



**Workspace Group**

**Quarterly Report**  
for the three months ended 30 June 2000



## Highlights

- Turnover at £8.5 million for the quarter grew by 52.6% compared with the same period in 1999. This figure is affected by portfolio changes, including the Tonex acquisition on 23 July 1999.
- The annual rent roll increased during the quarter from £25.86 million to £26.08 million (after a reduction of £0.18 million income from disposals during the quarter).
- Pre-tax profits grew by 22.6% to £2.2 million for the quarter compared with the same period in 1999.
- Earnings per share at 10.3p for the quarter increased by 18.4% over the corresponding period in 1999.
- Net asset value per share at 30 June 2000 rose to £9.13 (31 March 2000: £9.04).

## Operating and Financial Review

### Review of Activities

There has been continued good progress in the quarter, with steady demand for space at improving rentals, especially in London and the South East. This has resulted in pre-tax profits of £2.22 million for the quarter, 22.6% up on last year.

The rent roll has increased from £25.86 million to £26.08 million (after elimination of the rental income from disposals and Ferry Lane – see below). The average rent has increased from £5.25 to £5.33 (up 1.5%) during the quarter.

Two disposals and one new “added value initiative” were contracted during the quarter. The Group is currently looking at a number of other added value possibilities with partners.

Our tenants’ business insurance product, under the Workspace Plus banner, won the Risk Management award at the Insurance Age Awards 2000. The scheme currently provides insurance cover for over 450 tenants, and a number of former tenants.

### Acquisitions and Disposals

The Group sold at book value one property during the quarter, the South Block, Westminster Business Square, Vauxhall SE11. This property was subject to an option in favour of the tenant. The tenant simultaneously acquired an option for £95,000 of a further piece of vacant land immediately adjacent to the property at a purchase price of £500,000, subject to planning permission.

Name of Property	Description	Sale Price	Annual Income
South Block, Westminster Business Square, London SE11	Freehold single unit business centre 8,254 sq ft	£1,235,000	£82,540

During the quarter contracts were exchanged for the establishment of a joint venture with Copthorn Homes for the development of a piece of vacant land at 3 Mills. The agreement is conditional on obtaining planning consent for the proposed residential development. At the quarter end discussions with the planning authority and other interested parties were progressing.

Following the quarter end a conditional agreement was exchanged for the sale of Ensign Court, London E1. The disposal of this recently enlarged, refurbished and relet centre was disclosed in the Group’s annual accounts. It is anticipated that the sale will be completed in the second quarter.

### Cash Flow and Financing

There was a net cash inflow of £1.8 million (1999: £0.25 million) during the period. Net cash flow from operating activities was an inflow of £6.3 million for the quarter (1999: £2.95 million). Capital expenditure in the quarter net of disposal proceeds totalled £5.5 million (1999: £5.91 million). At the quarter end gearing stood at 104.6% (1999: 66%).

## Operating and Financial Review continued

### Occupancy and Trading Statistics

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

	<b>30 June 2000</b>	31 March 2000
Number of Estates	<b>90</b>	94
Total Floorspace at end of period	<b>5,649,753</b>	5,677,521
of which:		
Available for letting	<b>5,554,472</b>	
Undergoing development/refurbishment	<b>95,281</b>	
Lettable Floorspace of core portfolio	<b>5,554,472</b>	5,539,351
Lettable Units (number)	<b>3,546</b>	3,523
Annual Rent Roll of Occupied Units	<b>26,077,673</b>	25,855,226
Average Rent (£/sq ft)	<b>5.30</b>	5.21
Average Rent of Core Portfolio (£/sq ft)	<b>5.33</b>	5.25
Occupancy overall	<b>87.04%</b>	87.35%
Occupancy of Core Portfolio	<b>86.82%</b>	87.04%

Comparisons of overall occupancy and rent roll are distorted by acquisitions, disposals and transfers. The "core portfolio" is defined as those properties that have been held throughout the quarter and which are not subject to refurbishment/redevelopment programmes (the property subject to such a programme during the quarter was 1-10 Union Street).

In common with previous reports, values relating to open storage land (Raynes Park and Redhill) have been excluded in calculating areas, occupancy and rental levels.

Growth in overall rentals was held back both by the disposal of South Block, Westminster and by the exclusion of the rentals of £100,565 at Ferry Lane (the Group's property which was destroyed by fire in July 1999). Ferry Lane rentals had been included in statistics throughout 1999/2000 since insurance compensation for loss of rent was received during this period. Before adjustment for these items rentals increased during the period by £405,552 (1.6%).

## **Operating and Financial Review** continued

### **Current Trading**

The Group has continued to see good demand for its product. Its market remains buoyant in a sound economy that encourages the growth and development of new and small businesses. This is particularly so in our main areas of activity – London, the South East and the Midlands.

So far this year business performance is meeting our expectations with good demand for our product assisting rental growth, especially in London. There remains considerable potential to extract greater value from the Group's portfolio, and to improve rents and occupancy over the next 2 to 3 years, especially from the Tonex acquisition.

## Unaudited Consolidated Profit and Loss Account

for the 3 months ended 30 June 2000

	3 months ended 30 June	
	2000	1999
	£000	£000
<b>Turnover – continuing operations</b>	<b>8,547</b>	5,601
Rent payable and direct costs	<b>(2,304)</b>	(1,487)
<b>Gross profit</b>	<b>6,243</b>	4,114
Administrative expenses	<b>(1,179)</b>	(925)
<b>Operating profit – continuing operations</b>	<b>5,064</b>	3,189
(Deficit) on Disposal of Investment Property	<b>(12)</b>	(4)
Interest receivable	<b>115</b>	26
Interest payable	<b>(2,946)</b>	(1,399)
<b>Profit on ordinary activities before taxation</b>	<b>2,221</b>	1,812
Taxation on profit on ordinary activities	<b>(600)</b>	(453)
<b>Profit attributable to shareholders</b>	<b>1,621</b>	1,359
Dividends	–	–
Retained for the period	<b>1,621</b>	1,359
Basic earnings per share	<b>10.3p</b>	8.7p
Diluted earnings per share	<b>10.1p</b>	8.7p

Other than the profit for the period there were no other recognised gains or losses during the period (1999 – nil).

**Unaudited Cash Flow Statement**

for the 3 months ended 30 June 2000

	<b>3 months ended 30 June</b>	
	<b>2000</b>	1999
	<b>£000</b>	£000
<b>Net cash inflow from operating activities</b>	<b>6,301</b>	2,947
Return on investment and servicing of finance	<b>(3,187)</b>	(1,088)
Taxation	<b>(335)</b>	(218)
Capital expenditure (net)	<b>(5,496)</b>	(5,912)
Equity dividends paid	–	–
<b>Net cash outflow before use of liquid resources and financing</b>	<b>(2,717)</b>	(4,271)
Management of liquid resources	<b>871</b>	1,569
Financing	<b>3,615</b>	2,949
<b>Net cash inflow</b>	<b>1,769</b>	247
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash	<b>1,769</b>	247
Decrease in liquid resources	<b>(871)</b>	(1,569)
Cash inflow from (increase)/decrease in debt	<b>(3,541)</b>	(2,949)
<b>Changes in net debt resulting from cash flows</b>	<b>(2,643)</b>	(4,271)
Net debt at 1 April	<b>(148,731)</b>	(68,457)
Net debt at 30 June	<b>(151,374)</b>	(72,728)

## Consolidated Balance Sheet

	Unaudited 30 June 2000 £000	Audited 31 March 2000 £000
<b>Fixed assets</b>		
Tangible assets		
Investment properties	<b>308,381</b>	304,248
Other fixed assets	<b>1,166</b>	1,117
Investment in own shares	<b>1,015</b>	1,015
	<b>310,562</b>	306,380
<b>Current assets</b>		
Debtors	<b>5,830</b>	5,236
Investments	<b>10,553</b>	11,424
Cash at bank and in hand	<b>242</b>	201
	<b>16,625</b>	16,861
Creditors: amounts falling due within one year		
loans and overdrafts	<b>(4,179)</b>	(5,511)
others	<b>(20,274)</b>	(19,867)
<b>Net current liabilities</b>	<b>(24,453)</b>	(25,378)
<b>Total assets less current liabilities</b>	<b>302,734</b>	297,863
Creditors: amounts falling due after more than one year		
loans	<b>(157,990)</b>	(154,845)
	<b>144,744</b>	143,018
<b>Capital and reserves</b>		
Called up share capital	<b>1,594</b>	1,591
Share premium account	<b>39,897</b>	39,795
Revaluation reserve	<b>86,282</b>	86,412
Profit and loss account	<b>16,971</b>	15,220
Shareholders' funds – equity interests	<b>144,744</b>	143,018
Net asset value per share	<b>£9.13</b>	£9.04
<b>Movement in shareholders' funds</b>		
Profit for the financial period	<b>1,621</b>	6,523
Dividends	–	(3,298)
	<b>1,621</b>	3,225
Issue of Shares	<b>3</b>	3
Share premium account	<b>102</b>	127
Revaluation reserve – increase	–	31,209
<b>Net movement in shareholders' funds for the financial period</b>	<b>1,726</b>	34,564
Shareholders' funds as at 1 April 2000/1999	<b>143,018</b>	108,454
<b>Shareholders' funds as at 30 June 2000/31 March 2000</b>	<b>144,744</b>	143,018

## 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 2000 included an unqualified report of the auditors. The Group's unaudited quarterly accounts for the period ended 30 June 2000 have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2000.

	3 months ended 30 June	
	2000	1999
<b>2. Segmental Analysis</b>	<b>£000</b>	<b>£000</b>
Rental income	<b>6,677</b>	4,464
Service charge and other recoveries	<b>1,477</b>	934
Fees, commissions, and sundry income	<b>393</b>	203
	<b>8,547</b>	5,601

	3 months ended 30 June	
	2000	1999
<b>3. Interest Payable</b>	<b>£000</b>	<b>£000</b>
Convertible loan stock and debenture stock interest	<b>662</b>	662
Mortgage interest	<b>2,608</b>	788
Bank and other interest	<b>23</b>	97
Development interest capitalised	<b>(347)</b>	(148)
<b>Charged to profit and loss account</b>	<b>2,946</b>	1,399

### 4. Taxation

The taxation charge for the three months ended 30 June 2000 is based on the estimated effective tax rate for the year ending 31 March 2001 of 27% (2000 estimated: 25%).

### 5. Earnings Per Share and Net Assets Per Share

Earnings per share have been calculated by dividing the profit after tax for each period attributable to shareholders by the weighted average number of ordinary shares in issue during the period less investment in own shares of 200,000. Net assets per share have been calculated by dividing net assets at the end of each period less investment in own shares by the number of shares in issue at that time less 200,000.

## Notes to the Quarterly Results continued

### 6. Valuation

No valuation of investment properties has been carried out at 30 June 2000. The valuation shown in the unaudited accounts is based on the independent valuation at 31 March 2000, plus additions at cost less disposals at book value.

### 7. Creditors

Creditors falling due within one year include tenants' deposits of £2.66 million (31 March 2000: £2.60 million) and deferred rental and service charges of £4.20 million (31 March 2000: £4.29 million).

### 8. Financial Instruments

In accordance with the requirements of FRS 13, an assessment of the fair value of the Group's financial instruments held for financing purposes has been undertaken as at 30 June 2000. The results are summarised as follows:

	Book Value £ Million	Fair Value £ Million	Difference £ Million
Short term borrowings and current part of long term			
borrowings	(4.2)	(4.2)	–
Long term borrowings	(158.0)	(167.6)	(9.6)
Financial Assets	10.8	10.8	–
Interest rate Cap/Collar	0.3	(1.2)	(1.5)
	<b>(151.1)</b>	<b>(162.2)</b>	<b>(11.1)</b>

This represents 71 pence per issued ordinary share and if applied to net asset value per share at 30 June 2000 would reduce the latter to £8.42. However, the Group has no obligation or present intention to repay its Debenture and Convertible borrowings other than at maturity, when they will be repaid at par. Cash outflows arising from these borrowings will be limited to the future fixed interest payments and redemption at par. These outflows are unaffected by the notional market or fair values referred to above.

### 9. Interim Statement

Copies of this statement will be dispatched to shareholders on 14 August 2000 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 new and emerging businesses in Greater London, the Home Counties and the Midlands.

### Directors

**Phillip P Rhodes FCA** (Chairman)\*

**Alan H Cherry MBE, FRICS, FSV, Hon MRTPI** (Deputy Chairman)\*

**Harry Platt MA, MRTPI** (Chief Executive)

**Madeleine Carragher FRICS** (Operations Director)

**J Patrick Marples ARICS** (Property Director)

**Christopher Pieroni BA, MSc, PhD\***

**R Mark Taylor BSc, FCA** (Finance Director)

\*Non-executive and members of Remuneration and Audit Committees

### Secretary

**R Mark Taylor BSc, FCA**

### Senior Management

**Nirmal Chandra Saha MCOM, MBA, FCMA**

(Divisional Director, Finance)

**Simon Taylor FRICS**

(Divisional Director, Midlands)

### Registered Office and Headquarters

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