



Quarterly Report

for the three months ended 30 June 2003



Workspace Group

Highlights

- Turnover £11.91m for the quarter, up by 15.3% (2002: £10.33m).
- Pre-tax profits of £3.29m for the quarter, up 14.2% (2002: £2.88m).
- Basic earnings per share at 14.4p for the quarter up 17.1% (2002: 12.3p).
- Like-for-like occupancy 87.3% at end of quarter (31 March 2003: 89.3%)
- Annual rent roll £35.43m. Refurbishment schemes underway will generate rental growth later in the year.
- Net asset value per share £15.22 at 30 June 2003 (31 March 2003: £15.10) (30 June 2002: £13.58).

Operating and Financial Review

Overview

The business continues to develop and grow. Pre-tax profits for the quarter are up 14.2% with trading profits up 13.1% on turnover up by 15.3% compared to the same quarter last year.

Growth overall has been fuelled, as previously, by both organic growth in rentals (like-for-like average rent increased by 1.4% over the quarter) and by acquisitions (385,500 sq. ft has been added since 30 June 2002).

The increasing strength of the Workspace brand continued to generate high levels of enquiries (over 100 per week) giving confidence in the underlying resilience of the market.

Following the end of the quarter, one acquisition has been secured and others are either in negotiation or with lawyers. Acquisitions could total over £35m in the second quarter. Negotiations are also in progress on three disposals – Thurston Road, Hooley Lane and Kingsland Viaduct – where again good progress is hoped to be achieved by the half year stage.

Portfolio

Occupancy has dipped slightly during the quarter from 85.7% to 83.0% on an overall basis. Of this decline approximately one third related to properties subject to development and refurbishment where customers have had to be moved or have chosen to move ahead of disturbance. These include refurbishment projects at Barley Mow, Enterprise House, Europa and Clerkenwell and planned sales at Thurston Road, Hooley Lane and Kingsland Viaduct (which is subject to a Compulsory Purchase Order). Occupancy also fell in a number of the Group's recently acquired properties. This is a commonplace phenomenon post acquisition as the Group refocuses the management and operation of these properties. Experience shows that following this initial dip, occupancy recovers with an even stronger recovery in rentals as market rents are achieved on re-letting. Excluding these developments, refurbishment and acquisitions the majority of the Group's remaining properties (70 of the 92 sites overall) remained stable (occupancy on these moving marginally from 90.3% to 89.3%) with total rents growing despite this.

Excluding development sites, occupancy at the quarter end is a healthy 87.3%. Following completion of the refurbishments, the effect of which is short term, we expect occupancy and rents to rise. This increase will commence in the latter part of the current financial year and so will not benefit income substantially in this year but will assist in future periods.

Excluding the planned vacation of IPC from Enterprise House, releasing this accommodation for refurbishment, overall rental income has been stable in the quarter at £35.4m. Like-for-like rents have risen by 1.3% during the quarter, from £8.19 per sq. ft to £8.30 sq ft.

As noted earlier, no major acquisitions and disposals were made in the quarter (a minor disposal of a strip of land at one property was made in the period). However, following the end of the quarter one acquisition has been completed:

Name of Property	Description	Acquisition/Sale	
		Price	Annual Income
Acquisition:			
Poplar Business Park, London E14	Modern B1 scheme, comprising 33 units totalling 75,000 sq. ft	£16.10m	£1.134m

Other acquisitions totalling £19m are in progress. The majority of these acquisitions have been followed for many years. The Board has noted the increased interest and competition for the type of property in which it invests and the impact of this on the pricing of this property. With its considerable experience of and research into this sector the Company understands well the intrinsic value of such stock. Whilst it is prepared to pay the fair price for its investments the Board has resolved not to chase properties at what it considers to be excessive prices.

Operating and Financial Review

continued

During the quarter, Lewisham Council resolved, subject to a S106 Agreement, to approve our planning application for retail warehousing and housing at the Thurston Road Industrial Estate. The Group has targeted the estate for early disposal, along with Hooley Lane, Redhill, (which, subject to a S106 agreement, has planning approval for residential use), and the Kingsland Viaduct (which is the subject of a Compulsory Purchase Order to enable the development of the East London Line). These disposals should realise in excess of £20m. The exit yields for these sales will be little different to the cost of borrowing which leaves scope for improvement in profitability as these sums are reinvested.

Financial Review

Earnings per share and net asset value per share have increased, driven by the increase in turnover and profitability referred to earlier. Key statistics and indicators may be summarised as:

	Quarter to 30/06/2003	Year to 31/03/2003	Quarter to 30/06/2002
Gross trading profit: turnover	72%	71%	71%
Operating profit: turnover	57%	57%	56%
PBT: turnover	28%	30%	28%
EPS per share (pence)	14.4	64.3	12.3
NAV per share (£)	15.22	15.10	13.58
Interest cover	1.92	*2.18	2.00
Trading interest cover	1.91	1.97	2.00
Gearing	96%	98%	80%
Available facilities (£m)	60.5	75.0	130.0

* Excludes non cash refinancing costs.

As may be seen trading ratios are consistent over all periods. EPS for the quarter is 17.1% higher than the comparable period last year. EPS for the full year to 31 March 2003 was assisted by a reduced tax charge for the year, attributable to a prior year tax adjustment. EPS calculations for the current quarter (and the previous year comparative) are based on tax charges at full rates.

Interest cover has declined against the comparable period last year due to increased gearing levels. It has improved (at a trading level) in the current year at a time when gearing levels have been more comparable with the year end value.

The Group continues to hold sufficient committed loan facilities to match its capital expenditure and acquisition targets for the year.

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:

	30 June 2003	31 March 2003
Number of estates	92	92
Total floorspace at end of period (sq. ft)	5,103,237	5,104,519
of which:		
Like for like portfolio (sq. ft)	4,594,513	4,596,246
Net Acquisitions/(Disposals) (sq. ft)		
Three Mills and developments (sq. ft)	508,724	508,273
Lettable units (number)	4,228	4,190
Annual rent roll of occupied units (£)	35,429,332	35,906,404
Average rent (£/sq. ft)	8.37	8.21
Average rent of like-for-like portfolio (£/sq. ft)	8.30	8.19
Occupancy overall	83.0%	85.7%
Occupancy of like-for-like portfolio	87.3%	89.3%

Comparisons from period to period may be 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.

Prospects

The Group continues to maintain good levels of occupancy with enquiry levels and conversion rates consistent with earlier periods. Where occupancy levels have fallen more significantly this is generally attributable to estate related issues (e.g. refurbishments) rather than wider instability in the tenant base because of negative economic factors. The Group expects the rent roll to increase more strongly later in the year as the various refurbishment works underway complete and space is let. Meanwhile, in the current quarter the Group expects to make a number of acquisitions and to reach agreement on a number of key disposals. The Group is confident of achieving market expectations for the year and in extending its position as the leading brand in the provision of space to SMEs in London and the South East.

Consolidated Profit and Loss Account

for the 3 months ended 30 June 2003

Audited year ended 31 March 2003 £000		Notes	Unaudited 3 months ended 30 June			
			Trading Operations £000	Other Items £000	Total 2003 £000	Total 2002 £000
44,965	Turnover – continuing operations	2	11,912	–	11,912	10,331
(12,944)	Rent payable and direct costs		(3,383)	–	(3,383)	(2,948)
32,021	Gross profit		8,529	–	8,529	7,383
(6,554)	Administrative expenses		(1,698)	–	(1,698)	(1,626)
25,467	Operating profit – continuing operations		6,831	–	6,831	5,757
2,766	Surplus on disposal of investment property		–	27	27	2
173	Interest receivable	3	11	–	11	34
(14,993)	Interest payable and similar charges	4	(3,582)	–	(3,582)	(2,911)
13,413	Profit on ordinary activities before taxation		3,260	27	3,287	2,882
(3,046)	Taxation on profit on ordinary activities	5	(979)	(8)	(987)	(865)
10,367	Profit on ordinary activities after taxation		2,281	19	2,300	2,017
–	Equity minority interests	19	–	–	–	–
10,367	Profit attributable to shareholders		2,281	19	2,300	2,017
(4,471)	Dividends	6	–	–	–	(23)
5,896	Retained for the period		2,281	19	2,300	1,994
64.3p	Basic earnings per share	7	14.3p	0.1p	14.4p	12.3p
62.8p	Diluted earnings per share	7	14.0p	0.1p	14.1p	12.1p

Statement of Total Recognised Gains and Losses

Audited year ended 31 March 2003 £000		Unaudited 3 months ended 30 June	
		2003 £000	2002 £000
10,367	Profit for the financial period	2,300	2,017
19,701	Unrealised surplus on revaluation of investment properties	–	–
30,068	Total recognised gains relating to the financial period	2,300	2,017

Note of Historical Cost Profits and Losses

Audited year ended 31 March 2003 £000		Unaudited 3 months ended 30 June	
		2003 £000	2002 £000
13,413	Reported profits on ordinary activities before taxation	3,287	2,882
15	Realisation of property revaluation gains/(losses) of previous years	–	–
13,428	Historical cost profit on ordinary activities before taxation	3,287	2,882
5,911	Historical cost profit for the period retained after taxation and dividends	2,300	1,994

Consolidated Balance Sheet

as at 30 June 2003

Audited			Unaudited 30 June	
31 March			2003	2002
2003			£000	£000
£000	Notes		£000	£000
Fixed Assets				
Tangible assets				
505,490	Investment properties	8	509,789	419,544
3,866	Other fixed assets		3,368	3,723
6,234	Investment in own shares	9	6,206	977
515,590			519,363	424,244
Current Assets				
–	Stock: properties for sale		–	150
7,386	Debtors	10	7,292	6,600
3,109	Investments	11	1,053	5,304
456	Cash at bank and in hand		765	290
10,951			9,110	12,344
(28,835)	Creditors: amounts falling due within one year	12	(31,129)	(30,814)
(17,884)	Net current liabilities		(22,019)	(18,470)
497,706	Total assets less current liabilities		497,344	405,774
Creditors: amounts falling due after more than one year (including				
(245,990)	Convertible Loan Stock)	13	(243,036)	(178,441)
(4,107)	Provision for liabilities and charges	15	(4,311)	(3,601)
247,609			249,997	223,732
Capital and reserves				
1,668	Called up share capital	16	1,670	1,659
42,697	Share premium account	17	42,783	42,432
164,274	Revaluation reserve	17	164,274	144,588
38,970	Profit and loss account	17	41,270	35,053
247,609	Shareholders' funds – equity interests		249,997	223,732
–	Equity minority interests	19	–	–
247,609	Capital Employed	18	249,997	223,732
£15.10	Net asset value per share		£15.22	£13.58

Consolidated Cash Flow Statement

for the 3 months ended 30 June 2003

Audited year ended 31 March 2003 £000		Notes to cash flow	Unaudited 3 months ended 30 June 2003 £000	2002 £000
29,112	Net cash inflow from operating activities	1	8,387	5,553
(13,454)	Return on investments and servicing of finance	2	(3,198)	(2,049)
(2,372)	Taxation		(1,100)	(742)
(75,225)	Capital (expenditure)/proceeds – net	2	(2,924)	(5,709)
(4,227)	Equity dividends paid		–	–
(66,166)	Net cash inflow/(outflow) before use of liquid resources and financing		1,165	(2,947)
2,334	Management of liquid resources	2	2,056	138
66,715	Financing	2	(2,912)	3,011
2,883	Net cash inflow	3	309	202
	Reconciliation of net cash flow to movement in net debt			
2,883	Increase in cash		309	202
(2,334)	Decrease in liquid resources		(2,056)	(138)
(66,907)	Inflow/(outflow) from movements in debt financing		2,954	(2,675)
(66,358)	Changes in net debt resulting from cash flows	3	1,207	(2,611)
(176,067)	Net debt at beginning of period		(242,425)	(176,067)
(242,425)	Net debt at period end		(241,218)	(178,678)

Notes to the cash flow statement

for the 3 months ended 30 June 2003

1. Reconciliation of operating profit to operating cash flows

Audited year ended 31 March 2003 £000		Unaudited 3 months ended 30 June 2003 £000	2002 £000
25,467	Operating profit	6,831	5,757
742	Depreciation charges	133	186
(3)	Profit on sale of tangible fixed assets	(3)	–
1,339	(Increase)/decrease in debtors	(382)	(413)
1,567	Increase in creditors	1,808	23
29,112		8,387	5,553

2. Analysis of cash flow

Audited year ended 31 March 2003 £000		Unaudited 3 months ended 30 June 2003 £000	2002 £000
	Returns on investments and servicing of finance		
191	Interest received	11	32
(13,645)	Interest paid (including financing costs)	(3,209)	(2,081)
(13,454)	Net cash outflow	(3,198)	(2,049)
	Capital expenditure		
(73,192)	Purchase of tangible fixed assets	(4,225)	(5,751)
(5,219)	Net purchase of own shares	28	38
3,037	Sale of tangible fixed assets	1,273	(5)
149	Grants received	–	9
(75,225)	Net cash (outflow)	(2,924)	(5,709)
	Management of liquid resources		
2,334	Decrease in short-term deposits	2,056	138
2,334	Net cash inflow	2,056	138
	Financing		
687	Issue of ordinary share capital	88	413
180,500	(Repayment)/drawdown of bank loans	(3,000)	3,500
(114,472)	Repayment of securitised Loan	–	(902)
66,715	Net cash (outflow)/inflow	(2,912)	3,011

Notes to the cash flow statement

continued

3. Analysis of net debt

Audited year ended 31 March 2003			Unaudited 3 months ended 30 June						
At		At		At	At		At		At
01/04/02	Cash flow	31/03/03		01/04/03	Cash flow	30/06/03	01/04/02	Cash flow	30/06/02
£000	£000	£000		£000	£000	£000	£000	£000	£000
340	116	456	Cash at bank and in hand	456	309	765	340	(50)	290
(2,767)	2,767	–	Bank overdrafts	–	–	–	(2,767)	252	(2,515)
(2,427)	2,883	456		456	309	765	(2,427)	202	(2,225)
			Debt due within one year:						
(3,660)	3,660	–	Securitised loan	–	–	–	(3,660)	–	(3,660)
307	(307)*	–	Less cost of raising finance	–	–	–	307	37*	344
			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)	902	(109,910)
(44,500)	(180,500)	(225,000)	Bank loans	(225,000)	3,000	(222,000)	(44,500)	(3,500)	(48,000)
1,982	(572)*	1,410	Less cost of raising of finance	1,410	(46)*	1,364	1,982	(114)*	1,868
(179,083)	(66,907)	(245,990)		(245,990)	2,954	(243,036)	(179,083)	(2,675)	(181,758)
5,443	(2,334)	3,109	Short-term deposits	3,109	(2,056)	1,053	5,443	(138)	5,305
(176,067)	(66,358)	(242,425)	Total	(242,425)	1,207	(241,218)	(176,067)	(2,611)	(178,678)

*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 30 June 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.

2. Segmental analysis

Audited year ended 31 March 2003 £000		Unaudited 3 months ended 30 June 2003 £000	2002 £000
35,667	Rental Income	9,480	8,189
7,410	Service charge and other recoveries	2,099	1,856
1,888	Services, fees, commissions and sundry income	333	286
44,965		11,912	10,331

3. Interest receivable

Audited year ended 31 March 2003 £000		Unaudited 3 months ended 30 June 2003 £000	2002 £000
106	Short-term deposits	11	33
67	Other	–	1
173		11	34

4. Interest payable and similar charges

Audited year ended 31 March 2003 £000		Unaudited 3 months ended 30 June 2003 £000	2002 £000
361	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
1,884	Mortgage interest on securitised loan not wholly repayable within five years*	–	1,711
9,241	Bank and other interest on amounts wholly repayable within five years*	3,157	706
1,861	Finance costs written off	–	–
15,552		3,788	3,048
(559)	Interest capitalised on development properties	(206)	(137)
14,993	Charged to profit and loss account	3,582	2,911

*Includes amortisation of cost of raising finance.

Notes to the Quarterly Results

continued

5. Taxation

Audited year ended 31 March 2003 £000		Unaudited 3 months ended 30 June 2003 £000	2002 £000
	Current tax:		
3,225	UK corporation tax on profit for the year	783	629
(921)	Adjustment in respect of previous periods	–	–
2,304	Total current tax	783	629
	Deferred tax:		
742	Origination and reversal of timing differences	204	236
3,046	Tax on profit on ordinary activities	987	865

6. Dividends

Audited year ended 31 March 2003 £000		Unaudited 3 months ended 30 June 2003 £000	2002 £000
1,193	Interim dividend per ordinary share	–	–
3,292	Final dividend per ordinary share	–	–
(14)	Under/(over) provision in prior year	–	23
4,471		–	23

Notes to the Quarterly Results

continued

7. Earnings per share and net assets per share

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

Audited year ended 31 March			Unaudited 3 months ended 30 June			
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	2,300	2,017	14.4	12.3
(671)	(4.2)	Other items	(19)	–	(0.1)	–
9,696	60.1	Profit for the period attributable to shareholders used for calculating earnings per share excluding other items	2,281	2,017	14.3	12.3

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
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	2,300	2,017		
223		Interest saving net of taxation on 11% Convertible Loan Stock	56	56		
10,590	62.8	Profit for the period attributable to shareholders used in calculating the underlying diluted earnings per share	2,356	2,073	14.1	12.1
(671)	(4.0)	Other items	(19)	–	(0.1)	–
9,919	58.8	Profit for the period attributable to shareholders used in calculating the diluted earnings per share excluding other items	2,337	2,073	14.0	12.1

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 3 months ended 30 June	
Number		2003	2002
		Number	Number
16,119,277	Used for calculating basic earnings per share	15,984,574	16,340,209
158,075	Dilution due to Share Option Scheme	125,346	223,060
580,000	Dilution due to Convertible Loan Stock	580,000	580,000
16,857,352	Used for calculating diluted earnings per share	16,689,920	17,143,269

Net assets per share have been calculated by dividing net assets of £249,997,000 (2002: £223,732,000) less investment in own shares of £6,205,627 (2002: £977,091) by 16,015,675 (2002: 16,402,695) being the number of shares in issue at 30 June 2003 less investment in own shares of 689,666 (2002: 192,420).

Notes to the Quarterly Results

continued

8. Investment properties

Audited 31 March 2003 £000		Freehold £000	Mainly Freehold £000	Long leasehold £000	Short leasehold £000	Unaudited 30 June	
						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	2,768	868	21	–	3,657	4,837
–	Reclassification from other fixed assets	589	53	–	–	642	–
(2,598)	Disposals during the period	–	–	–	–	–	–
19,701	Revaluation during the period	–	–	–	–	–	–
505,490	Balance at period end	381,292	71,981	56,516	–	509,789	419,544
	The historical cost of investment properties:						
340,472	Balance at period end	253,089	49,531	42,438	7	345,065	274,196

Valuation

No valuation of investment properties has been carried out at 30 June 2003. The valuation shown in the unaudited accounts is based on the independent valuation at 31 March 2003, plus additions at cost less disposals at value.

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 June 2003, the number of shares held by the Trust totalled 689,666 shares (2002: 192,420) with a nominal value of £68,967 (2002: £19,242) and the book value of the shares amounted to £6,205,627 (2002: £977,091). The shares, whilst legally not the property of the Company, have been included in fixed asset investments. At 30 June 2003 the market value of the shares held by the Trust was £7,810,467. 586,606 shares held by the Trust are subject to option awards.

10. Debtors

Audited 31 March 2003 £000		Unaudited 30 June	
		2003 £000	2002 £000
	Amounts falling due within one year:		
6,294	Trade debtors	4,535	3,587
–	Deposits on investment acquisitions	805	–
37	Taxation and social security	34	–
1,055	Prepayments and accrued income	1,918	2,876
7,386		7,292	6,463
	Amounts falling due after one year:		
–	Advance commissions	–	137
7,386	Total debtors	7,292	6,600

11. Investments

Investments of £1,053,000 (2002: £5,304,000) comprise short-term deposits with an original maturity date of less than three months and rental deposits.

Notes to the Quarterly Results

continued

12. Creditors: Amounts falling due within one year

Audited		Unaudited 30 June	
31 March		2003	2002
2003		£000	£000
£000			
–	Bank loan and overdraft (less cost of raising finance)	–	5,832
3,026	Trade creditors	3,459	2,594
1,925	Corporation tax payable	1,607	1,879
1,946	Taxation and social security	2,776	1,077
5,154	Tenants' deposits	5,179	4,397
8,231	Accruals	9,678	7,030
5,261	Deferred income – rent and service charges	5,138	4,933
3,292	Dividends	3,292	3,072
28,835		31,129	30,814

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

Audited		Unaudited 30 June	
31 March		2003	2002
2003		£000	£000
£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	220,636	159,357
245,990		243,036	181,757
–	Less: amounts falling due within one year	–	(3,316)
245,990		243,036	178,441

Notes to the Quarterly Results

continued

14. Borrowings and financial instruments

i Maturity of financial liabilities

A maturity analysis of loans is shown below:

Audited		Unaudited 30 June	
31 March		2003	2002
2003		£000	£000
£000		£000	£000
–	Less than one year	–	–
–	Between one year and two years	–	–
–	Between two years and three years	–	–
–	Between three years and four years	–	–
244,500	Between four years and five years	241,500	177,409
2,900	In five years and more	2,900	2,900
247,400		244,400	180,309
(1,410)	Less cost of raising finance	(1,364)	(1,868)
245,990		243,036	178,441

ii Fair value of financial assets and liabilities

Book and fair values of financial assets and liabilities are:

Audited		Unaudited 30 June			
31 March		2003	2003	2002	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					
–	–	–	–	(5,832)	(5,832)
(245,990)	(251,093)	(243,036)	(248,560)	(178,441)	(183,823)
3,565	3,565	1,818	1,818	5,594	5,594
Derivative financial instruments					
244	(6,724)	235	(7,433)	273	(2,481)
(242,181)	(254,252)	(240,983)	(254,175)	(178,406)	(186,542)

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 82.4 pence per share (63.0 pence) based on diluted share capital.

Notes to the Quarterly Results

continued

15. Provision for liabilities and charges

Audited		Unaudited 30 June	
31 March		2003	2002
2003		£000	£000
£000			
	Deferred taxation:		
3,365	Balance at 1 April 2003/2002	4,107	3,365
742	Deferred tax charge for the period	204	236
4,107	Balance at period end	4,311	3,601

If the investment properties were sold for their revalued amount there would be a potential liability to corporation tax of £38,889,000 (31 March 2003: £39,986,000, 30 June 2002: £36,146,000).

16. Share capital

Audited		Unaudited 30 June	
31 March		2003	2002
2003		Number	Number
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	1,670,534	1,659,512

Notes to the Quarterly Results

continued

17. Other reserves

Audited		Unaudited 30 June	
31 March		2003	2002
2003		£000	£000
£000			
(a) Share premium account			
42,030	Balance at 1 April 2003/2002	42,697	42,030
667	Additions	86	402
42,697	Balance at period end	42,783	42,432
(b) Revaluation reserve			
Property valuation surplus:			
144,588	Balance at 1 April 2003/2002	164,274	144,588
(15)	Disposals during the period	–	–
19,701	Revaluation adjustment	–	–
164,274	Balance at period end	164,274	144,588
(c) Profit and loss account			
33,059	Balance at 1 April 2003/2002	38,970	33,059
5,896	Retained profit for the period	2,300	1,994
15	Transfer from revaluation reserve	–	–
38,970	Balance at period end	41,270	35,053

18. Reconciliation of movements in shareholders' funds

Audited		Unaudited 30 June	
31 March		2003	2002
2003		£000	£000
£000			
10,367	Profits for the financial period	2,300	2,017
(4,471)	Dividends	–	(23)
19,701	Unrealised surplus on revaluation of properties	–	–
687	Issue of shares	88	413
26,284	Net addition to shareholders' funds	2,388	2,407
221,325	Opening shareholders' funds	247,609	221,325
247,609	Closing shareholders' funds	249,997	223,732

Notes to the Quarterly Results

continued

19. Equity minority interests

Audited		Unaudited 30 June	
31 March		2003	2002
2003		£000	£000
£000			
74	Share of loss of subsidiary undertaking	19	17
(74)	Provision against losses of subsidiary undertaking	(19)	(17)
–		–	–

£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		Unaudited 30 June	
31 March		2003	2002
2003		£000	£000
£000			
8,038	Under contract	22,503	5,010
2,913	Board authorised but not contracted	4,116	6,719

21. Subsequent events

Following the quarter end the Poplar Business Park, London E14 was purchased for a cash consideration of £16,100,000. This property has an annual income stream of £1,134,000. Contracts have been exchanged for a further purchase totalling £3,380,000

22. Quarterly statement

This statement was approved by the Board on 8 August 2003. Copies of this statement will be dispatched to shareholders on Monday 11 August 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 Remuneration and Audit Committees
Secretary	R Mark Taylor BSc FCA
Registered Office and Headquarters	Magenta House 85 Whitechapel Road London E1 1DU Tel: 020 7247 7614 Fax: 020 7247 0157
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