

Workspace Group PLC

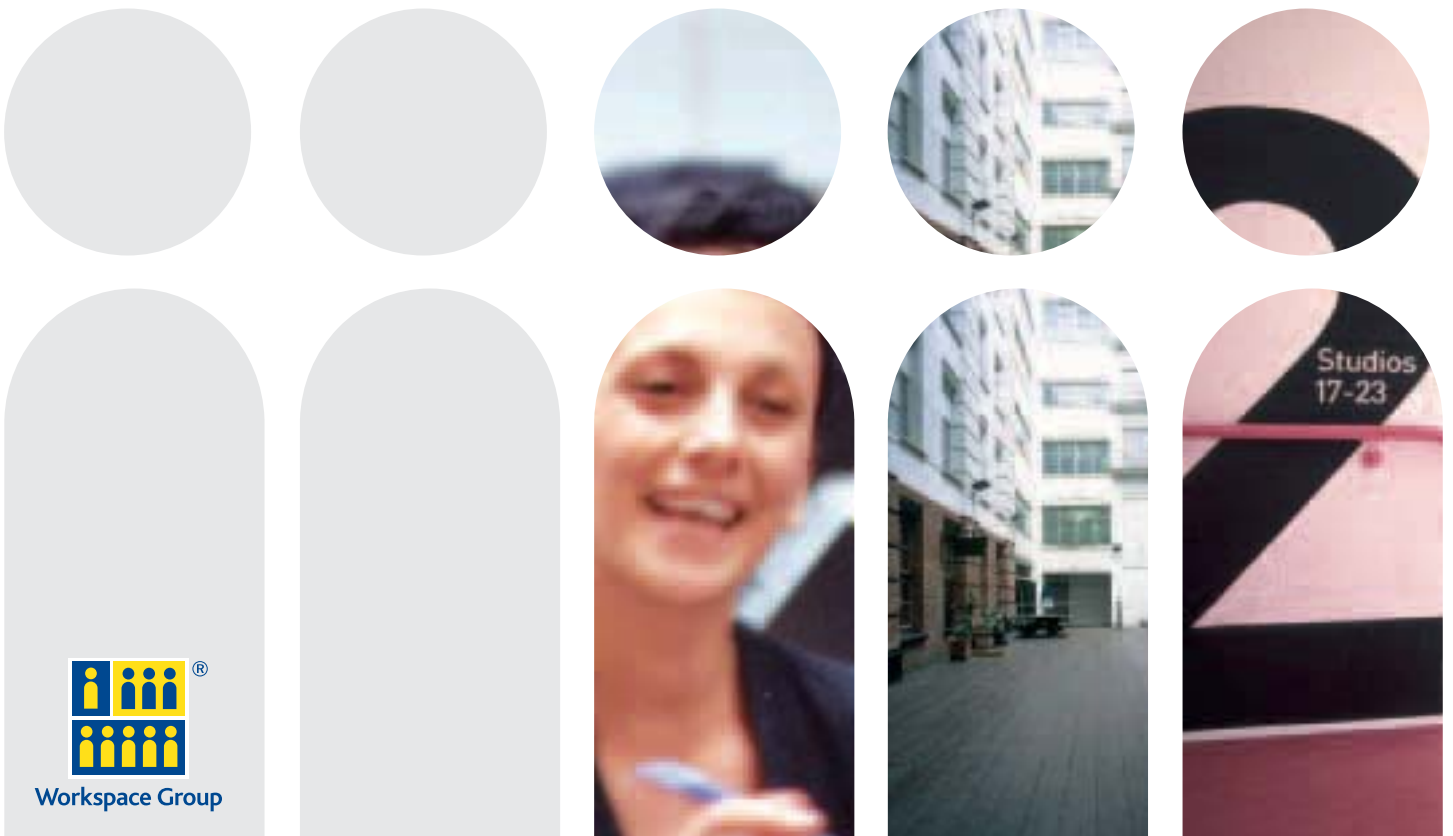
Quarterly Report

for the three months ended 30 June 2004



Maximising
space

Maximising
growth



Workspace Group

Highlights

- Turnover £13.40m for the quarter, up 12.5% (2003: £11.91m).
- Pre-tax profits of £3.51m for the quarter, up 6.7% (2003: £3.29m).
- Basic earnings per share at 15.1p for the quarter up 4.9% (2003: 14.4p).
- Like-for-like occupancy 90.0% at end of quarter (31 March 2004: 88.9%). Overall occupancy including development schemes, 84.3% at end of quarter (31 March 2004: 83.8%).
- Annual rent roll £38.77m up 1.8% on the quarter (31 March 2004: £38.09m) and 9.4% on 12 months ago (30 June 2003: £35.43m).
- One acquisition in the quarter; contracts subsequently exchanged on another.
- Disposals of £11.9m in the quarter; contracts subsequently exchanged on another.
- Net asset value per share £18.29† at 30 June 2004 (31 March 2004: £18.43) (30 June 2003: £15.22). Diluted net asset value per share £17.69 (31 March 2004: £17.72) (30 June 2003: £14.75).

† See the Financial Review on page 5 for an explanation of the reduction in NAV per share over the quarter.

Operating and Financial Review

Overview

The business continues to show good progress. Turnover, pre-tax profits and earnings per share are all up on the same quarter last year and, during the quarter, both occupancy and the rent roll increased. Compared to a year ago the annual rent roll is up 9.4% (including net acquisitions) to £38.77 million and the NAV per share is up 20% to £18.29.

During the quarter one acquisition was secured for £4.64m, whilst contracts have been exchanged on another (value £16.0m) since the end of the quarter. Following planning approval for change of use and redevelopment, sites at Hooley Lane, Redhill and Union Street, SE1 were sold during the quarter for £11.9m. Following the quarter end contracts were exchanged for the sale of 3 Mills (including the Group's properties on Sugar House Lane) for a consideration of £22.5m.

Enquiries in June were running at much higher levels than last year inspiring confidence that occupancy and the total rent roll will continue to improve over forthcoming periods.

Portfolio

Overall occupancy increased during the quarter from 83.8% to 84.3%. This measure includes properties undergoing refurbishment (Barley Mow, Enterprise and Clerkenwell) as well as 3 Mills. It also includes (at the quarter end) The Quadrangle which was only 77% let at the time of its acquisition. Excluding these properties, the occupancy of the like-for-like portfolio increased from 88.9% to 90%.

A similar pattern can be seen in the rent roll. During the quarter this increased by 1.8% from £38.09m at 31 March 2004 to £38.77m. Of this total increase of £0.68m, £0.33m reflected the acquisition of The Quadrangle offset by a reduction of £0.18m at Clerkenwell as this was vacated pending refurbishment. The balance of £0.53m reflects growth in the like-for-like rent roll in the quarter. This increase is attributable principally to improvements in occupancy. As a result, average rents of the like-for-like portfolio have increased marginally to £8.55 per sq. ft.

One acquisition and two disposals were made in the quarter. Details are given below:

Name of Property	Description	Acquisition/ Sale Price	Annual Income £000
Acquisition:			
The Quadrangle, Fulham, SW6	26,000 sq. ft business centre 26 units)	£4.64m	328.0
Disposals:			
Hooley Lane, Redhill	Land for development	£10.0m	NIL
Union Street Site, SE1	Land for development	£1.88m	12.0

The acquisition of The Quadrangle has provided the Group with a presence in Fulham where we have long sought better representation.

Full details of the disposals at Hooley Lane and Union Street were given in the Group's Annual Report and Accounts 2004. In brief, following the grant of planning consents for change of use and development, these sites were sold to residential developers. Substantial pre-tax internal rate of returns of 49% (Hooley) and 23% (Union Street) were achieved on these properties.

Operating and Financial Review

continued

Financial Review

Key statistics and indicators may be summarised as:

	Quarter to 30 June 2004	Year to 31 March 2004	Quarter to 30 June 2003
Trading gross profit: turnover	73%	72%	72%
Trading operating profit: turnover	59%	58%	57%
Trading PBT: turnover	26%	28%	28%
EPS per share (pence)	15.1	65.7	14.4
NAV per share (£)	18.29	18.43	15.22
Interest cover	1.80	1.97	1.92
Trading interest cover	1.79	1.91	1.91
Gearing	101%	103%	99%
Available facilities (£m)	20.5	15.5	60.5

Trading operations exclude profits and losses on disposal of investment properties and other exceptional items.

As may be seen, trading ratios (Trading gross profit: turnover, Trading operating profit: turnover and Trading PBT: turnover) remain consistent with previous periods. EPS per share is up 4.9% on the comparable period in the previous year.

Net asset value per share reduced by 14 pence over the quarter from £18.43 to £18.29, despite recording a £2.43m profit attributable to shareholders. This reduction was caused by two factors. Firstly, during the quarter two properties (Hooley Lane and Union Street) were sold. These sales were for consideration close to the 31 March 2004 book value (following revaluation) and so the surplus on disposal was small (£23,000). However, the surplus on original cost was £8.35m and a tax charge of £2.49m arose, £7,000 of which was taken to the P & L account with the balance being treated as a reserves adjustment. As a result, as may be seen from the Statement of Total Recognised Gains and Losses on page 7, the net movement in reserves over the period after taking account of the retained profit for the period was small (a marginal reduction of £51,000). Secondly, during the period 130,000 new shares were issued; 80,000 on conversion of loan stock at £5 stock per share and 50,000 on exercise of an option at £3.40 per share.

Following the quarter end a revised facility agreement was exchanged with National Westminster Bank increasing the bank's facility from £100m to £150m and renewing the term of this enlarged facility to a five year period. This increased the available facilities to £70.5m.

Operating and Financial Review

continued

The Group's key statistics relating to its trading operations are given in the table below:

	30 June 2004	31 March 2004
Number of estates	101	102
Total floorspace at end of period (sq. ft.)	5,335,073	5,316,951
of which:		
Like for like portfolio (sq. ft.)	4,763,456	
Net Acquisitions/(Disposals) (sq. ft.)	26,012	
3 Mills and developments (sq. ft.)	545,605	
Lettable units (number)	4,584	4,547
Annual rent roll of occupied units (£)	38,766,883	38,091,471
Average rent (£/sq. ft.)	8.62	8.55
Average rent of like-for-like portfolio (£/sq. ft.)	8.55	8.53
Occupancy overall	84.3%	83.8%
Occupancy of like-for-like portfolio	90.0%	88.9%

Comparisons from period to period may be distorted by acquisitions, disposals and transfers. The like-for-like portfolio is defined as those properties, excluding 3 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.

Prospects

The Group continues to improve occupancy levels, and enquiry levels continue at higher levels than a year ago. Excluding development schemes, occupancy should continue to improve. It is when the Group is working at a full effective occupancy level of 90% to 95% that rental growth can be achieved and that the rent review/lease renewal programme produces greater returns.

In the current quarter the Group expects to conclude further acquisitions, and by the half year stage to have achieved half of its £65m target acquisition programme for the year. In doing so it will continue to consolidate its position as the leading provider of space to SMEs in London and the South East. Further disposals are expected to be completed in the quarter.

The Group is currently on track to meet market expectations for the year.

Consolidated Profit and Loss Account

for the 3 months ended 30 June 2004

Audited year ended 31 March 2004 £000	Notes	Unaudited 3 months ended 30 June			
		Trading Operations £000	Other Items £000	Total 2004 £000	Total 2003 £000
51,068	Turnover – continuing operations	13,404	–	13,404	11,912
(14,229)	Rent payable and direct costs	(3,597)	–	(3,597)	(3,383)
36,839	Gross profit	9,807	–	9,807	8,529
(7,145)	Administrative expenses	(1,932)	–	(1,932)	(1,698)
29,694	Operating profit – continuing operations	7,875	–	7,875	6,831
1,009	Surplus on disposal of investment property	–	23	23	27
45	Interest receivable	18	–	18	11
(15,628)	Interest payable and similar charges	(4,407)	–	(4,407)	(3,582)
15,120	Profit on ordinary activities before taxation	3,486	23	3,509	3,287
(4,587)	Taxation on profit on ordinary activities	(1,071)	(7)	(1,078)	(987)
10,533	Profit attributable to shareholders	2,415	16	2,431	2,300
(4,981)	Dividends	–	–	–	–
5,552	Retained for the period	2,415	16	2,431	2,300
65.7p	Basic earnings per share	15.0p	0.1p	15.1p	14.4p
63.9p	Diluted earnings per share	14.7p	0.1p	14.8p	14.1p

Statement of Total Recognised Gains and Losses

Audited year ended 31 March 2004 £000		Unaudited 3 months ended 30 June	
		2004 £000	2003 £000
10,533	Profit for the financial period	2,431	2,300
49,699	Unrealised surplus on revaluation of investment properties	–	–
(1,215)	Taxation on valuation surpluses realised on sale of properties	(2,482)	–
59,017	Total recognised (losses)/gains relating to the financial period	(51)	2,300

Note of Historical Cost Profits and Losses

Audited year ended 31 March 2004 £000		Unaudited 3 months ended 30 June	
		2004 £000	2003 £000
15,120	Reported profits on ordinary activities before taxation	3,509	3,287
4,408	Realisation of property revaluation gains/(losses) of previous years	8,324	–
(1,215)	Taxation on valuation surpluses realised on sale of properties	(2,482)	–
18,313	Historical cost profit on ordinary activities before taxation	9,351	3,287
8,745	Historical cost profit for the period retained after taxation and dividends	8,273	2,300

Consolidated Balance Sheet

as at 30 June 2004

Audited			Unaudited 30 June	
31 March		Notes	2004	2003
(restated)			£000	(restated)
£000			£000	£000
Fixed Assets				
	Tangible assets			
626,060	Investment properties	8	621,613	509,789
3,654	Other fixed assets		3,639	3,368
629,714			625,252	513,157
Current Assets				
6,795	Debtors	9	14,019	7,292
1,150	Investments	10	3,259	1,053
181	Cash at bank and in hand		122	765
8,126			17,400	9,110
(30,942)	Creditors: amounts falling due within one year	11	(36,707)	(31,129)
(22,816)	Net current liabilities		(19,307)	(22,019)
606,898	Total assets less current liabilities		605,945	491,138
	Creditors: amounts falling due after more than one year (including			
(305,756)	Convertible Loan Stock)	12	(303,943)	(243,036)
(5,483)	Provision for liabilities and charges	14	(5,714)	(4,311)
295,659			296,288	243,791
Capital and reserves				
1,673	Called up share capital	15	1,686	1,670
42,912	Share premium account	16	43,469	42,783
209,565	Revaluation reserve	16	201,241	164,274
47,715	Profit and loss account	16	55,988	41,270
(6,206)	Investment in own shares	17	(6,096)	(6,206)
295,659	Shareholders' funds – equity interests	18	296,288	243,791
£18.43	Net asset value per share	7	£18.29	£15.22
£17.72	Diluted net asset value per share	7	£17.69	£14.75

Consolidated Cash Flow Statement

for the 3 months ended 30 June 2004

Audited year ended 31 March 2004 £000		Notes to cash flow	Unaudited 3 months ended 30 June	
			2004 £000	2003 £000
31,615	Net cash inflow from operating activities	1	9,948	8,387
(15,692)	Return on investments and servicing of finance	2	(4,006)	(3,198)
(4,110)	Taxation		(1,220)	(1,100)
(70,155)	Capital (expenditure)/proceeds – net	2	(19)	(2,924)
(4,952)	Equity dividends paid		–	–
(63,294)	Net cash inflow/(outflow) before use of liquid resources and financing		4,703	1,165
1,959	Management of liquid resources	2	(2,109)	2,056
59,720	Financing	2	(1,330)	(2,912)
(1,615)	Net cash inflow/(outflow)	3	1,264	309
	Reconciliation of net cash flow to movement in net debt			
(1,615)	Increase/(decrease) in cash		1,264	309
(1,959)	Increase/(decrease) in liquid resources		2,109	(2,056)
(59,766)	Inflow/(outflow) from movements in debt financing		1,813	2,954
(63,340)	Changes in net debt resulting from cash flows	3	5,186	1,207
(242,425)	Net debt at beginning of period		(305,765)	(242,425)
(305,765)	Net debt at period end		(300,579)	(241,218)

Notes to the cash flow statement

for the 3 months ended 30 June 2004

1. Reconciliation of operating profit to operating cash flows

Audited year ended 31 March 2004 £000		Unaudited 3 months ended 30 June 2004 £000	2003 £000
29,694	Operating profit	7,875	6,831
585	Depreciation charges	174	133
–	Profit on sale of tangible fixed assets	–	(3)
56	(Increase)/decrease in debtors	(2,620)	(382)
1,280	Increase in creditors	4,519	1,808
31,615		9,948	8,387

2. Analysis of cash flow

Audited year ended 31 March 2004 £000		Notes to cash flow	Unaudited 3 months ended 30 June 2004 £000	2003 £000
Returns on investments and servicing of finance				
45	Interest received		18	11
(15,737)	Interest paid (including financing costs)		(4,024)	(3,209)
(15,692)	Net cash outflow		(4,006)	(3,198)
Capital expenditure				
(81,934)	Purchase of tangible fixed assets		(6,850)	(4,225)
28	Net distribution of own shares		110	28
11,751	Sale of tangible fixed assets		6,721	1,273
(70,155)	Net cash outflow		(19)	(2,924)
Management of liquid resources				
1,959	(Increase)/decrease in short-term deposits	3	(2,109)	2,056
1,959	Net cash (outflow)/inflow		(2,109)	2,056
Financing				
220	Issue of ordinary share capital		170	88
59,500	(Repayment)/drawdown of bank loans	3	(1,500)	(3,000)
59,720	Net cash (outflow)/inflow		(1,330)	(2,912)

Notes to the cash flow statement

continued

3. Analysis of net debt

	At 1 April 2004 £000	Cash flow £000	Non-cash Items £000	At 30 June 2004 £000
Cash at bank and in hand	181	(59)	–	122
Bank overdrafts	(1,340)	1,323	–	(17)
	(1,159)	1,264	–	105
Debt due after one year:				
11% Convertible Loan Stock	(2,900)	–	400	(2,500)
11.125% First Mortgage Debenture	(12,500)	–	–	(12,500)
11.625% First Mortgage Debenture	(7,000)	–	–	(7,000)
Bank loans	(284,500)	1,500	–	(283,000)
Less cost of raising of finance	1,144	–	(87)	1,057
	(305,756)	1,500	313	(303,943)
Short-term deposits	1,150	2,109	–	3,259
Total	(305,765)	4,873	313	(300,579)

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 2004 included an unqualified report of the auditors. The Group's unaudited accounts for the period ended 30 June 2004 have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2004, save for the implementation of UITF 38 as described in note 17.

2. Segmental analysis

Audited year ended 31 March 2004 £000		Unaudited 3 months ended 30 June 2004 £000	2003 £000
39,504	Rental Income	10,721	9,480
9,059	Service charge and other recoveries	2,398	2,099
2,505	Services, fees, commissions and sundry income	285	333
51,068		13,404	11,912

3. Interest receivable

Audited year ended 31 March 2004 £000		Unaudited 3 months ended 30 June 2004 £000	2003 £000
30	Short-term deposits	17	11
15	Other	1	–
45		18	11

4. Interest payable and similar charges

Audited year ended 31 March 2004 £000		Unaudited 3 months ended 30 June 2004 £000	2003 £000
319	11% Convertible Loan Stock 2011	80	80
1,391	11.125% First Mortgage Debenture Stock 2007	347	347
814	11.625% First Mortgage Debenture Stock 2007	204	204
14,210	Bank and other interest on amounts wholly repayable within five years*	3,992	3,157
16,734		4,623	3,788
(1,106)	Interest capitalised on development properties	(216)	(206)
15,628	Charged to profit and loss account	4,407	3,582

*Includes amortisation of cost of raising finance.

Notes to the Quarterly Results

continued

5. Taxation

Audited year ended 31 March 2004 £000		Unaudited 3 months ended 30 June	
		2004 £000	2003 £000
	Current tax:		
3,534	UK corporation tax on profit for the period	847	783
(323)	Adjustments in respect of previous periods	–	–
3,211	Total current tax	847	783
	Deferred tax:		
1,376	Origination and reversal of timing differences	231	204
4,587	Tax on profit on ordinary activities	1,078	987

6. Dividends

Audited year ended 31 March 2004 £000		Unaudited 3 months ended 30 June	
		2004 £000	2003 £000
1,653	Interim dividend per ordinary share	–	–
3,321	Final dividend per ordinary share	–	–
7	Under provision in prior year	–	–
4,981		–	–

Notes to the Quarterly Results

continued

7. 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 3 months ended 30 June			
Profit	Earnings		Profit	Profit	Earnings	Earnings
2004	per share		2004	2003	per share	per share
£000	2004		£000	£000	2004	2003
	Pence				Pence	Pence
		Profit for the period attributable to				
10,533	65.7	shareholders	2,431	2,300	15.1	14.4
(706)	(4.4)	Other items	(16)	(19)	(0.1)	(0.1)
		Profit for the period attributable to				
		shareholders used for calculating earnings				
9,827	61.3	per share excluding other items	2,415	2,281	15.0	14.3

Reconciliation of profit used in calculating diluted earnings per share:

Audited year ended 31 March			Unaudited 3 months ended 30 June			
Profit	Earnings		Profit	Profit	Earnings	Earnings
2004	per share		2004	2003	per share	per share
£000	2004		£000	£000	2004	2003
	Pence				Pence	Pence
		Profit for the period attributable to				
10,533		shareholders used for calculating basic	2,431	2,300		
		earnings per share				
223		Interest saving net of taxation on 11%	48	56		
		Convertible Loan Stock				
		Profit for the period attributable to				
10,756	63.9	shareholders used in calculating the	2,479	2,356	14.8	14.1
(706)	(4.2)	underlying diluted earnings per share	(16)	(19)	(0.1)	(0.1)
		Other items				
		Profit for the period attributable to				
10,050	59.7	shareholders used in calculating the	2,463	2,337	14.7	14.0
		diluted earnings per share excluding other				
		items				

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

Audited		Unaudited 3 months ended 30 June	
year ended		2004	2003
31 March		Number	Number
2004			
Number			
16,021,462	Used for calculating basic earnings per share	16,053,769	15,984,574
227,276	Dilution due to Share Option Scheme	190,022	125,346
580,000	Dilution due to Convertible Loan Stock	500,000	580,000
16,828,738	Used for calculating diluted earnings per share	16,743,791	16,689,920

Notes to the Quarterly Results

continued

7. Earnings per share and net assets per share continued

Net assets per share have been calculated by dividing net assets of £296,288,000 (2003: £243,791,000) by 16,196,745 (2003: 16,015,675) being the number of shares in issue at 30 June 2004 less investment in own shares of 667,066 (2003: 689,666).

Diluted net assets per share have been calculated by dividing net assets (as previously shown) plus £2,500,000 (2003: £2,900,000) for the conversion of the Convertible Loan Stock by the number of shares as below:

Audited year ended 31 March 2004 Number		Unaudited 3 months ended 30 June	
		2004 Number	2003 Number
16,733,811	Shares in issue at year-end	16,863,811	16,705,341
(689,666)	Less ESOT shares	(667,066)	(689,666)
580,000	Dilution due to Convertible Loan Stock	500,000	580,000
227,276	Dilution due to Share Option Scheme	190,022	125,346
16,851,421		16,886,767	16,721,021

8. Investment properties

Audited 31 March 2004 £000		Freehold £000	Mainly Freehold £000	Long leasehold £000	Short leasehold £000	Unaudited 30 June Total 2004 £000	Total 2003 £000
505,490	Balance at 1 April 2004/2003	469,310	85,875	70,875	–	626,060	505,490
79,726	Additions during the period	7,094	218	21	–	7,333	3,657
642	Reclassification from other fixed assets	–	–	–	–	–	642
(9,497)	Disposals during the period	(11,780)	–	–	–	(11,780)	–
49,699	Revaluation during the period	–	–	–	–	–	–
626,060	Balance at period end	464,624	86,093	70,896	–	621,613	509,789
	The historical cost of investment properties:						
416,039	Balance at period end	310,678	53,721	55,510	7	419,916	345,065

Valuation

No valuation of investment properties has been carried out at 30 June 2004. The valuation shown in the unaudited accounts is based on the independent valuation at 31 March 2004, plus additions at cost less disposals at value.

9. Debtors

Audited 31 March 2004 £000		Unaudited 30 June	
		2004 £000	2003 £000
	Amounts falling due within one year:		
4,765	Trade debtors	4,690	4,535
–	Deferred consideration on investment sale	5,000	–
464	Deposits on investment acquisitions	–	805
4	Taxation and social security	4	34
1,562	Prepayments and accrued income	4,325	1,918
6,795		14,019	7,292

Notes to the Quarterly Results

continued

10. Investments

Investments of £3,259,000 (2003: £1,053,000) comprise short-term deposits with an original maturity date of less than three months and tenants' security deposits.

11. Creditors: Amounts falling due within one year

Audited 31 March 2004 £000		Unaudited 30 June	
		2004	2003
		£000	£000
1,340	Bank overdraft (secured)	17	–
1,902	Trade creditors	4,092	3,459
2,242	Corporation tax payable	4,351	1,607
1,757	Taxation and social security	4,328	2,776
5,461	Tenants' deposits	5,638	5,179
9,884	Accruals	9,970	9,678
5,035	Deferred income – rent and service charges	4,990	5,138
3,321	Dividends	3,321	3,292
30,942		36,707	31,129

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

Audited 31 March 2004 £000		Unaudited 30 June	
		2004	2003
		£000	£000
Long-term borrowings consist of:			
Unsecured:			
2,900	11% Convertible Loan Stock 2011	2,500	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
283,356	Other secured loans	281,943	220,636
305,756		303,943	243,036

Notes to the Quarterly Results

continued

13. Borrowings and financial instruments

i Maturity of financial liabilities

A maturity analysis of loans is shown below:

Audited		Unaudited 30 June	
31 March		2004	2003
2004		£000	£000
£000		£000	£000
1,340	Less than one year	17	–
–	Between one year and two years	–	–
–	Between two years and three years	83,000	–
304,000	Between three years and four years	219,500	81,500
–	Between four years and five years	–	160,000
2,900	In five years and more	2,500	2,900
308,240		305,017	244,400
(1,144)	Less cost of raising finance	(1,057)	(1,364)
307,096		303,960	243,036

ii Fair value of financial assets and liabilities

Book and fair values of financial assets and liabilities are:

Audited		Unaudited 30 June			
31 March		2004	2004	2003	2003
2004	2004	£000	£000	£000	£000
£000	£000	£000	£000	£000	£000
Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Primary financial instruments					
(1,340)	(1,340)	(17)	(17)	–	–
(305,756)	(312,196)	(303,943)	(310,060)	(243,036)	(248,560)
1,331	1,331	3,381	3,381	1,818	1,818
Derivative financial instruments					
206	(2,639)	196	(1,603)	235	(7,433)
(305,559)	(314,844)	(300,383)	(308,299)	(240,983)	(254,175)

The fair value of the interest rate collars have 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 48.9p (2003: 82.4p) per share (21.0p (2003: 63.0p) based on diluted share capital).

Notes to the Quarterly Results

continued

14. Provision for liabilities and charges

Audited		Unaudited 30 June	
31 March		2004	2003
2004		£000	£000
£000			
	Deferred taxation:		
4,107	Balance at 1 April 2004/2003	5,483	4,107
1,376	Deferred tax charge for the period	231	204
5,483	Balance at period end	5,714	4,311

If the investment properties were sold for their revalued amount there would be a potential liability to corporation tax of £48,175,000 (31 March 2004: £51,293,000, 30 June 2003: £38,889,000).

15. Share capital

Audited		Unaudited 30 June	
31 March		2004	2003
2004		Number	Number
Number			
	Authorised:		
21,500,000	Ordinary shares of 10p each	21,500,000	21,500,000
2004		2004	2003
£		£	£
	Issued:		
1,673,381	Fully paid ordinary shares of 10p each	1,686,381	1,670,534

No charge to profit and loss has been made in respect of share options (under UITF Abstract 17 (revised 2003) – Employee Share Schemes) since all executive share options are granted at market price on the date of grant and SAYE share options are exempt under the UITF.

Notes to the Quarterly Results

continued

16. Other reserves

Audited 31 March 2004 £000		Unaudited 30 June 2004 2003 £000	
(a) Share premium account			
42,697	Balance at 1 April 2004/2003	42,912	42,697
215	Additions	557	86
42,912	Balance at period end	43,469	42,783
(b) Revaluation reserve			
Property valuation surplus:			
164,274	Balance at 1 April 2004/2003	209,565	164,274
(4,408)	Disposals during the period	(8,324)	–
49,699	Revaluation adjustment	–	–
209,565	Balance at period end	201,241	164,274
(c) Profit and loss account			
38,970	Balance at 1 April 2004/2003	47,715	38,970
5,552	Retained profit for the period	2,431	2,300
4,408	Transfer from revaluation reserve	8,324	–
(1,215)	Taxation on valuation surpluses realised on sale of properties	(2,482)	–
47,715	Balance at period end	55,988	41,270

17. 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 30 June 2004, the Trust held 667,066 shares (2003: 689,666) with a nominal value of £66,707 (2003: £68,967) and a book value of £6,096,157 (2003: £6,205,627). At 30 June 2004 the market value of the shares held by the Trust was £12,190,631. 665,930 shares held by the Trust are subject to option awards.

In accordance with UITF Abstract 38 – Accounting for ESOP trusts, investment in own shares has been reclassified as a deduction from shareholders' funds giving rise to restatement of 2003/04 comparatives.

18. Reconciliation of movements in shareholders' funds

Audited 31 March 2004 (restated) £000		Unaudited 30 June 2004 2003 (restated) £000	
10,533	Profit for the financial period	2,431	2,300
(4,981)	Dividends	–	–
49,699	Unrealised surplus on revaluation of properties	–	–
(1,215)	Taxation on valuation surpluses realised on sale of properties	(2,482)	–
220	Issue of shares	570	88
28	Net distribution/(purchase) of own shares	110	28
54,284	Net addition to shareholders' funds	629	2,416
241,375	Opening shareholders' funds	295,659	241,375
295,659	Closing shareholders' funds	296,288	243,791

Notes to the Quarterly Results

continued

19. Capital commitments

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

Audited		Unaudited 30 June	
31 March		2004	2003
2004		£000	£000
£000			
8,166	Under contract	2,115	22,503
15,391	Board authorised but not contracted	20,227	4,116

20. Post Balance Sheet Events

Following the quarter end the Company exchanged contracts for the purchase of Southbank House, London SE1 for a consideration of £16.0m and for the sale of 3 Mills for a consideration of £22.54m.

21. Quarterly statement

This statement was approved by the Board on 6 August 2004. Copies of this statement will be dispatched to shareholders on Monday 9 August 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)* Harry Platt MA MRTPI , (Chief Executive) John Bywater FRICS* 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 director
Secretary	R Mark Taylor BSc FCA
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