



Quarterly Report

for the nine months ended 31 December 2003



Workspace Group

Highlights

Quarterly Results for the nine months ended 31 December 2003

- Pre-tax profits on trading operations up 14% to £10.26 million (2002: £9.0 million).
- Pre-tax profits up 46.7% to £10.97 million (2002: £7.48 million).
- Turnover £13.21 million for the quarter, up by 16.4%, and for the nine month period £37.23 million, up by 13.8%.
- Overall occupancy stable at 83%; excluding developments, occupancy 87%.
- Basic earnings per share on trading operations 44.7p, up 12.9% (31 December 2002: 39.6p).
- Basic earnings per share 47.8p, up 44.4% (31 December 2002: 33.1p).
- Net Asset Value per share at 31 December 2003 £16.25, up 13.6% over the twelve months, (31 December 2002: £14.31).
- Two acquisitions, value £16.7 million, in the quarter and disposal of Kingsland Viaduct and Union Walk for £8.25 million. Other acquisitions and disposals targeted in the fourth quarter.

Operating and Financial Review

Chairman's Statement

These are good third quarter results against a subdued market background throughout 2003. Trading profits for the nine months are up 14% on the same period last year, basic trading earnings per share are up 12.9% and net asset value per share is up 13.6%.

We are already the market leader in the provision of space to SMEs in London and the South East – and plan to strengthen this position through our target of a further £60 million acquisitions in 2004.

It is only a few weeks until the financial year end and the Group is confident of reporting a year of continued growth in both earnings and net assets per share. At the same time, with the benefit of our new investments, the completion of refurbishment schemes, and with improvements in the economy, our platform for growth in future years looks promising.

Following the Chancellor's pre-budget statement last November there has been much speculation on the opportunity that the introduction of REITs presents to the property sector. We look forward to the further guidance promised in the forthcoming budget.

Chief Executive's Statement

Overall, occupancy has remained stable in the quarter at 83%. On a like for like basis, excluding development sites and new acquisitions, occupancy was 87% at 31 December 2003. Given the challenging economic background over recent periods these are good occupancy levels demonstrating the robustness of both the SME sector in general, and our business model in particular. With a strengthening economy and through the re-letting of space currently being refurbished, we expect occupancy levels to improve, albeit slowly, towards 90% by the Spring of 2005. Each 1% improvement in occupancy should give rise to almost £0.4 million p.a. extra income.

Average rents have also remained broadly stable throughout the period and are now £8.36 per sq. ft. These are affordable rent levels for our small and medium sized business customers in the Greater London area. We anticipate that significant improvements in average rents will arise again once like for like occupancy levels regain the 90% level, which is unlikely to be before 2005/06.

The total rent roll now stands at £36.8 million. This is some 2.5% up on the rent roll at the start of this year, but £0.2 million down on the figure at the end of the last quarter. Acquisitions, net of disposals, contributed an increase of £0.26 million in the quarter. Against this, reductions in the rent roll, mainly at estates where we are targeting disposals (Hooley Lane, Thurston Road, Wharf Road) or where refurbishment schemes are in progress or planned (Barley Mow, Enterprise House, Europa, Quality Court and Clerkenwell), totalled £0.46 million. The market value of the vacant space (assuming letting to a 90% occupancy level) on refurbishment projects totals £2.4 million which provides ample scope for growth in rents going forward in future periods.

Operating and Financial Review

continued

Portfolio

The table below shows the main details of acquisitions and disposals during the quarter:

Name of Property	Description	Acquisition/ Disposal Price	Initial Annual Income	Market Rent at 31/12/03
Acquisitions:				
Atlas Business Centre, Staples Corner, London NW2	Office and industrial estate, comprising 115 units in 153,800 sq. ft.	£12.65m	£1.14m	£1.32m
National Works, Hounslow	Modern industrial estate, comprising 40 units in 48,000 sq. ft.	£4.00m	£0.32m	£0.39m
Disposals:				
Kingsland Viaduct	Railway Arches	} £8.25m	£1.2m	
Union Walk	Railway Arches		(before ground rent)	

Both of the acquisitions had been monitored for a long time. The Atlas Business Centre is located well at Staples Corner, London NW2, and complements the Group's other estates along the North Circular Road; both to the West (Acton Business Centre, Park Royal) and to the East (Bounds Green, Haringey). National Works is in Hounslow, a part of London in which the Group has been keen to increase its representation for some time. The two acquisitions give a combined initial income yield of 8.77%, with an underlying capital value of £83 per sq. ft. The Group is confident that it will be able to improve the performance at these estates by the application of its marketing and management methods.

Since the quarter end the Group has acquired Linton House for £8.5 million. Again, this shows a good initial income yield, of 9%, and is located in a part of Southwark that the Group knows well.

The disposal of the Group's leasehold interests in Kingsland Viaduct and Union Walk to London Underground has paved the way for the proposed East London Line Extension. The Group acquired the leasehold interests in this mile long length of railway arches in 1996 and has undertaken an extensive programme to refurbish a number of arches, which in turn has encouraged a wider programme of urban regeneration in the area.

We anticipate announcing further acquisitions and disposals before the year end.

Progress continues to be made on the Group's refurbishment schemes. Works at Europa House are complete with 12 lettings in place. Quality Court was completed in November 2003 and is now 20% let, and a further 8,500 sq. ft. is now available at Enterprise House. Work at the Leathermarket and Barley Mow will be complete in the Spring with the space available for letting in the next financial year. Phase 2 of the works at Enterprise House, together with the refurbishment of Clerkenwell Workshops are programmed for 2004/05.

Operating and Financial Review

continued

The portfolio statistics, and progress through the year to date, may be summarised as follows:

	31 December 2003	30 September 2003	30 June 2003	31 March 2003
Number of estates	101	101	92	92
Total floorspace at end of period (sq. ft.)	5,277,250	5,363,701	5,103,237	5,104,519
of which:				
Like for like portfolio (sq. ft.)	4,294,051	4,298,980	4,324,984	4,326,717
Net Acquisitions/(Disposals) (sq. ft.)	461,245	542,226	269,529	269,529
Three Mills and developments (sq. ft.)	521,954	522,495	508,724	508,273
Lettable units (number)	4,502	4,454	4,228	4,190
Annual rent roll of occupied units (£)	36,757,994	37,002,573	35,429,332	35,906,404
Average rent (£/sq. ft.)	8.40	8.28	8.37	8.21
Average rent of like-for-like portfolio (£/sq. ft.)	8.36	8.30	8.44	8.32
Occupancy overall	82.9%	83.3%	83.0%	85.7%
Occupancy of like-for-like portfolio	87.0%	88.0%	87.9%	90.0%

Comparisons of overall occupancy and rent roll are distorted by acquisitions, disposals and transfers. The “like-for-like portfolio” is defined as those properties, excluding Three Mills (which due to the short term nature of lettings of studio space has a volatile occupancy rate which can obscure overall patterns), that have been held throughout the year to date and which are not subject to refurbishment/redevelopment programmes.

Financial Review

Earnings growth at 14% continues to be good, despite the reduction in occupancy during the year. This growth has been assisted by the contribution from acquisitions both in the current year and through the full year effect of prior year acquisitions. Further assistance was obtained from the £0.4 million settlement of compensation claims on the disposal of Kingsland Viaduct which was the subject of a Compulsory Purchase Order.

Growth in earnings on trading operations is likely to be slower next year as the impact of the reduction in occupancy is absorbed and repaired through the re-letting of space in what appears now to be a more confident customer marketplace. Headline or basic earnings are expected however to benefit from targeted disposals.

Once again the Group has disposed of investment property, at a profit of £0.7 million, continuing the uninterrupted pattern over 6 years of disposals. Acquisitions during the year to date have averaged a capital cost of £121 per square foot and the portfolio at 31 December 2003 averaged £109 per square foot, both of which are low values particularly given investment interest of late.

In the Balance Sheet properties held for sale have increased during the year following the agreement of terms for the disposal of the Group’s interests at Payne Road, land at Canalot Studios and Thurston Road.

Net cash inflow from operating activities was £23.02 million (2002: £20.16 million). Following a net capital expenditure outflow of £59.08 million (2002: £48.79 million) and financing inflows of £50.72 million (2002: £42.48 million) the net cash outflow for the period was £0.66 million (2002: £2.35 million inflow). Net debt at the end of the period was £295.4 million (31 December 2002: £220.0 million, 31 March 2003: £242.4 million) taking the Group’s gearing to 111%. Of the Group’s debt at 31 December, 61% was either fixed or the subject of hedging arrangements. The average cost of funds (based on 31 December LIBOR rates) was 5.71%. Interest cover over the period was 1.97 times. With cover at this level the Group is comfortably able to service its debts. At the period end

Operating and Financial Review

continued

the Group had committed but undrawn loan facilities of £29.0 million, sufficient to cover its immediate investment plans, together with uncharged assets available to collateralise future borrowings.

Key financial statistics and indicators may be summarised as follows:

	9 Months to 31/12/2003	6 Months to 30/09/2003	Year to 31/03/2003	9 Months to 31/12/2002
Gross profit: turnover	73%	72%	71%	71%
Operating profit: turnover	58%	58%	57%	57%
PBT: turnover	29%	28%	30%	23%
EPS per share (pence)	47.8	28.9	64.3	33.1
NAV per share (£)	16.25	16.15	15.10	14.31
Interest cover	1.97	1.90	*2.18	*1.98
Trading interest cover	1.91	1.90	*1.97	*1.95
Gearing	111%	108%	98%	94%
Available facilities (£m)	29.0	30.0	75.0	45.0

* Excludes non cash refinancing costs in 2002/3 (none in 2003/4).

Taxation

Tax has been provided at the rate of 30% (2002/3: 30%) being the estimated rate of tax on ordinary activities for the year as a whole. It should be noted that the full year tax charge on total profits on ordinary activities will be affected by the timing and extent of disposals.

Prospects

There are signs of improved business confidence in our customer base and enquiries are buoyant. This, together with the anticipated letting of recently refurbished space, gives us confidence that occupancy levels should start to improve in the next financial year fuelling rental income growth.

Investment sentiment for our sector remains good, yielding the prospect of further good capital growth in our asset values.

Consolidated Profit and Loss Account

for the 9 months ended 31 December 2003

Audited year ended 31 March		Notes	Unaudited 3 months ended 31 December		Unaudited 9 months ended 31 December			
			2003 £000	2002 £000	Trading Operations £000	Other Items £000	Total 2003 £000	Total 2002 £000
44,965	Turnover – continuing operations	2	13,213	11,354	37,227	–	37,227	32,721
(12,944)	Rent payable and direct costs		(3,486)	(3,243)	(10,140)	–	(10,140)	(9,457)
32,021	Gross profit		9,727	8,111	27,087	–	27,087	23,264
(6,554)	Administrative expenses		(2,091)	(1,482)	(5,498)	–	(5,498)	(4,746)
25,467	Operating profit – continuing operations		7,636	6,629	21,589	–	21,589	18,518
2,766	Surplus on disposal of investment property	3	673	25	–	705	705	338
173	Interest receivable	4	22	10	40	–	40	104
(14,993)	Interest payable and similar charges	5	(4,003)	(3,483)	(11,367)	–	(11,367)	(11,483)
13,413	Profit on ordinary activities before taxation		4,328	3,181	10,262	705	10,967	7,477
(3,046)	Taxation on profit on ordinary activities	6	(1,298)	(934)	(3,106)	(210)	(3,316)	(2,216)
10,367	Profit on ordinary activities after taxation		3,030	2,247	7,156	495	7,651	5,261
–	Equity minority interests	20	–	–	–	–	–	–
10,367	Profit attributable to shareholders		3,030	2,247	7,156	495	7,651	5,261
(4,471)	Dividends	7	(1)	–	(1)	–	(1,659)	(1,179)
5,896	Retained for the period		3,029	2,247	7,155	495	5,992	4,082
64.3p	Basic earnings per share	8	18.9p	14.1p	44.7p	3.1p	47.8p	33.1p
62.8p	Diluted earnings per share	8	18.3p	13.8p			46.6p	32.6p

Statement of Total Recognised Gains and Losses

Audited year ended 31 March		Notes	Unaudited 9 months ended 31 December	
			2003 £000	2002 £000
10,367	Profit for the financial period		7,651	5,261
19,701	Unrealised surplus on revaluation of investment properties	3	14,109	8,091
–	Taxation on valuation surpluses realised on sale of properties		(968)	–
30,068	Total recognised gains relating to the financial period		20,792	13,352

Note of Historical Cost Profits and Losses

Audited year ended 31 March		Unaudited 9 months ended 31 December	
		2003 £000	2002 £000
13,413	Reported profits on ordinary activities before taxation	10,967	7,477
15	Realisation of property revaluation gains/(losses) of previous years	3,673	(87)
–	Taxation on valuation surpluses realised on sale of properties	(968)	–
13,428	Historical cost profit on ordinary activities before taxation	13,672	7,390
5,911	Historical cost profit for the period retained after taxation and dividends	8,697	3,995

Consolidated Balance Sheet

as at 31 December 2003

Audited			Unaudited 31 December	
31 March			2003	2002
2003			£000	£000
£000		Notes		
Fixed Assets				
	Tangible assets			
505,490	Investment properties	9	570,639	464,622
3,866	Other fixed assets		3,662	3,913
6,234	Investment in own shares	10	6,206	6,249
515,590			580,507	474,784
Current Assets				
–	Stock: properties for sale		10,711	150
7,386	Debtors	11	6,579	5,617
3,109	Investments	12	1,423	1,960
456	Cash at bank and in hand		109	162
10,951			18,822	7,889
(28,835)	Creditors: amounts falling due within one year	13	(30,905)	(22,912)
(17,884)	Net current liabilities		(12,083)	(15,023)
497,706	Total assets less current liabilities		568,424	459,761
	Creditors: amounts falling due after more than one year (including			
(245,990)	Convertible Loan Stock)	14	(296,666)	(221,904)
(4,107)	Provision for liabilities and charges	16	(4,796)	(3,909)
247,609			266,962	233,948
Capital and reserves				
1,668	Called up share capital	17	1,673	1,661
42,697	Share premium account	18	42,912	42,467
164,274	Revaluation reserve	18	174,710	152,766
38,970	Profit and loss account	18	47,667	37,054
247,609	Shareholders' funds – equity interests		266,962	233,948
–	Equity minority interests	20	–	–
247,609	Capital Employed	19	266,962	233,948
£15.10	Net asset value per share	8	£16.25	£14.31

Consolidated Cash Flow Statement

for the 9 months ended 31 December 2003

Audited year ended 31 March 2003 £000		Notes to cash flow	Unaudited 9 months ended 31 December 2003 £000	2002 £000
29,112	Net cash inflow from operating activities	1	23,021	20,163
(13,454)	Return on investments and servicing of finance	2	(10,955)	(9,584)
(2,372)	Taxation		(2,750)	(2,360)
(75,225)	Capital (expenditure)/proceeds – net	2	(59,079)	(48,794)
(4,227)	Equity dividends paid		(3,299)	(3,035)
(66,166)	Net cash outflow before use of liquid resources and financing		(53,062)	(43,610)
2,334	Management of liquid resources	2	1,686	3,483
66,715	Financing	2	50,720	42,478
2,883	Net cash (outflow)/inflow	3	(656)	2,351
	Reconciliation of net cash flow to movement in net debt			
2,883	(Decrease)/increase in cash		(656)	2,351
(2,334)	Decrease in liquid resources		(1,686)	(3,483)
(66,907)	Outflow from movements in debt financing		(50,676)	(42,822)
(66,358)	Changes in net debt resulting from cash flows	3	(53,018)	(43,954)
(176,067)	Net debt at beginning of period		(242,425)	(176,067)
(242,425)	Net debt at period end		(295,443)	(220,021)

Notes to the cash flow statement

for the 9 months ended 31 December 2003

1. Reconciliation of operating profit to operating cash flows

Audited year ended 31 March 2003 £000		Unaudited 9 months ended 31 December 2003 £000	2002 £000
25,467	Operating profit	21,589	18,518
742	Depreciation charges	420	568
(3)	Profit on sale of tangible fixed assets	–	–
1,339	(Increase)/decrease in debtors	(462)	1,091
1,567	Increase/(decrease) in creditors	1,474	(14)
29,112		23,021	20,163

2. Analysis of cash flow

Audited year ended 31 March 2003 £000		Notes to cash flow	Unaudited 9 months ended 31 December 2003 £000	2002 £000
Returns on investments and servicing of finance				
191	Interest received		41	122
(13,645)	Interest paid (including financing costs)		(10,996)	(9,706)
(13,454)	Net cash outflow		(10,955)	(9,584)
Capital expenditure				
(73,192)	Purchase of tangible fixed assets		(67,973)	(49,559)
(5,219)	Net distribution/(purchase) of own shares		28	–
3,037	Sale of tangible fixed assets		8,866	726
149	Grants received		–	39
(75,225)	Net cash outflow		(59,079)	(48,794)
Management of liquid resources				
2,334	Decrease in short-term deposits	3	1,686	3,483
2,334	Net cash inflow		1,686	3,483
Financing				
687	Issue of ordinary share capital		220	450
180,500	Drawdown of bank loans	3	50,500	156,500
(114,472)	Repayment of securitised loan	3	–	(114,472)
66,715	Net cash inflow		50,720	42,478

Notes to the cash flow statement

continued

3. Analysis of net debt

Audited year ended 31 March 2003			Unaudited 9 months ended 31 December						
At		At		At	At		At		At
01/04/02	Cash flow	31/03/03		01/04/03	Cash flow	31/12/03	01/04/02	Cash flow	31/12/02
£000	£000	£000		£000	£000	£000	£000	£000	£000
340	116	456	Cash at bank and in hand	456	(347)	109	340	(178)	162
(2,767)	2,767	–	Bank overdrafts	–	(309)	(309)	(2,767)	2,529	(238)
(2,427)	2,883	456		456	(656)	(200)	(2,427)	2,351	(76)
			Debt due within one year:						
(3,660)	3,660	–	Securitised loan	–	–	–	(3,660)	3,660	–
307	(307)*	–	Less cost of raising finance	–	–	–	307	(307)*	–
			Debt due after one year:						
(2,900)	–	(2,900)	11% Convertible Loan Stock	(2,900)	–	(2,900)	(2,900)	–	(2,900)
			11.125% First Mortgage						
(12,500)	–	(12,500)	Debenture	(12,500)	–	(12,500)	(12,500)	–	(12,500)
			11.625% First Mortgage						
(7,000)	–	(7,000)	Debenture	(7,000)	–	(7,000)	(7,000)	–	(7,000)
(110,812)	110,812	–	Securitised loan	–	–	–	(110,812)	110,812	–
(44,500)	(180,500)	(225,000)	Bank loans	(225,000)	(50,500)	(275,500)	(44,500)	(156,500)	(201,000)
1,982	(572)*	1,410	Less cost of raising of finance	1,410	(176)*	1,234	1,982	(487)*	1,495
(179,083)	(66,907)	(245,990)		(245,990)	(50,676)	(296,666)	(179,083)	(42,822)	(221,905)
5,443	(2,334)	3,109	Short-term deposits	3,109	(1,686)	1,423	5,443	(3,483)	1,960
(176,067)	(66,358)	(242,425)	Total	(242,425)	(53,018)	(295,443)	(176,067)	(43,954)	(220,021)

*Includes non-cash writedowns of financing costs.

Notes to the Quarterly Results

1. Basis of preparation

The unaudited financial information contained in this quarterly report does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 March 2003 included an unqualified report of the auditors. The Group's unaudited accounts for the period ended 31 December 2003 have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2003. The full accounts for the year ended 31 March 2003 have been filed with the Registrar of Companies.

2. Segmental analysis

Audited year ended 31 March 2003 £000		Unaudited		Unaudited	
		3 months ended 2003 £000	31 December 2002 £000	9 months ended 2003 £000	31 December 2002 £000
35,667	Rental Income	9,958	8,993	29,044	25,962
7,410	Service charge and other recoveries	2,299	1,861	6,440	5,445
1,888	Services, fees, commissions and sundry income	956	500	1,743	1,314
44,965		13,213	11,354	37,227	32,721

3. Surplus on Disposal of Investment Property

The profit arising on the sale of properties is calculated by reference to the valuation as at 31 March 2003 plus additions at cost since that date. Revaluation surpluses identified since the 31 March are disregarded in this calculation and the unrealised surplus on revaluation of investment properties is adjusted accordingly. Movements in total recognised gains during the period were as follows:

	Unaudited 6 months ended 30 September 2003 £000	Unaudited 3 months ended 31 December 2003 £000	Unaudited 9 months ended 31 December 2003 £000
Trading profit on ordinary activities (after tax)	4,599	2,557	7,156
Other items (after tax)	22	473	495
Profit on ordinary activities for financial period (after tax)	4,621	3,030	7,651
Movement in unrealised surplus on revaluation of investment properties	14,398	(289)	14,109
Taxation on valuation surpluses realised on sale of properties	–	(968)	(968)
Total recognised gains relating to the financial period	19,019	1,773	20,792

4. Interest receivable

Audited year ended 31 March 2003 £000		Unaudited		Unaudited	
		3 months ended 2003 £000	31 December 2002 £000	9 months ended 2003 £000	31 December 2002 £000
106	Short-term deposits	8	6	26	100
67	Other	14	4	14	4
173		22	10	40	104

Notes to the Quarterly Results

continued

5. Interest payable and similar charges

Audited year ended 31 March 2003 £000		3 months ended 2003 £000	Unaudited 31 December 2002 £000	9 months ended 2003 £000	Unaudited 31 December 2002 £000
361	11% Convertible Loan Stock 2011	80	80	239	239
1,391	11.125% First Mortgage Debenture Stock 2007	348	348	1,043	1,043
814	11.625% First Mortgage Debenture Stock 2007	203	203	611	611
1,884	Mortgage interest on securitised loan not wholly repayable within five years*	–	–	–	1,884
9,241	Bank and other interest on amounts wholly repayable within five years*	3,685	2,954	10,227	6,252
1,861	Finance costs written off	–	–	–	1,861
15,552		4,316	3,585	12,120	11,890
(559)	Interest capitalised on development properties	(313)	(102)	(753)	(407)
14,993	Charged to profit and loss account	4,003	3,483	11,367	11,483

*Includes amortisation of cost of raising finance.

6. Taxation

Audited year ended 31 March 2003 £000		3 months ended 2003 £000	Unaudited 31 December 2002 £000	9 months ended 2003 £000	Unaudited 31 December 2002 £000
	Current tax:				
3,225	UK corporation tax on profit for the year	1,004	767	2,627	1,672
(921)	Prior year adjustments	–	–	–	–
2,304	Total current tax	1,004	767	2,627	1,672
	Deferred tax:				
742	Origination and reversal of timing differences	294	167	689	544
3,046	Tax on profit on ordinary activities	1,298	934	3,316	2,216

Timing differences are mainly in respect of capital and industrial building allowances and capitalised interest.

7. Dividends

Audited year ended 31 March 2003 £000		3 months ended 2003 £000	Unaudited 31 December 2002 £000	9 months ended 2003 £000	Unaudited 31 December 2002 £000
1,193	Interim dividend per ordinary share 10.3p (2002 : 7.5p)	–	–	1,652	1,193
3,292	Final dividend per ordinary share (2002 : 20.6p)	–	–	–	–
(14)	Under/(over) provision in prior period	1	–	7	(14)
4,471		1	–	1,659	1,179

Notes to the Quarterly Results

continued

8. Earnings per share and net assets per share

The following table shows a reconciliation of profits used in calculating earnings per share

Audited year ended 31 March			Unaudited 9 months ended 31 December			
Profit	Earnings		Profit	Profit	Earnings	Earnings
2003	per share		2003	2002	per share	per share
£000	2003		£000	£000	Pence	2002
	Pence					Pence
10,367	64.3	Profit for the period attributable to shareholders	7,651	5,261	47.8	33.1
(671)	(4.2)	Other items	(495)	1,039	(3.1)	6.5
9,696	60.1	Profit for the period attributable to shareholders used for calculating earnings per share excluding other items	7,156	6,300	44.7	39.6

Reconciliation of profit used in calculating diluted earnings per share

Audited year ended 31 March			Unaudited 9 months ended 31 December			
Profit	Earnings		Profit	Profit	Earnings	Earnings
2003	per share		2003	2002	per share	per share
£000	2003		£000	£000	Pence	2002
	Pence					Pence
10,367		Profit for the period attributable to shareholders used for calculating basic earnings per share	7,651	5,261		
223		Interest saving net of taxation on 11% Convertible Loan Stock	168	168		
10,590	62.8	Profit for the period attributable to shareholders used in calculating the underlying diluted earnings per share	7,819	5,429	46.6	32.6
(671)	(4.0)	Other items	(495)	1,039	(3.0)	6.2
9,919	58.8	Profit for the period attributable to shareholders used in calculating the diluted earnings per share excluding other items	7,324	6,468	43.6	38.8

The following table shows a reconciliation of the weighted average number of shares used for calculating the basic and diluted earnings per share

Audited year ended 31 March 2003		Unaudited 9 months ended 31 December	
Number		2003	2002
		Number	Number
16,119,277	Used for calculating basic earnings per share	16,013,956	15,879,438
158,075	Dilution due to Share Option Scheme	187,960	213,292
580,000	Dilution due to Convertible Loan Stock	580,000	580,000
16,857,352	Used for calculating diluted earnings per share	16,781,916	16,672,730

Net assets per share have been calculated by dividing net assets of £266,962,000 (2002: £233,948,000) less investment in own shares of £6,205,600 (2002: £6,249,150) by 16,044,145 (2002: 15,906,795) being the number of shares in issue at 31 December 2003 less investment in own shares of 689,666 (2002: 699,190).

Notes to the Quarterly Results

continued

9. Investment properties

Audited 31 March 2003 £000		Freehold £000	Mainly Freehold £000	Long leasehold £000	Short leasehold £000	Unaudited 31 December	
						Total 2003 £000	Total 2002 £000
414,707	Balance at 1 April 2003/2002	377,935	71,060	56,495	–	505,490	414,707
73,680	Additions during the period	46,899	4,581	16,519	–	67,999	42,222
(2,598)	Disposals during the period	–	–	(6,890)	–	(6,890)	(398)
–	Reclassification from other fixed assets	589	53	–	–	642	–
–	Reclassification to current assets	(10,711)	–	–	–	(10,711)	–
19,701	Revaluation during the period	9,651	3,400	1,058	–	14,109	8,091
505,490	Balance at period end	424,363	79,094	67,182	–	570,639	464,622
	The historical cost of investment properties:						
340,472	Balance at period end	288,945	53,243	58,936	7	401,131	311,183

Valuation

The Group's investment properties were valued by CB Richard Ellis, Chartered Surveyors, at 30 September 2003 on the basis of open market existing use value and in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors. The valuation shown in the unaudited accounts is based on the independent valuation at 30 September 2003 plus additions at cost less disposals at book value.

10. Investment in own shares

The Company has established an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the 1993 and 2000 Share Option Schemes. The shares are held by an independent trustee and the rights to dividend on the shares have been waived. At 31 December 2003, the number of shares held by the Trust totalled 689,666 shares (2002: 699,190) with a nominal value of £68,967 (2002: £69,919) and the book value of the shares amounted to £6,206,000 (2002: £6,249,000). The shares, whilst legally not the property of the Company, have been included in fixed asset investments. At 31 December 2003 the market value of the shares held by the Trust was £9,827,740. 688,530 shares held by the Trust are subject to option awards.

11. Debtors

Audited 31 March 2003 £000		Unaudited 31 December	
		2003 £000	2002 £000
	Amounts falling due within one year:		
6,294	Trade debtors	4,533	3,299
37	Taxation and social security	42	11
1,055	Prepayments and accrued income	2,004	2,190
7,386		6,579	5,500
	Amounts falling due after one year:		
–	Advance commissions	–	117
7,386	Total debtors	6,579	5,617

12. Investments

Investments of £1,423,000 (2002: £1,960,000) comprise short-term deposits with an original maturity date of less than three months and rental deposits.

Notes to the Quarterly Results

continued

13. Creditors: Amounts falling due within one year

Audited 31 March 2003 £000		Unaudited 31 December 2003 £000	2002 £000
–	Bank overdraft (secured)	309	238
3,026	Trade creditors	3,296	1,456
1,925	Corporation tax payable	2,770	1,304
1,946	Taxation and social security	1,774	1,440
5,154	Tenants' deposits	5,143	4,721
8,231	Accruals	10,462	7,358
5,261	Deferred income – rent and service charges	5,498	5,202
3,292	Dividends	1,653	1,193
28,835		30,905	22,912

14. Creditors: Amounts falling due after more than one year

Audited 31 March 2003 £000		Unaudited 31 December 2003 £000	2002 £000
	Long-term borrowings consist of:		
	Unsecured:		
2,900	11% Convertible Loan Stock 2011	2,900	2,900
	Secured:		
12,500	11.125% First Mortgage Debenture Stock 2007	12,500	12,500
7,000	11.625% First Mortgage Debenture Stock 2007	7,000	7,000
223,590	Other secured loans	274,266	199,504
245,990		296,666	221,904

Notes to the Quarterly Results

continued

15. Borrowings and financial instruments

i Maturity of financial liabilities

A maturity analysis of loans is shown below:

Audited		Unaudited 31 December	
31 March		2003	2002
2003		£000	£000
£000			
–	Less than one year	309	238
–	Between three years and four years	295,000	–
244,500	Between four years and five years	–	220,500
2,900	In five years and more	2,900	2,900
247,400		298,209	223,638
(1,410)	Less cost of raising finance	(1,234)	(1,496)
245,990		296,975	222,142

ii Fair value of financial assets and liabilities

Book and fair values of financial assets and liabilities are:

Audited		Unaudited 31 December			
31 March		2003		2002	
2003	2003	2003	2003	2002	2002
£000	£000	£000	£000	£000	£000
Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Primary financial instruments					
–	–	(309)	(309)	(238)	(238)
(245,990)	(251,093)	(296,666)	(302,496)	(221,904)	(227,076)
3,565	3,565	1,532	1,532	2,122	2,122
Derivative financial instruments					
244	(6,724)	215	(3,105)	254	(4,638)
(242,181)	(254,252)	(295,228)	(304,378)	(219,766)	(229,830)

The fair value of the interest rate collars has been determined by reference to market prices and discounted expected cash flows at prevailing interest rates. All other fair values have been calculated by discounting expected cash flows at prevailing interest rates. The total fair value adjustment equates to 57.0p per share (32.9p based on diluted share capital).

Notes to the Quarterly Results

continued

18. Other reserves

Audited 31 March 2003 £000		Unaudited 31 December 2003 £000	2002 £000
(a) Share premium account			
42,030	Balance at 1 April 2003/2002	42,697	42,030
667	Additions	215	437
42,697	Balance at period end	42,912	42,467
(b) Revaluation reserve			
Property valuation surplus:			
144,588	Balance at 1 April 2003/2002	164,274	144,588
(15)	Disposals during the period	(3,673)	87
19,701	Revaluation adjustment	14,109	8,091
164,274	Balance at period end	174,710	152,766
(c) Profit and loss account			
33,059	Balance at 1 April 2003/2002	38,970	33,059
5,896	Retained profit for the period	5,992	4,082
15	Transfer from revaluation reserve	3,673	(87)
–	Taxation on valuation surpluses realised on sale of properties	(968)	–
38,970	Balance at period end	47,667	37,054

19. Reconciliation of movements in equity shareholders' funds

Audited 31 March 2003 £000		Unaudited 31 December 2003 £000	2002 £000
10,367	Profits for the financial period	7,651	5,261
(4,471)	Dividends	(1,659)	(1,179)
19,701	Unrealised surplus on revaluation of properties	14,109	8,091
–	Taxation on valuation surpluses realised on sale of properties	(968)	–
687	Issue of shares	220	450
26,284	Net addition to equity shareholders' funds	19,353	12,623
221,325	Opening equity shareholders' funds	247,609	221,325
247,609	Closing equity shareholders' funds	266,962	233,948

Notes to the Quarterly Results

continued

20. Equity minority interests

Audited 31 March 2003 £000		Unaudited 31 December 2003 £000	2002 £000
74	Share of loss of subsidiary undertaking	–	54
(74)	Provision against losses of subsidiary undertaking	–	(54)
–		–	–

£nil has been appropriated to minority interests in all periods shown in this statement. In October 2003 the Company acquired the minority interest in Vylan Limited.

21. Capital commitments

At the period end the estimated amounts of commitments for future capital expenditure not provided for were:

Audited 31 March 2003 £000		Unaudited 31 December 2003 £000	2002 £000
8,038	Under contract	1,463	1,575
2,913	Board authorised but not contracted	2,246	2,420

22. Subsequent events

Following the period end the Group has purchased a property, Linton House, for a cash consideration of £8.5 million.

23. Quarterly statement

This statement was approved by the Board on 20 February 2004. Copies of this statement will be dispatched to shareholders on Monday 23 February 2004 and will be available from the Group's registered office at Magenta House, 85 Whitechapel Road, London E1 1DU from 9.00am on that day.

Directors, Officers and Advisers

The Business	Workspace Group is a specialised property investment company devoted to the provision of small unit light industrial, studio and office workspace for rent to small and medium sized enterprises in London and the South East.
Directors	Antony J Hales BSc , (Chairman)* Alan H Cherry CBE DL FRICS Hon MRTPI , (Deputy Chairman)* Harry Platt MA MRTPI , (Chief Executive) Madeleine Carragher FRICS , (Operations Director) Bernard Cragg BSc ACA* J Patrick Marples MRICS , (Property Director) Christopher J Pieroni BA MSc PhD* R Mark Taylor BSc FCA , (Finance Director)
	*Non-executive and members of Nomination, Remuneration and Audit Committees
Secretary	R Mark Taylor BSc FCA
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Financial Advisers and Stockbrokers	Panmure Gordon, a Division of Lazard & Co., Limited 50 Stratton Street London W1J 8LL
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