



Interim Report

for the six months ended 30 September 2003



Workspace Group

Highlights

Interim Results for the six months ended 30 September 2003

- Pre-tax profits on trading operations up 13.2% to £6.61 million (2002: £5.84 million).
- Pre-tax profits up 54.4% to £6.64 million (2002: £4.30 million).
- Basic earnings per share on trading operations 28.8p, up 12.1% (30 September 2002: 25.7p).
- Basic earnings per share 28.9p, up 52.1% (30 September 2002: 19.0p)
- Valuation surplus of £14.4 million in the half year with a total investment property valuation of £555.4 million.
- Net Asset Value per share at 30 September 2003 £16.15, up 7.0% over the half year, and up 14.0% over the year (31 March 2003: £15.10; 30 September 2002: £14.17).
- Acquisitions of £35.0 million assisted total annual rent roll increase during the half year of 3.1% to £37.0 million (up 10.7% on 30 September 2002).
- Like for like occupancy stable over quarter at 87.4%.
- Dividend distribution re-balanced to ratio of 1 : 2 (2002/03: 1 : 2.75) between interim and anticipated final dividend resulting in a 37% increase from 7.5p to 10.3p.

Operating and Financial Review

Chairman's Statement

In a challenging economic environment the Group has made continuing progress – growing trading profits (up 13%) and earnings per share (up 12%), increasing net assets per share (up 14%) on the same period last year and extending its market leading position as a supplier of space to SMEs in London and the South East.

The Board has reviewed its policy for dividend distributions and has resolved to adjust the balance between the interim and final payments to an approximate 1 : 2 ratio (2002/03: 1:2.75). This, coupled with general performance which would indicate an increase for the year of 10% in line with previous practice, has resulted in our increasing the interim dividend by 37% to 10.3p (2002/03: 7.5p).

Given the strengthening of the economy and the future benefit of our investments as they come on stream, the Group remains confident of reporting a year of good growth in both earnings and net assets per share.

Chief Executive's Statement

Over the half year total rents, including acquisitions increased by £1.1 million (or 3.1%) from £35.9 million to £37.0 million. Acquisitions contributed some £2.45 million to this increase in the rent roll. Elsewhere, the majority (£1.0m) of the total reduction of £1.35m was attributable to voids secured in properties in order to facilitate refurbishments or where we sought vacant possession in anticipation of our disposing of the property for redevelopment.

Occupancy has been maintained in the second quarter and now stands at 83.3% in overall terms, and 87.4% on a like-for-like basis (excluding acquisitions and developments). Average rentals, on a like-for-like basis whilst down in the quarter due to mix variations, are level over the six month period at £8.17 per sq. ft.

The stable occupancy has underpinned our valuation performance, which has also been assisted by a yield improvement, particularly in our industrial estates, and the removal of stamp duty in disadvantaged areas (comprising over half our stock). Our properties have again been valued independently by CB Richard Ellis at the half year stage. The valuation of investment properties of £555.4 million, shows an increase in value of 2.7% and a valuation surplus of £14.4 million (for accounts purposes). In addition to this, properties held as trading stock (for disposal) or as fixed assets showed a surplus of £1.8 million which is not included in the accounts.

Net Asset Value per share (NAV) of £16.15 at 30 September 2003, is 7.0% up on 31 March 2003, and some 14.0% up on 30 September 2002. The NAV growth has been fuelled principally by the 79p per share valuation surplus for the half year, recorded at a time when central London office property values have been under pressure. The differing performance of the Group's assets compared with West End and City properties is a reflection in part of the different characteristics of the markets in London in which the Group invests.

Over £35 million of properties were acquired in the half year. Further acquisitions are being tracked and, following the period end, contracts were exchanged for Atlas Business Centre at Staples Corner in North London. Contracts have also been exchanged during the period for the conditional disposal of 3 properties – Thurston Road, land at Canalot Studios and Payne Road – whilst other substantial disposals, including that of Kingsland Viaduct and the adjacent Union Walk, are in negotiation. These disposals reflect the Group's active management to maximise value.

The Group has reorganised its Vylan digital services network bringing in Centric Telecom as the principal service provider and creating with Centric a larger and more robust network which will be beneficial both to customer service and Group profits.

Operating and Financial Review

continued

Portfolio

The table below shows the main details of acquisitions during the half year:

Name of Property	Description	Acquisition Price	Initial Annual Income	Market Rent at 30/09/03
Acquisitions:				
First Quarter				
Poplar Business Park, London E14	Modern B1 scheme, comprising 33 units totalling 75,000 sq. ft	£16.10m	£1.134m	£1.140m
Second Quarter				
Progress Way Business Park, Croydon, CR0 4XD	18 units totalling 31,000 sq. ft	£3.38m	£0.260m	£0.268m
Portfolio of 7 properties purchased from Lambeth Borough Council	109 units, totalling 169,460 sq. ft mainly single storey light industrial buildings	£15.53m	£1.056m	£1.295m
		£35.01m	£2.450m	£2.703m

The Lambeth portfolio will integrate well with the Group's existing holdings in South London extending and improving the range of the accommodation offer to our customers. The Group is confident that as its management and marketing methods are applied to this stock, improvements in income will be achieved. The Poplar Business Park is close to Canary Wharf and, like the Lambeth portfolio, has been an acquisition target for the Group for some 10 years. Finally, Progress Way, Croydon, gives the Group exposure in a part of London where it was not previously represented.

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

	30 September 2003	30 June 2003	31 March 2003
Number of estates	101	92	92
Total floorspace at end of period (sq. ft)	5,363,701	5,103,237	5,104,519
of which:			
Like for like portfolio (sq. ft)	4,568,509	4,594,513	4,596,246
Net Acquisitions/(Disposals) (sq. ft)	272,697	–	–
Three Mills and developments (sq. ft)	522,495	508,724	508,273
Lettable units (number)	4,454	4,228	4,190
Annual rent roll of occupied units (£)	37,002,573	35,429,332	35,906,404
Average rent (£/sq. ft)	8.28	8.37	8.21
Average rent of like-for-like portfolio (£/sq. ft)	8.17	8.30	8.19
Occupancy overall	83.3%	83.0%	85.7%
Occupancy of like-for-like portfolio	87.4%	87.3%	89.3%

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

Operating and Financial Review

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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.

The reduction over the quarter in like-for-like average rent is attributable to a reduction in occupancy in higher value properties, particularly those where development and refurbishment development works are in progress or planned, with lettings and occupancy increasing elsewhere in lower rental value industrial accommodation. This position will reverse in time as these works, details of which are given below, are completed.

During the half year the Group has undertaken works at Barley Mow; Quality Court; Europa House; Enterprise House; Leathermarket and Tower Bridge. The works at Quality Court, Europa House and Tower Bridge are now complete; with lettings now in place at both Europa House and Tower Bridge and marketing of Quality Court about to commence. Phase 1 of the works at Enterprise House and the works at the Leathermarket and Barley Mow will complete over the next six months. These improvement works will lead to further rental growth with occupancy improving as the currently void space lets up.

After a quiet period in terms of occupancy and rents, there has been a noticeable increase in enquiries since the quarter end. We believe this is partly due to the stronger economy and partly to our recent marketing programmes. As these convert to lettings they offer the prospect of improvements in both occupancy and in the rent roll in the final months of the year and subsequently.

Financial Review

Once again, good progress has been made over the half year with turnover (up 12.4%), trading PBT (up 13.2%) and NAV (up 14.0%) well ahead of comparable values.

Net cash inflow from operating activities was £13.77m (2002: £11.84m). Following a net capital expenditure outflow of £46.19m (2002: £45.01m) and financing inflows of £45.18m (2002: £42.48m) the net cash outflow for the period was £0.73m (2002: inflow of £2.64m). Net debt at the end of the period was £287.4m (30 September 2002: £220.6m, 31 March 2003: £242.4m) taking the Group's gearing to 108%. Of the Group's debt at 30 September, 62% was either fixed or the subject of hedging arrangements. The average cost of funds (based on 30 September LIBOR rates) was 5.61%. Interest cover over the period was 1.90 times. With cover at this level the Group is comfortably able to service its debts and has the capacity to service higher levels of borrowings. At the period end the Group had committed but undrawn loan facilities of £37.5m, sufficient to cover its immediate investment plans. It remains on target to achieve its plan of doubling its portfolio through organic growth financed by debt over a five year period.

Key financial statistics and indicators may be summarised as follows:

	6 Months to 30/09/2003	Year to 31/03/2003	6 Months to 30/09/2002
Gross profit: turnover	72%	71%	71%
Operating profit: turnover	58%	57%	56%
PBT: turnover	28%	30%	20%
EPS per share (pence)	28.9	64.3	19.0
NAV per share (£)	16.15	15.10	14.17
Interest cover	1.90	*2.18	*2.02
Trading interest cover	1.90	*1.97	*1.97
Gearing	108%	98%	95%
Available facilities (£m)	30.0	75.0	57.0

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

Operating and Financial Review

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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

The Group continues to maintain stable levels of occupancy and rents in a difficult environment. With increasing levels of interest in space, rentals, and as a result, earnings should continue to grow, supported by renewed contributions from the recently completed refurbishment schemes.

The Group continues to monitor a number of properties and anticipates further acquisitions and disposals before the year end. In so doing, the Group will further reinforce its position as the main provider of flexible, affordable space for SMEs in the growing London economy. It remains confident of reporting a year of good growth in earnings and NAV.

Independent review report to Workspace Group PLC

Introduction

We have been instructed by the company to review the financial information which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2003.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH

21 November 2003

Consolidated Profit and Loss Account

for the 6 months ended 30 September 2003

Audited year ended 31 March		Notes	Unaudited 3 months ended 30 September		Unaudited 6 months ended 30 September			
			2003 £000	2002 £000	Trading Operations £000	Other Items £000	Total 2003 £000	Total 2002 £000
44,965	Turnover – continuing operations	2	12,102	11,036	24,014	–	24,014	21,367
(12,944)	Rent payable and direct costs		(3,271)	(3,266)	(6,654)	–	(6,654)	(6,214)
32,021	Gross profit		8,831	7,770	17,360	–	17,360	15,153
(6,554)	Administrative expenses		(1,709)	(1,638)	(3,407)	–	(3,407)	(3,264)
25,467	Operating profit – continuing operations		7,122	6,132	13,953	–	13,953	11,889
2,766	Surplus on disposal of investment property		5	311	–	32	32	313
173	Interest receivable	3	7	60	18	–	18	94
(14,993)	Interest payable and similar charges	4	(3,782)	(5,089)	(7,364)	–	(7,364)	(8,000)
13,413	Profit on ordinary activities before taxation		3,352	1,414	6,607	32	6,639	4,296
(3,046)	Taxation on profit on ordinary activities	5	(1,031)	(417)	(2,008)	(10)	(2,018)	(1,282)
10,367	Profit on ordinary activities after taxation		2,321	997	4,599	22	4,621	3,014
–	Equity minority interests	19	–	–	–	–	–	–
10,367	Profit attributable to shareholders		2,321	997	4,599	22	4,621	3,014
(4,471)	Dividends	6	(1,658)	(1,156)	(1,658)	–	(1,658)	(1,179)
5,896	Retained for the period		663	(159)	2,941	22	2,963	1,835
64.3p	Basic earnings per share	7	14.5p	6.7p	28.8p	0.1p	28.9p	19.0p
62.8p	Diluted earnings per share	7	14.2p	6.7p	28.2p	0.1p	28.3p	18.8p

Statement of Total Recognised Gains and Losses

Audited year ended 31 March		Unaudited 6 months ended 30 September	
		2003 £000	2002 £000
10,367	Profit for the financial period	4,621	3,014
19,701	Unrealised surplus on revaluation of investment properties	14,398	8,091
30,068	Total recognised gains relating to the financial period	19,019	11,105

Note of Historical Cost Profits and Losses

Audited year ended 31 March		Unaudited 6 months ended 30 September	
		2003 £000	2002 £000
13,413	Reported profits on ordinary activities before taxation	6,639	4,296
15	Realisation of property revaluation (losses)/gains of previous years	–	(87)
13,428	Historical cost profit on ordinary activities before taxation	6,639	4,209
5,911	Historical cost profit for the period retained after taxation and dividends	2,963	1,748

Consolidated Balance Sheet

as at 30 September 2003

Audited			Unaudited 30 September	
31 March			2003	2002
2003			£000	£000
£000		Notes		
Fixed Assets				
	Tangible assets			
505,490	Investment properties	8	555,355	462,763
3,866	Other fixed assets		3,467	3,830
6,234	Investment in own shares	9	6,206	6,249
515,590			565,028	472,842
Current Assets				
–	Stock: properties for sale		10,673	150
7,386	Debtors	10	10,002	6,619
3,109	Investments	11	3,962	1,032
456	Cash at bank and in hand		414	1,002
10,951			25,051	8,803
(28,835)	Creditors: amounts falling due within one year	12	(29,331)	(24,381)
(17,884)	Net current liabilities		(4,280)	(15,578)
497,706	Total assets less current liabilities		560,748	457,264
	Creditors: amounts falling due after more than one year (including			
(245,990)	Convertible Loan Stock)	13	(291,101)	(221,821)
(4,107)	Provision for liabilities and charges	15	(4,502)	(3,742)
247,609			265,145	231,701
Capital and reserves				
1,668	Called up share capital	16	1,672	1,661
42,697	Share premium account	17	42,868	42,467
164,274	Revaluation reserve	17	178,672	152,766
38,970	Profit and loss account	17	41,933	34,807
247,609	Shareholders' funds – equity interests		265,145	231,701
–	Equity minority interests	19	–	–
247,609	Capital Employed	18	265,145	231,701
£15.10	Net asset value per share	7	£16.15	£14.17

Consolidated Cash Flow Statement

for the 6 months ended 30 September 2003

Audited year ended 31 March 2003 £000		Notes to cash flow	Unaudited 6 months ended 30 September	
			2003 £000	2002 £000
29,112	Net cash inflow from operating activities	1	13,767	11,835
(13,454)	Return on investments and servicing of finance	2	(7,417)	(6,780)
(2,372)	Taxation		(1,915)	(1,259)
(75,225)	Capital (expenditure)/proceeds – net	2	(46,190)	(45,011)
(4,227)	Equity dividends paid		(3,299)	(3,035)
(66,166)	Net cash outflow before use of liquid resources and financing		(45,054)	(44,250)
2,334	Management of liquid resources	2	(853)	4,411
66,715	Financing	2	45,175	42,477
2,883	Net cash (outflow)/inflow	3	(732)	2,638
	Reconciliation of net cash flow to movement in net debt			
2,883	(Decrease)/increase in cash		(732)	2,638
(2,334)	Increase/(decrease) in liquid resources		853	(4,411)
(66,907)	Outflow from movements in debt financing		(45,111)	(42,738)
(66,358)	Changes in net debt resulting from cash flows	3	(44,990)	(44,511)
(176,067)	Net debt at beginning of period		(242,425)	(176,067)
(242,425)	Net debt at period end		(287,415)	(220,578)

Notes to the cash flow statement

for the 6 months ended 30 September 2003

1. Reconciliation of operating profit to operating cash flows

Audited year ended 31 March 2003 £000		Unaudited 6 months ended 30 September 2003 £000	2002 £000
25,467	Operating profit	13,953	11,889
742	Depreciation charges	281	366
(3)	Profit on sale of tangible fixed assets	–	–
1,339	(Increase)/decrease in debtors	(1,061)	(449)
1,567	Increase in creditors	594	29
29,112		13,767	11,835

2. Analysis of cash flow

Audited year ended 31 March 2003 £000		Unaudited 6 months ended 30 September 2003 £000	2002 £000
	Returns on investments and servicing of finance		
191	Interest received	18	109
(13,645)	Interest paid (including financing costs)	(7,435)	(6,889)
(13,454)	Net cash outflow	(7,417)	(6,780)
	Capital expenditure		
(73,192)	Purchase of tangible fixed assets	(47,496)	(45,747)
(5,219)	Net distribution/(purchase) of own shares	28	–
3,037	Sale of tangible fixed assets	1,278	727
149	Grants received	–	9
(75,225)	Net cash outflow	(46,190)	(45,011)
	Management of liquid resources		
2,334	(Increase)/decrease in short-term deposits	(853)	4,411
2,334	Net cash (outflow)/inflow	(853)	4,411
	Financing		
687	Issue of ordinary share capital	175	449
180,500	Drawdown of bank loans	45,000	156,500
(114,472)	Repayment of securitised loan	–	(114,472)
66,715	Net cash inflow	45,175	42,477

Notes to the cash flow statement

continued

3. Analysis of net debt

Audited year ended 31 March 2003			Unaudited 6 months ended 30 September						
At		At		At		At	At		At
01/04/02	Cash flow	31/03/03		01/04/03	Cash flow	30/09/03	01/04/02	Cash flow	30/09/02
£000	£000	£000		£000	£000	£000	£000	£000	£000
340	116	456	Cash at bank and in hand	456	(42)	414	340	662	1,002
(2,767)	2,767	–	Bank overdrafts	–	(690)	(690)	(2,767)	1,976	(791)
(2,427)	2,883	456		456	(732)	(276)	(2,427)	2,638	211
			Debt due within one year:						
(3,660)	3,660	–	Securitised loan	–	–	–	(3,660)	3,660	–
307	(307)*	–	Less cost of raising finance	–	–	–	307	30*	337
			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)	(45,000)	(270,000)	(44,500)	(156,500)	(201,000)
1,982	(572)*	1,410	Less cost of raising of finance	1,410	(111)*	1,299	1,982	(740)*	1,242
(179,083)	(66,907)	(245,990)		(245,990)	(45,111)	(291,101)	(179,083)	(42,738)	(221,821)
5,443	(2,334)	3,109	Short-term deposits	3,109	853	3,962	5,443	(4,411)	1,032
(176,067)	(66,358)	(242,425)	Total	(242,425)	(44,990)	(287,415)	(176,067)	(44,511)	(220,578)

*Includes non-cash writedowns of financing costs.

Notes to the Half Year Results

1. Basis of preparation

The unaudited financial information contained in this interim 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 30 September 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 30 September 2003 £000	2002 £000	6 months ended 30 September 2003 £000	2002 £000
35,667	Rental Income	9,606	8,780	19,086	16,969
7,410	Service charge and other recoveries	2,042	1,728	4,141	3,584
1,888	Services, fees, commissions and sundry income	454	528	787	814
44,965		12,102	11,036	24,014	21,367

3. Interest receivable

Audited year ended 31 March 2003 £000		Unaudited		Unaudited	
		3 months ended 30 September 2003 £000	2002 £000	6 months ended 30 September 2003 £000	2002 £000
106	Short-term deposits	7	60	18	93
67	Other	–	–	–	1
173		7	60	18	94

4. Interest payable and similar charges

Audited year ended 31 March 2003 £000		Unaudited		Unaudited	
		3 months ended 30 September 2003 £000	2002 £000	6 months ended 30 September 2003 £000	2002 £000
361	11% Convertible Loan Stock 2011	79	79	159	159
1,391	11.125% First Mortgage Debenture Stock 2007	347	347	695	695
814	11.625% First Mortgage Debenture Stock 2007	204	204	407	407
1,884	Mortgage interest on securitised loan not wholly repayable within five years*	–	246	–	1,884
9,241	Bank and other interest on amounts wholly repayable within five years*	3,386	2,520	6,543	3,299
1,861	Finance costs written off	–	1,861	–	1,861
15,552		4,016	5,257	7,804	8,305
(559)	Interest capitalised on development properties	(234)	(168)	(440)	(305)
14,993	Charged to profit and loss account	3,782	5,089	7,364	8,000

*Includes amortisation of cost of raising finance.

Notes to the Half Year Results

continued

5. Taxation

Audited year ended 31 March 2003 £000		Unaudited		Unaudited	
		3 months ended 30 September		6 months ended 30 September	
		2003 £000	2002 £000	2003 £000	2002 £000
	Current tax:				
3,225	UK corporation tax on profit for the year	840	276	1,623	905
(921)	Adjustment in respect of previous periods	–	–	–	–
2,304	Total current tax	840	276	1,623	905
	Deferred tax:				
742	Origination and reversal of timing differences	191	141	395	377
3,046	Tax on profit on ordinary activities	1,031	417	2,018	1,282

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

6. Dividends

Audited year ended 31 March 2003 £000		Unaudited		Unaudited	
		3 months ended 30 September		6 months ended 30 September	
		2003 £000	2002 £000	2003 £000	2002 £000
1,193	Interim dividend per ordinary share 10.3p (2002 : 7.5p)	1,651	1,193	1,651	1,193
3,292	Final dividend per ordinary share (2002 : 20.6p)	–	–	–	–
(14)	Under/(over) provision in prior year	7	(37)	7	(14)
4,471		1,658	1,156	1,658	1,179

The proposed interim dividend is payable on 2 February 2004 to shareholders on the register at the close of business on 5 January 2004.

Notes to the Half Year 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 6 months ended 30 September			
Profit	Earnings		Profit	Profit	Earnings	Earnings
2003	per share		2003	2002	per share	per share
£000	2003		£000	£000	2003	2002
	Pence				Pence	Pence
10,367	64.3	Profit for the period attributable to shareholders	4,621	3,014	28.9	19.0
(671)	(4.2)	Other items	(22)	1,057	(0.1)	6.7
9,696	60.1	Profit for the period attributable to shareholders used for calculating earnings per share excluding other items	4,599	4,071	28.8	25.7

Reconciliation of profit used in calculating diluted earnings per share

Audited year ended 31 March			Unaudited 6 months ended 30 September			
Profit	Earnings		Profit	Profit	Earnings	Earnings
2003	per share		2003	2002	per share	per share
£000	2003		£000	£000	2003	2002
	Pence				Pence	Pence
10,367		Profit for the period attributable to shareholders used for calculating basic earnings per share	4,621	3,014		
223		Interest saving net of taxation on 11% Convertible Loan Stock	112	112		
10,590	62.8	Profit for the period attributable to shareholders used in calculating the underlying diluted earnings per share	4,733	3,126	28.3	18.8
(671)	(4.0)	Other items	(22)	1,057	(0.1)	6.3
9,919	58.8	Profit for the period attributable to shareholders used in calculating the diluted earnings per share excluding other items	4,711	4,183	28.2	25.1

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 6 months ended 30 September	
Number		2003	2002
		Number	Number
16,119,277	Used for calculating basic earnings per share	16,002,851	15,865,684
158,075	Dilution due to Share Option Scheme	155,290	217,832
580,000	Dilution due to Convertible Loan Stock	580,000	580,000
16,857,352	Used for calculating diluted earnings per share	16,738,141	16,663,516

Net assets per share have been calculated by dividing net assets of £265,145,000 (2002: £231,701,000) less investment in own shares of £6,205,627 (2002: £6,249,150) by 16,031,788 (2002: 15,906,795) being the number of shares in issue at 30 September 2003 less investment in own shares of 689,666 (2002: 699,190).

Notes to the Half Year Results

continued

8. Investment properties

Audited 31 March 2003 £000		Freehold £000	Mainly Freehold £000	Long leasehold £000	Short leasehold £000	Unaudited 30 September	
						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	25,272	3,852	16,374	–	45,498	40,353
(2,598)	Disposals during the period	–	–	–	–	–	(388)
–	Reclassification from other fixed assets	589	53	–	–	642	–
–	Reclassification to current assets	(10,673)	–	–	–	(10,673)	–
19,701	Revaluation during the period	9,652	3,400	1,346	–	14,398	8,091
505,490	Balance at period end	402,775	78,365	74,215	–	555,355	462,763
	The historical cost of investment properties:						
340,472	Balance at period end	270,573	52,514	58,791	7	381,885	309,237

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.

9. 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 September 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 30 September 2003 the market value of the shares held by the Trust was £8,241,500. 665,030 shares held by the Trust are subject to option awards.

10. Debtors

Audited 31 March 2003 £000		Unaudited 30 September	
		2003 £000	2002 £000
	Amounts falling due within one year:		
6,294	Trade debtors	4,781	4,407
37	Taxation and social security	2,776	26
1,055	Prepayments and accrued income	2,445	2,059
7,386		10,002	6,492
	Amounts falling due after one year:		
–	Advance commissions	–	127
7,386	Total debtors	10,002	6,619

11. Investments

Investments of £3,962,000 (2002: £1,032,000) comprise short-term deposits with an original maturity date of less than three months and rental deposits.

Notes to the Half Year Results

continued

12. Creditors: Amounts falling due within one year

Audited 31 March 2003 £000		Unaudited 30 September	
		2003 £000	2002 £000
–	Bank overdraft (secured)	690	791
3,026	Trade creditors	4,023	2,088
1,925	Corporation tax payable	1,632	1,638
1,946	Taxation and social security	284	998
5,154	Tenants' deposits	5,261	4,575
8,231	Accruals	10,506	7,780
5,261	Deferred income – rent and service charges	5,284	5,318
3,292	Dividends	1,651	1,193
28,835		29,331	24,381

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

Audited 31 March 2003 £000		Unaudited 30 September	
		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	268,701	199,421
245,990		291,101	221,821

Notes to the Half Year Results

continued

14. Borrowings and financial instruments

i Maturity of financial liabilities

A maturity analysis of loans is shown below:

Audited		Unaudited 30 September	
31 March		2003	2002
2003		£000	£000
£000		£000	£000
–	Less than one year	690	791
–	Between three years and four years	289,500	–
244,500	Between four years and five years	–	220,500
2,900	In five years and more	2,900	2,900
247,400		293,090	224,191
(1,410)	Less cost of raising finance	(1,299)	(1,579)
245,990		291,791	222,612

ii Fair value of financial assets and liabilities

Book and fair values of financial assets and liabilities are:

Audited		Unaudited 30 September			
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					
–	–	(690)	(690)	(791)	(791)
(245,990)	(251,093)	(291,101)	(296,621)	(221,821)	(227,514)
3,565	3,565	4,376	4,376	2,034	2,034
Derivative financial instruments					
244	(6,724)	225	(4,936)	264	(5,358)
(242,181)	(254,252)	(287,190)	(297,871)	(220,314)	(231,629)

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 66.6 pence per share (46.6 pence based on diluted share capital).

Notes to the Half Year Results

continued

15. Provision for liabilities and charges

Audited 31 March 2003 £000		Unaudited 30 September	
		2003 £000	2002 £000
	Deferred taxation:		
3,365	Balance at 1 April 2003/2002	4,107	3,365
742	Deferred tax charge for the period	395	377
4,107	Balance at period end	4,502	3,742

If the investment properties were sold for their revalued amount there would be a potential liability to corporation tax of £44,305,000 (31 March 2003: £39,986,000, 30 September 2002: £40,050,000). In accordance with FRS 19 no provision has been made for these amounts.

16. Share capital

Audited 31 March 2003 Number		Unaudited 30 September	
		2003 Number	2002 Number
	Authorised:		
21,500,000	Ordinary shares of 10p each	21,500,000	21,500,000
2003 £		2003 £	2002 £
	Issued:		
1,667,808	Fully paid ordinary shares of 10p each	1,672,145	1,660,599

Notes to the Half Year Results

continued

17. Other reserves

Audited 31 March 2003 £000		Unaudited 30 September	
		2003 £000	2002 £000
(a) Share premium account			
42,030	Balance at 1 April 2003/2002	42,697	42,030
667	Additions	171	437
42,697	Balance at period end	42,868	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	–	87
19,701	Revaluation adjustment	14,398	8,091
164,274	Balance at period end	178,672	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	2,963	1,835
15	Transfer from revaluation reserve	–	(87)
38,970	Balance at period end	41,933	34,807

18. Reconciliation of movements in equity shareholders' funds

Audited 31 March 2003 £000		Unaudited 30 September	
		2003 £000	2002 £000
10,367	Profits for the financial period	4,621	3,014
(4,471)	Dividends	(1,658)	(1,179)
19,701	Unrealised surplus on revaluation of properties	14,398	8,091
687	Issue of shares	175	450
26,284	Net addition to equity shareholders' funds	17,536	10,376
221,325	Opening equity shareholders' funds	247,609	221,325
247,609	Closing equity shareholders' funds	265,145	231,701

Notes to the Half Year Results

continued

19. Equity minority interests

Audited 31 March 2003 £000		Unaudited 30 September 2003 £000	2002 £000
74	Share of loss of subsidiary undertaking	35	76
(74)	Provision against losses of subsidiary undertaking	(35)	(76)
–		–	–

£nil has been appropriated to minority interests in all periods shown in this statement.

20. 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 30 September 2003 £000	2002 £000
8,038	Under contract	4,349	3,762
2,913	Board authorised but not contracted	2,474	3,919

21. Subsequent events

Following the period end contracts were exchanged for the purchase of the Atlas Business Centre in North London for a cash consideration of £12.65 million.

22. Interim statement

This statement was approved by the Board on 21 November 2003. Copies of this statement will be dispatched to shareholders on Monday 24 November 2003 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
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