

Fletcher King Plc

Interim Report 2008

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These consolidated interim financial statements were approved by the Board of Directors on 22 December 2008.

CHAIRMAN'S STATEMENT

Results

Turnover for the period was £2.255m (£2007: £3.598m) with profit before tax and an exceptional item of £142,000 (2007: £470,000). The exceptional item, which is detailed in the accounts below, amounted to £68,000 and represents the costs associated with the Company's move from the main market to AIM. Profit before tax and after exceptional items was £74,000. Earnings per share are 0.42p (2007: 3.46p). Given the current economic climate your Directors have not declared an interim dividend. We will review our dividend policy in the light of our performance in the second half of the financial year but currently we would anticipate a dividend payment at the year end.

The Commercial Property Market

Conditions in the UK Commercial Property Market continue to be extremely difficult with significant falls in capital values. As the recession begins to bite, and the problems in the financial markets remain unsolved, rental values are generally falling.

For the last few months there has been virtually no active property investment market. It is widely believed that values will fall further in the coming months as hard pressed owners of investment property are forced to put stock on the market to make redemptions, or pay down debt, to meet loan to value covenants.

Fund Management and Investment

As predicted, our transaction business has been significantly lower this half and is likely to remain so in the foreseeable future. We are involved in a number of potentially interesting transactions and, under normal circumstances, would expect to close on a percentage of them, but in this market it is impossible to predict, with any certainty, the likely outcome.

The non transactional side of our Fund Management activities continues to be buoyant and we still hold all of the latest SHIPS Fund in cash. We think it likely that the market will reach bottom some time during 2009 and if that happens, we will invest some or all of that money during the period.

Asset Management

The department has been busy during the first half and has achieved increased levels of business and new instructions from two of its clients. We have been working hard on

maintaining income flow from the managed portfolios and have concluded a number of added value initiatives during the period. Despite the difficult economic conditions we have maintained our high rent collection rates and have very low arrears of rent and service charge. Where lease renewals are occurring, negotiations are being instigated at an early stage and all measures taken to encourage tenants to renew.

Valuation and Rating

The volume of valuation instructions has remained reasonably constant although fees have come under some pressure. We are carrying out revaluations on existing loans but there is also some new lending.

During the period we have been appointed to the Lloyds TSB Valuation Panel.

The Valuation Office Agency has been devoting a significant part of their resource to compiling the 2010 Rating Lists and in consequence the number of appeal settlements has diminished. However the department has achieved significant savings for a number of clients. We still have over 150 Appeals outstanding on the 2005 Rating List which represents approximately 18 months work, after which appeals on the new list will start.

Landlord and Tenant

As reported in my statement at the end of last year we disbanded the Landlord & Tenant department and have been doing this work through the Asset Management department and local agents. I am pleased to report that, as a result, this activity is showing a small net profit.

Fletcher King Howard

As we announced on 22nd December 2008 we have sold Fletcher King Howard (“FKH”) to its management for a nominal sum. The inter-company loan of approximately £190,000 owed by FKH to the Parent Company as at 31 October 2008 (which stood at approximately £180,000 at 22 December 2008) will be repaid under the terms of the disposal as soon as possible.

The business was being severely impacted by the recession, with its clients generally deferring or cancelling capital expenditure and the Board saw no likelihood of FKH returning to profit in its current form in the foreseeable future and only that it would be an unacceptable drain on resources.

The results of FKH for the period are shown in the attached Segmental Analysis under Construction Services.

Outlook

We began adjusting our overhead nine months ago and substantial savings have been made. We are now at the right size for our anticipated turnover and it is encouraging that significant parts of our business namely fund management, asset management and rating are relatively unaffected by economic conditions.

Our current budgets show that the company will continue to be profitable, albeit at significantly lower levels than we have seen in the last few years. Our balance sheet is strong and we remain cash positive.

The quality of our team is excellent and they are hugely motivated. We are pursuing initiatives to increase volume in all sectors of our business.

We do not expect any significant liquidity to return to the debt market until at least 2010 and therefore property transactions concluded during the next calendar year are more likely to be in cash. We currently predict that the investment market will bottom out during 2009 although it will not show any significant bounce for at least a year or two after that. However, we feel that properties purchased during 2009 will be seen as good purchases when looking back in the medium term.

DJR FLETCHER
Chairman
23 December 2008

Registered office:
61 Conduit Street
London W1S 2GB

Consolidated Interim Income Statement
(unaudited) for the 6 months ended 31 October 2008

	6 months ended 31 October 2008 £000	6 months ended 31 October 2007 £000	Year ended 30 April 2008 £000
Revenue	2,255	3,598	6,410
Employee benefits expense	(1,355)	(2,255)	(3,796)
Depreciation expense	(45)	(37)	(79)
Exceptional costs on transfer to AIM	(68)	—	—
Other operating expenses	(783)	(903)	(2,115)
Operating profit	4	403	420
Analysed as:			
Operating profit before exceptional costs	72	403	420
Exceptional costs on transfer to AIM	(68)	—	—
Operating profit	4	403	420
Profit on disposal of available-for-sale investments	—	—	236
Impairment of available-for-sale investments	—	—	(71)
Income from investments	9	13	37
Finance income	61	54	137
Profit before taxation	74	470	759
Taxation	(35)	(151)	(209)
Profit for the period after taxation attributable to equity shareholders	39	319	550
Earnings per share			
Basic earnings per share (note 4)	0.42p	3.46p	5.97p
Diluted earnings per share (note 4)	0.42p	3.46p	5.96p
Dividends per share			
Interim dividend proposed	—	1.25p	—
Dividends paid	1.75p	3.75p	5.00p

Consolidated Interim Balance Sheet
(unaudited) as at 31 October 2008

	31 October	31 October	30 April
	2008	2007	2008
	£000	£000	£000
Assets			
Non-current assets			
Property, plant and equipment	429	379	457
Available for sale investments	428	846	428
Deferred tax assets	46	—	58
	903	1,225	943
Current assets			
Trade and other receivables	1,579	1,434	1,462
Amounts recoverable on contracts	194	209	154
Cash and cash equivalents	1,913	2,255	2,773
	3,686	3,898	4,389
Total assets	4,589	5,123	5,332
Liabilities			
Current liabilities			
Trade and other payables	571	773	508
Current taxation liabilities	23	134	132
Other creditors and provisions	750	637	1,325
Total liabilities	1,344	1,544	1,965
Shareholders' equity			
Share capital	921	921	921
Share premium	140	140	140
Reserves	2,184	2,518	2,306
Total shareholders' equity	3,245	3,579	3,367
Total equity and liabilities	4,589	5,123	5,332

*Consolidated Interim Statement of Changes in Equity
(unaudited) for the 6 months ended 31 October 2008*

	Share capital £000	Share premium £000	Profit and loss £000	Fair Value reserve £000	Total reserves £000	TOTAL EQUITY £000
Balance at 1 May 2008	921	140	2,306	—	2,306	3,367
Net profit for the period	—	—	39	—	39	39
Fair value gain on investments	—	—	—	—	—	—
Deferred taxation adjustment	—	—	—	—	—	—
Total income and expense for the period	—	—	39	—	39	39
Equity dividends paid	—	—	(161)	—	(161)	(161)
Balance at 31 October 2008	921	140	2,184	—	2,184	3,245
Balance at 1 May 2007	921	140	2,216	276	2492	3,553
Net profit for the period	—	—	319	—	319	319
Fair value loss 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)
Balance at 31 October 2007	921	140	2,190	328	2,518	3,579
Balance at 1 May 2007	921	140	2,216	276	2,492	3,553
Net profit for the period	—	—	550	—	550	550
Transfer of realised gains on disposal	—	—	—	(342)	(342)	(342)
Deferred taxation adjustment	—	—	—	102	102	102
Fair value loss on investments	—	—	—	(52)	(52)	(52)
Deferred taxation adjustment	—	—	—	16	16	16
Total income and expense for the period	—	—	550	(276)	274	274
Equity dividends paid	—	—	(460)	—	(460)	(460)
Balance at 30 April 2008	921	140	2,306	—	2,306	3,367

Consolidated Interim Cash Flow Statement
(unaudited) for the 6 months ended 31 October 2008

	6 months ended 31 October 2008 £000	6 months ended 31 October 2007 £000	Year ended 30 April 2008 £000
Cash flows from operating activities			
Profit before taxation	74	470	759
Adjustments for:			
Depreciation expense	45	37	79
Profit on disposal of available-for-sale investments	—	—	(236)
Impairment of available-for-sale investments	—	—	71
Income from investments	(9)	(13)	(37)
Finance income	(61)	(54)	(137)
Finance expense	—	—	—
Cash flows from operating activities before movement in working capital	49	440	499
(Increase) / decrease in trade and other receivables	(117)	166	138
Increase / (decrease) in trade and other payables	(512)	(590)	(167)
Decrease / (increase) in work in progress	(40)	13	68
Cash (absorbed by) / generated from operations	(620)	29	538
Taxation paid	(132)	(200)	(296)
Net cash flows from operating activities	(752)	(171)	242
Cash flows from investing activities			
Purchases of equipment	(17)	(302)	(427)
Proceeds from sale of equipment	—	16	16
Sales of investments	—	—	238
Finance income	61	54	137
Income from investments	9	13	37
Net cash flows from investing activities	53	(219)	1
Cash flows from financing activities			
Dividends paid to shareholders	(161)	(345)	(460)
Net (decrease) / increase in cash and cash equivalents	(860)	(735)	(217)
Cash and cash equivalents at start of period	2,773	2,990	2,990
Cash and cash equivalents at end of period	1,913	2,255	2,773

1. General information

The Company is a public limited company incorporated and domiciled in England and Wales. The address of its registered office is 61 Conduit Street, London W1S 2GB.

The interim financial statements were approved by the Board on 22 December 2008

2. Basis of preparation

These consolidated half year financial statements have not been audited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The comparative figures for the financial year ended 30 April 2008 are not the statutory accounts for the financial year but are abridged from those accounts prepared under IFRS which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include references to any matter to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

3. Accounting policies

These consolidated half year financial statements have been prepared in accordance with the Group's accounting policies as set out in the Group's latest annual financial statements for the year ended 30 April 2008 and are in compliance with IAS 34 "Interim Financial Reporting". These accounting policies are drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Items of income and expense that are material by size and/or nature and are non-recurring are classified as exceptional items on the face of the income statement. The separate reporting of these items helps give an indication of the Group's underlying performance.

4. Earnings per share

Basic earnings per share is calculated by reference to the result attributable to equity shareholders of £39,000 (2007: £319,000) and the weighted average of 9,209,779 shares (2007: 9,209,779) in issue during the period.

Diluted earnings per share is calculated by reference to the result attributable to equity shareholders of £39,000 (2007: £319,000) and the adjusted weighted average of 9,221,475 shares (2007: 9,221,475) in issue during the period.

5. Segmental Analysis

6 Months ended 31 October 2008	General services £000	Construction Services £000	Unallocated £000	Total £000
Revenue				
Sales to external customers	1,632	623	—	2,255
Revenue from inter-segmental transactions	—	20	(20)	—
Total revenue	1,632	643	(20)	2,255
Operating profit / (loss)	295	(163)	(128)	4
Income from investments	9	—	—	9
Finance income	37	1	23	61
Profit / (loss) before taxation	341	(162)	(105)	4
Taxation	(35)	—	—	(35)
Profit / (loss) for the year after taxation	306	(162)	(105)	39

6 Months ended 31 October 2007	General services £000	Construction Services £000	Unallocated £000	Total £000
Revenue				
Sales to external customers	2,580	1,018	—	3,598
Revenue from inter-segmental transactions	—	27	(27)	—
Total revenue	2,580	1,045	(27)	3,598
Operating profit / (loss)	467	(2)	(62)	403
Income from investments	13	—	—	13
Finance income	29	1	24	54
Profit / (loss) before taxation	509	(1)	(38)	470
Taxation	(150)	—	(1)	151
Profit / (loss) for the year after taxation	359	(1)	(39)	319

5. Segmental Analysis

(continued)

Year ended 30 April 2008	General services £000	Construction Services £000	Unallocated £000	Total £000
Revenue				
Sales to external customers	4,578	1,832	—	6,410
Revenue from inter-segmental transactions	—	49	(49)	—
Total revenue	<u>4,578</u>	<u>1,881</u>	<u>(49)</u>	<u>6,410</u>
Operating profit / (loss)	579	(22)	(137)	420
Profit on sale of available-for-sale investments	236	—	—	236
Impairments of available-for-sale investments	(71)	—	—	(71)
Income from investments	37	—	—	37
Finance income	91	4	42	137
Profit / (loss) before taxation	<u>872</u>	<u>(18)</u>	<u>(95)</u>	<u>759</u>
Taxation	(206)	(3)	—	(209)
Profit / (loss) for the year after taxation	<u>666</u>	<u>(21)</u>	<u>(95)</u>	<u>550</u>