

# Fletcher King Plc

*Interim Report 2007*

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These consolidated interim financial statements were approved by the Board of Directors on 12 December 2007.

## **CHAIRMAN'S STATEMENT**

The Group performed well compared with the same period last year with profits before tax of £470,000 (2006 £308,000) on a turnover of £3.598m (2006 £3.4m). Earnings per share are 3.46p (2006 2.2p). Your Directors have declared an increased interim dividend of 1.25p (2006 1.0p) to be paid on 18 January 2008 to shareholders on the register at close of business on 4 January 2008.

### **The Commercial Property Market**

The commercial property investment market continued to perform strongly for the first three months of the period at the end of which it moved sharply downwards in reaction to the American sub prime mortgage crisis and the subsequent banking liquidity problems. At the time of writing there is virtually no institutional commercial property investment market.

The Central London office markets have been, and remain, relatively resilient although we are of the opinion that the market peaked in early Summer and the knock-on effect of the turmoil in financial markets is beginning to impact rental growth.

Elsewhere in both the industrial and retail markets we are still seeing rental growth. The jury is out on whether contagion from financial markets will impact on the economy generally and thus rental values.

There is little institutional investment in the market and the debt financed buyers have also substantially withdrawn as a result of their inability to gear. With falling five year SWAP rates, returns on equity for those that can borrow are beginning to look attractive.

## **DIVISIONAL TRADING**

### **Investment Fund Management**

A significant volume of business was transacted during the period although volumes have fallen sharply since August.

Our latest SHIPS Fund, to which I referred in my last annual report, is holding the equity it raised on deposit awaiting attractive buying opportunities which we believe will present themselves during the second half of 2008 calendar year.

### **Asset Management**

Two new management contracts were won during the period and the department met its budgets for the half year. We continue to implement further operational efficiencies.

### **Valuation and Rating**

The department enjoyed a good first half and the volume of valuation instructions continues at undiminished levels despite general market conditions.

We completed a number of large rating assignments during the period which resulted in significant savings for our clients.

We still have a large number of unresolved appeals and can see a further eighteen months of work before the 2005 Rating List is cleared and the new List is published.

### **Rent Reviews**

The department concluded a number of significant reviews and lease renewals during the period and is currently on target for the remainder of the year.

## **Fletcher King Howard**

The division had a busy first half but the outlook for the remainder of the year is less clear as orders begin to slow, or projects are put on hold, as a result of the “credit crunch”.

### **OUTLOOK**

The future is uncertain and much depends, for us, on the investment market and the timing of when purchasers consider values have stabilised and the moment has come to re-enter the market.

At this stage in the cycle there are substantial differences between this downturn and previous ones. The most significant being that interest rates remain low, as does inflation, and the economy is currently relatively strong. Also there is not the chronic over supply of space that existed in downturns of the 1970’s and late 1980’s

There is currently a disconnect between property valuations and market conditions. Until the valuers reflect more closely the market and substantially down value portfolios, levels of activity will not be re-established.

We would expect to re-enter the market for our in-house funds during the second half of 2008.

In view of the continuing uncertainties in the market, the Board has reviewed the Company’s prospects for the second half and consider that the results for the full year will fall materially short of those achieved last year and this is likely to be reflected in the final dividend.

**DJR FLETCHER**  
**Chairman**  
**18 December 2007**

Registered office:  
61 Conduit Street  
London W1S 2GB

*Consolidated Interim Income Statement*  
*(unaudited) for the 6 months ended 31 October 2007*

	<b>6 months ended 31 October 2007 £000</b>	6 months ended 31 October 2006 £000	Year ended 30 April 2007 £000
<b>Revenue</b>	<b>3,598</b>	3,449	7,438
Employee benefits expense	<b>(2,255)</b>	(2,096)	(4,602)
Depreciation expense	<b>(37)</b>	(38)	(114)
Other operating expenses	<b>( 903)</b>	(1,051)	(1,951)
<b>Operating profit</b>	<b>403</b>	264	771
Profit on disposal of non-current assets held for sale	—	—	132
Income from investments	<b>13</b>	7	18
Finance income	<b>54</b>	37	106
Finance expense	—	—	—
<b>Profit before taxation</b>	<b>470</b>	308	1,027
Taxation	<b>(151)</b>	(105)	(351)
<b>Profit for the period after taxation attributable to equity shareholders</b>	<b>319</b>	203	676
Basic earnings per share (note 2)	<b>3.46p</b>	2.20p	7.34p
Diluted earnings per share (note 2)	<b>3.46p</b>	2.20p	7.33p
<b>Equity dividends on ordinary shares:</b>			
<b>Declared and paid during period</b>			
Ordinary final dividend for the year ended 30 April 2007:			
3.75p per share (2006: 2.5p)	<b>345</b>	230	230
Interim dividend for the six months ended 31 October 2006 (see below)	—	—	92
	<b>345</b>	230	322
<b>Proposed but not yet paid</b>			
Interim dividend for the six months ended 31 October 2007:			
1.25p per share (2006: 1.0p)	<b>115</b>	92	—
Ordinary final dividend for 2007 (see above)	—	—	345
	<b>115</b>	92	345

*Consolidated Interim Balance Sheet*  
*(unaudited) as at 31 October 2007*

	<b>31 October</b>	31 October	30 April
	<b>2007</b>	2006	2007
	<b>£000</b>	£000	£000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	379	138	125
Available for sale investments	846	553	897
	<b>1,225</b>	691	1,022
<b>Current assets</b>			
Trade and other receivables	1,434	1,668	1,600
Amounts recoverable on contracts	209	190	222
Cash and cash equivalents	2,255	1,844	2,990
	<b>3,898</b>	3,702	4,812
Non-current assets classified as held for sale	—	393	—
<b>Total assets</b>	<b>5,123</b>	4,786	5,834
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	773	489	395
Current taxation liabilities	134	102	187
Other creditors and provisions	637	869	1,605
	<b>1,544</b>	1,460	2,187
<b>Non-current liabilities</b>			
Deferred taxation liabilities	—	121	94
<b>Total liabilities</b>	<b>1,544</b>	1,581	2,281
<b>Shareholders' equity</b>			
Share capital	921	921	921
Share premium	140	140	140
Reserves	2,518	2,144	2,492
<b>Total shareholders' equity</b>	<b>3,579</b>	3,205	3,553
<b>Total equity and liabilities</b>	<b>5,123</b>	4,786	5,834

*Consolidated Interim Statement of Changes in Equity  
(unaudited) for the 6 months ended 31 October 2007*

	Share capital £000	Share premium £000	Profit and loss £000	Fair Value reserve £000	Total reserves £000	TOTAL EQUITY £000
<b>Balance at 1 May 2007</b>	<b>921</b>	<b>140</b>	<b>2,216</b>	<b>276</b>	<b>2,492</b>	<b>3,553</b>
Net profit for the period	—	—	319	—	319	319
Fair value gain on investments	—	—	—	75	75	75
Deferred taxation adjustment	—	—	—	(23)	(23)	(23)
Total income and expense for the period	—	—	319	52	371	371
Equity dividends paid	—	—	(345)	—	(345)	(345)
<b>Balance at 31 October 2007</b>	<b>921</b>	<b>140</b>	<b>2,190</b>	<b>328</b>	<b>2,518</b>	<b>3,579</b>
<b>Balance at 1 May 2006</b>	921	140	1,862	340	2,202	3,263
Net profit for the period	—	—	203	—	203	203
Fair value loss on investments	—	—	—	(44)	(44)	(44)
Deferred taxation adjustment	—	—	—	13	13	13
Total income and expense for the period	—	—	203	(31)	172	172
Equity dividends paid	—	—	(230)	—	(230)	(230)
<b>Balance at 31 October 2006</b>	921	140	1,835	309	2,144	3,205
<b>Balance at 1 May 2006</b>	921	140	1,862	340	2,202	3,263
Net profit for the period	—	—	676	—	676	676
Transfer of realised gains on disposal	—	—	—	(142)	(142)	(142)
Deferred taxation adjustment	—	—	—	43	43	43
Fair value gain on investments	—	—	—	50	50	50
Deferred taxation adjustment	—	—	—	(15)	(15)	(15)
Total income and expense for the period	—	—	676	(64)	612	612
Equity dividends paid	—	—	(322)	—	(322)	(322)
<b>Balance at 30 April 2007</b>	<b>921</b>	<b>140</b>	<b>2,216</b>	<b>276</b>	<b>2,492</b>	<b>3,553</b>

*Consolidated Interim Cash Flow Statement  
(unaudited) for the 6 months ended 31 October 2007*

	<b>6 months ended 31 October 2007 £000</b>	6 months ended 31 October 2006 £000	Year ended 30 April 2007 £000
<b>Cash flows from operating activities</b>			
Profit before taxation	470	308	1,027
Adjustments for:			
Depreciation expense	37	38	114
Profit on disposal of non-current assets held for sale	—	—	(132)
Income from fixed asset investments	(13)	(7)	(18)
Finance income	(54)	(37)	(106)
Finance expense	—	—	—
<b>Cash flows from operating activities before movement in working capital</b>	<b>440</b>	<b>302</b>	<b>885</b>
Decrease / (increase) in trade and other receivables	166	(183)	(115)
(Decrease) / increase in trade and other payables	(590)	(86)	556
Decrease / (increase) in work in progress	13	11	(20)
<b>Cash (absorbed by) / generated from operations</b>	<b>29</b>	<b>44</b>	<b>1,306</b>
Taxation paid	(200)	(125)	(299)
<b>Net cash flows from operating activities</b>	<b>(171)</b>	<b>(81)</b>	<b>1,007</b>
<b>Cash flows from investing activities</b>			
Purchases of equipment	(302)	(32)	(95)
Proceeds from sale of equipment	16	—	—
Purchases of investments	—	—	(250)
Sales of investments	—	—	383
Finance income	54	37	106
Income from investments	13	7	18
<b>Net cash flows from investing activities</b>	<b>(219)</b>	<b>12</b>	<b>162</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	(345)	(230)	(322)
<b>Net cash flows from financing activities</b>	<b>(345)</b>	<b>(230)</b>	<b>(322)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(735)</b>	<b>(299)</b>	<b>847</b>
Cash and cash equivalents at start of period	2,990	2,143	2,143
<b>Cash and cash equivalents at end of period</b>	<b>2,255</b>	<b>1,844</b>	<b>2,990</b>

### **1. Basis of preparation**

These consolidated interim financial statements, which are neither audited nor reviewed, comprise the unaudited results for the six months ended 31 October 2007 and 31 October 2006, together with the audited results for the twelve months ended 30 April 2007, and have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets.

The Group has prepared these consolidated interim financial statements using the principal accounting policies set out in note 2 of the 2007 Annual Report and Accounts.

The Group has chosen not to adopt IAS 34 in preparing these consolidated interim financial statements.

### **2. Earnings per share**

Basic earnings per share is calculated by reference to the result attributable to equity shareholders of £319,000 (2006: £203,000) and the weighted average of 9,209,779 shares (2006: 9,209,779) in issue during the period.

Diluted earnings per share is calculated by reference to the result attributable to equity shareholders of £319,000 (2006: £203,000) and the adjusted weighted average of 9,221,475 shares (2006: 9,220,196) in issue during the period.

### **3. Results for 2007**

The results for the year ended 30 April 2007 and the balance sheet at that date, which have been included in these interim consolidated financial statements, are not statutory accounts. The Group's statutory financial statements for the year ended 30 April 2007 have been delivered to the Registrar of Companies. The independent auditors' report on those financial statements is unqualified and does not contain a statement under Section 237(2) or (3) of the Companies Act 1985.