | – | 391 | 391 |
| Movement in foreign exchange translation reserve | (59) | – | 70 |
| Decrease/ (increase) in stocks | 595 | (1,422) | 1,303 |
| Decrease/ (increase) in debtors | 14 | (303) | (4,153) |
| (Decrease)/ increase in creditors | (69) | 53 | 720 |
| Net cash inflow/(outflow) from operating activities | 995 | (1,169) | (850) |

8. The financial information contained in this interim report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. This information has been neither audited nor reviewed within the meaning of APB Bulletin 1999/4 by the Company's auditors. The financial statements for the year ended 31 March 2006, incorporating an unqualified report of the auditors, have been filed with the Registrar of Companies.
9. The interim results are being circulated to all shareholders. Further copies can be obtained from the registered office at 17 Quayside Lodge, William Morris Way, London SW6 2UZ

Directors and Advisers

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

Registered Auditors

HW, Chartered Accountants
Sterling House
19-23 High Street
Kidlington
Oxford OX5 2DH

Registrars

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

Bankers

Butterfield Private Bank
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

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



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First Property Group plc

17 Quayside Lodge William Morris Way London SW6 2UZ
Tel: 020 7731 2844 Fax: 020 7731 8644 www.fprop.com

