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BIZSPACE PLC

Annual Report and Accounts 2001

BIZSPACE

Contents

Bizspace now operates workspace in Brentford, Brixton, Camberwell, Durham, Gateshead, Hull, Newport, Sheffield, Stockport, Tottenham and Wimbledon

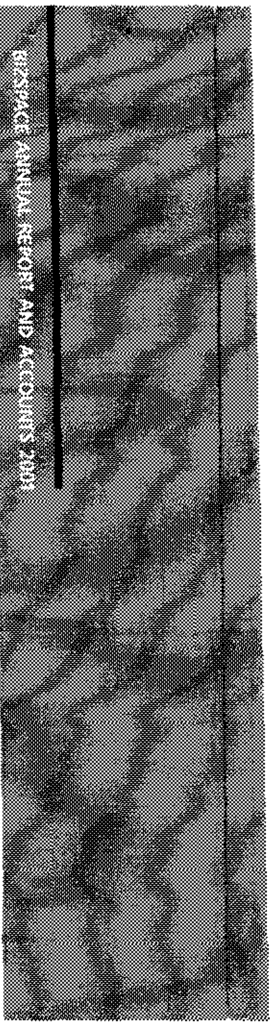
Highlights

- **Bizspace currently owns 11 centres**
- **Average occupancy 77%**
- **Annualised gross income approx £2.8m**
- **Profits before tax and exceptional items £171,000**

"Having laid the foundations of an already successful cash generative business with the potential to deliver returns well above average I look forward to the current year with confidence."

Larry Lipman, Chairman

BIZSPACE



Chairman's Statement

In my first annual statement to shareholders since the Company's Alternative Investment Market listing in June 2000 I am delighted to be able to report on a period of both intense activity and trading profit.

Since Bizspace was demerged from Safeland in May last year as a highly focused flexible workspace investment business, the Company has grown rapidly from three centres amounting to 115,000 sq. ft. of lettable workspace and and generating gross income of £1.07m to eleven centres today producing annualised gross income of over £2.8m.

There has been increasing demand for our branded Bizspace centres with occupancy levels growing in line with greater recognition both of our name and understanding of the Company's service. Today I am pleased to report that occupancy across the entire portfolio is running at an average of 77% whilst our more mature centres are now averaging over 94% occupancy, reflecting the greater appreciation of the Bizspace concept.

For the period of 8 May 2000 to 28 February 2001 I am pleased to report turnover of £1.4m and a trading profit before tax and exceptional items of £171,000 with a resultant EPS of 0.55p. As a result of a requirement to provide £164,000 being a charge in relation to the options granted to both Paul Davis and myself at the time of flotation the actual results for the period are a profit before tax of £7,000 and a basic loss per share of 0.32p. The Directors do not believe that at this stage in the Company's development it is prudent to recommend payment of an ordinary dividend.

Bizspace was launched to provide smaller business and industrial space occupiers with more flexible and cost effective accommodation that best suits their ever changing needs. We provide a range of units that can be adapted to the occupiers' needs supported by a high level of services catering to the requirements of modern business space tenants. Most of our centres now offer a range of office, studio, workshop or light industrial premises.

In simple terms, Bizspace's management uses its inherent property skills to source the basic product capable of being converted into flexible workspace that can generate a relatively high income stream.

At the time of flotation Bizspace owned and operated three centres: Camberwell, Brixton and Stockport. Since these premises were converted into Bizspace branded centres I am pleased to report that annualised income has risen by around 15% and occupancy levels are in excess of 90%.

The portfolio was further increased through the acquisition in September 2000 of a 30,000 sq. ft. property in Tottenham, North London, for £0.8m which produces more than £70,000 of annualised rental income. Since completion of the purchase we have increased annualised income by more than 10% with occupancy levels rising from 73% to over 80%.

Just before the end of 2000, Bizspace completed its largest acquisition to date with the purchase of a 480,000 sq. ft. portfolio comprising six centres located across the country, for £8.75m. Now generating over £1.4m a year of gross income, the importance of this acquisition cannot be understated as it goes a long way to create critical mass enabling the Company to deliver a range of cost savings as well as enhanced return on capital.

We are continuing to develop all of the centres in the portfolio and we are confident that we will be able to deliver improved income figures and consistently high occupancy levels within a reasonable period of time.

Since the end of the period under review a 30,000 sq. ft. centre has been acquired for £0.46m in Sheffield. It currently generates £100,000 a year with occupancy levels running at 90%. Following re-branding as a Bizspace centre we are confident of producing a significant increase in annualised income.

To meet the growing demands of our acquisition programme and the Bizspace brand development the Board has been strengthened by the appointment of Neil Corderey as Operations Director. Neil originally joined the Company in October 2000 as Head of Operations and was appointed to the Board in January 2001.

In line with our stated strategy at the time of flotation we have already begun the process of bringing the management of our centres under Bizspace control and are in the process of developing our internal management systems which will be capable of handling a much larger portfolio with little additional cost. Internal property management and service delivery has been bolstered by the appointment of Michael Fox as Group Financial Controller and Stephen Hartrick as Property Manager.

It has been an exciting period and despite the speed of growth it is pleasing to be able to report an operating profit before exceptional items after such a short time. The cash generative nature of the business, underpinned by a growing asset base, and combined with the Board's proven property skills will, we believe, enable us to look forward to above average growth.

Bizspace is well placed to take full advantage of acquisitions as they become available, allowing the Board to deliver its medium term target of becoming a leading operator in the managed workspace market. At the same time we continue to look at a range of potential corporate acquisitions which may help us achieve our objectives even more quickly.

Having laid the foundations of an already successful cash generative business with the potential to deliver returns well above average I look forward to the current year with confidence.

Larry Lipman, Chairman
13 June 2001

Directors' Report

The directors present their annual report on the affairs of the Group together with the financial statements for the period from 8 May 2000 (date of incorporation) to 28 February 2001. The Company was incorporated on 8 May 2000 as Bizspace Plc. On 3 July 2000, it acquired the entire issued share capital of Bizspace Trading Limited by way of a share for share exchange and as part of the Group's admission to the Alternative Investment Market.

Principal Activities

The principal activity of the Group is the provision of managed workspace.

Review of Business and Future prospects

A detailed account of the Group's progress during the period and its future prospects is set out in the Chairman's statement on pages 4 and 5.

Results and Dividends

The results for the period are set out in detail on page 15. No dividend has been recommended for the period.

Directors

The directors who served during the period were as follows:

John Dwyer	(appointed and resigned 8 May 2000)
James Dwyer	(appointed and resigned 8 May 2000)
Larry Lipman	(appointed 8 May 2000)
Paul Davis	(appointed 8 May 2000)
Jonathan Radgick	(appointed 8 May 2000)
Stephen Landy	(appointed 8 May 2000)
Neil Corderey	(appointed 18 January 2001)

Directors' Interest in Shares

The directors serving at the end of the period had the following interests in the ordinary shares of the Company during the period and at the period end. These directors held no other interests in any other Group Company. For further information see note 9 to the accounts.

	At date of appointment Number of 5p ordinary shares	At date of 28 February 2001 Number of 5p ordinary shares	Options over ordinary shares granted as at 28 February 2001 Number
L G Lipman	–	198,011	257,242
P M Davis	–	33,873	257,242
J P Radgick	–	–	–
S S Landy	–	–	–
N S Corderey	–	–	303,500

Other Substantial Shareholdings

Apart from the shareholdings of the directors, the Company has been notified of the following shareholdings which constitute 3 per cent or more of the total issued ordinary shares of the Company.

	Fully paid Number	At 11 June 2001 ordinary shares of 5p each Percentage
Safeland Plc	5,221,569	20.1
Safeland Holdings Corporation	3,664,592	14.1
Schroder Nominees Limited	3,255,467	12.5
RBSTB Nominees Limited	2,224,566	8.6
Chase Nominees Limited	1,741,295	6.7

Payment Policies

The Group's policies in respect of its suppliers are:

- to settle the terms of payments with these suppliers when agreeing the terms of each transaction;
- to ensure that those suppliers are made aware of the terms of payment; and
- to abide by the terms of payment.

Creditor days for the period from 8 May 2000 to 28 February 2001 were 17.

Political and Charitable Donations

The Group did not make any political or charitable donations during the period.

Auditors

Deloitte & Touche were appointed auditors during the period. A resolution for the reappointment of Deloitte & Touche as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors, and signed on behalf of the Board

P M Davis, Secretary
13 June 2001

Business at the Annual General Meeting

Shareholders will see from the Notice of Annual General Meeting that they are asked to consider, and if thought fit, pass a number of resolutions as ordinary and special business, which are summarised below.

As Ordinary Business

Resolutions 2 to 6 inclusive – Director's Re-election

Article 86.2 of the Articles of Association of the Company requires that all the Directors resign at the forthcoming Annual General Meeting since all the directors have only been previously appointed by other directors. Upon resignation they are all eligible for re-election. These resolutions, if passed, will re-elect all the directors.

Resolution 7 – Auditors

This resolution, if passed, will reappoint Deloitte & Touche as auditors of the Company.

As Special Business

Resolution 8 – Purchase of Own Shares

This resolution, if passed, will give the directors authority under section 166 of the Companies Act 1985 to make market purchases (as defined in section 163(3) of the Companies Act 1985) of ordinary shares, subject to certain stipulations, up to a maximum number of 1,298,771 ordinary shares representing approximately 5 per cent of the Company's authorised share capital. This authority will, unless renewed, expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the date 15 months from the passing of the resolution. It is envisaged that renewal of this authority would be sought at subsequent Annual General Meetings. The minimum price payable on any exercise of such authority will be 5p per share, being the nominal value of ordinary shares, and the maximum price will be 5 per cent above the average middle market quotations of ordinary shares as derived from the Alternative Investment Market section of the London Stock Exchange Daily Official List for the five business days immediately preceding any purchase, in both cases exclusive of expenses payable by the Company. The directors have no present intention of exercising this power, and it would not be the directors' intention to exercise this power except at a price level that would be likely to increase earnings per share of the remaining outstanding ordinary shares and unless to do so would be in the best interests of shareholders generally. The Company cannot by law exercise the power other than out of distributable profits or a fresh issue of shares made for the purposes of the purchase.

Approved by the Board of Directors and signed on behalf of the Board

Larry Lipman, Chairman
13 June 2001

Remuneration Report

The following is a report by the Remuneration Committee, which has been approved and adopted by the Board for submission to the shareholders.

In framing their policy the Remuneration Committee has given full consideration to provisions in Section (a) of the Combined Code on Corporate Governance.

Remumeration Committee

During the year the Remuneration Committee consisted of the non-executive directors, S Landy (Chairman of the Committee); and J Radgick. The Committee determines the level of remuneration of the executive directors

Policy on Executive Directors' Remuneration

Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre required and to reward them for enhancing value to shareholders. The performance measurement of executive directors and the determination of their annual remuneration package is undertaken by the committee consisting solely of non-executive directors. The remuneration of the non-executive directors is determined by the full board. There are two main elements of the remuneration package for executive directors and senior managers:

1. Basic salary is determined by the Remuneration Committee at the beginning of each year and when an individual changes position or responsibility. Appropriate salary levels are set by reference to the performance, experience and responsibilities of each individual concerned and having regard to the prevailing market conditions.

2. Performance related bonuses are assessed annually and are based on a combination of individual and corporate performances during the preceding financial year.

Share options are granted by the Committee and are assessed on an individual basis with a view to motivating and retaining directors in the long term.

Directors' Contracts

L G Lipman's and P M Davis' service contracts are provided according to secondment agreements dated 8 June 2000 between Safeland Plc, Bizspace Plc and Mr Lipman/Mr Davis. The agreement is terminable by any party on three months notice in writing to expire on or after the first anniversary. With effect from 8 June 2001 Mr Lipman and Mr Davis have signed service contracts directly with Bizspace Plc, terminable at any time on 12 months' notice for annual remuneration of £30,000 and £20,000 respectively. Mr N S Corderey has signed a three year service contract with Bizspace Plc dated 11 June 2001 with a current remuneration of £85,000. S Landy and J Radgick have non-executive letters of appointment with the Company terminable by either party giving not less than three month's written notice.

Details of Directors' Remuneration

The report should be read in conjunction with note 9 to the accounts which also constitutes part of this report. This note details all elements of the remuneration package for each director.

Corporate Governance

Introduction

In January 1998, the Hampel Committee published its report on Corporate Governance, which was implemented by the London Stock Exchange as a Combined Code on 25 June 1998. The Combined Code requires that disclosures are made for companies whose shares are traded on the main market of the London Stock Exchange on how the fourteen principles of the Code have been applied (known as 'the Appliance Statement') and whether or not the Company has complied with these principles (known as 'the Compliance Statement'). The Combined Code is intended to promote the principles of openness, integrity and accountability. Whilst the shares in Bizspace Plc are traded on the Alternative Investment Market and hence compliance with the Combined Code is not mandatory, the Company fully supports these principles and the directors have decided to provide Corporate Governance disclosures.

On 8 May 2000, the Board formally adopted the principles of good governance set out in the Code. However, in view of the size and nature of the Group the directors have taken into consideration the recommendations of CISCO's Guidance for Smaller Quoted Companies on the Code. The Company's governance policies already in place matched closely the position set out in the Combined Code.

Narrative Statement

Directors

There is a Board of directors which is set up to control the Company and Group and consists of three executive and two non-executive directors. All the non-executive directors are independent of the Group. L Lipman is Chairman of the Board.

The full Board meets every six weeks to discuss a whole range of significant matters including strategic decisions, major acquisitions and Group performance. A procedure to enable directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all directors.

S Landy has been nominated as the senior independent director as required by the Code.

Each Board meeting receives the latest financial information available which consists of detailed management accounts with the relevant comparisons to budget. A current trading appraisal is given by the executive directors.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken. As permitted by the Combined Code, due to the small size of the Board, it is considered inappropriate to establish a Nomination Committee.

The directors have delegated certain of their responsibilities to various committees, which operate within specific terms of reference and authority limits. The executive directors meet on a regular basis every four weeks and deal with decisions that do not require full Board approval. The directors believe that this process for making business decisions provides sufficient division of responsibility to meet the requirements of the Combined Code.

The Audit and Remuneration Committees, which consist solely of non-executive directors, meet at least twice a year.

Directors' Remuneration

The Remuneration Committee meets and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each executive director. The executive directors' remuneration consists of a package of basic salary, bonuses, and share options, which are linked to corporate and individual performance achievements and the levels of each are determined by the Remuneration Committee. The statement of remuneration policy and details of each director's remuneration are set out in the Remuneration Report.

Remuneration of non-executive directors is determined by the Board as a whole.

Shareholders Relations

The directors meet and discuss the performance of the Group with shareholders during the year. Queries raised by a shareholder, either verbally or in writing, are promptly answered by whoever is best placed on the Board to so do. All directors are individually introduced to shareholders at the Annual General Meeting.

Accountability and Audit

The Board believes that the Annual Report and accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects. This is achieved by the Chairman's Statement which contains a detailed consideration of the Group's position and prospects.

Internal Control

The Board is responsible for ensuring that the Group has in place a system of internal control. In this context, control is defined as those policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value are safeguarded, and laws, regulations and policies are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, losses and fraud or breaches of laws and regulations.

The Group operates a strict system of internal financial control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board. The Board has responsibility for the system of internal financial control and an annual review of the same is undertaken.

The Combined Code extended the internal financial control provisions to require the directors to review the effectiveness of the Group's entire system of internal control, including financial, operational, compliance and risk management. The ICAEW published "Internal Controls: Guidance for Directors on the Combined Code," known as "The Turnbull Guidance," in September 1999, on how to apply the Code principles D2 and provisions D2.1 and D2.2.

The Board has yet to implement procedures to ensure compliance with the Turnbull Guidance. The implementation of suitable procedures will be an area of focus during the course of the Group's second year of trading.

The Group does not currently have, nor considers there is a need for, an internal audit function.

Going Concern

In compliance with the Listing Rules of the UK Listing Authority, the directors can report that based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

Corporate Governance Continued

Audit Committee

The Audit Committee, which consists of S S Landy (chairman of the Committee) and J P Radgick, is responsible for the relationship with the Group's auditors, the in-depth review of the Group's financial reports, internal controls and any other reports that the Group may circularise. The terms of reference are reviewed on an annual basis, thereby ensuring that the Audit Committee's duties adequately cover all those specific areas that are identified by the Code, which includes a review of the cost effectiveness of the audit and non-audit services provided to the Group. The Committee meets a minimum of twice a year, prior to the announcement of interim and annual results and, should it be necessary, would convene at other times. In the period up to the date of signature of the financial statements, the Committee met twice.

Compliance Statement

Whilst not specifically required for a Company whose shares are traded on the Alternative Investment Market throughout the period ended 28 February 2001, the Group has been in compliance with the Code Provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the UK Listing Authority, save for the limited exceptions outlined below:

A.2.1 The Group does not have a separate Chairman and Chief Executive. L G Lipman has been Executive Chairman since his appointment. The Executive Chairman is responsible for the operation of the Board as a whole and for seeking new properties. However, N S Corderey is responsible for the day-to-day running of the business. The Board has two non-executive directors and feels that this ensures a suitable balance of independence and authority on the Board.

A.5.1 A Nomination Committee has not been established. The Board, however, is small and it feels that decisions can be made effectively without this committee in place.

B.1.7 The services of Mr L G Lipman and Mr P M Davis as directors have been provided by Safeland Plc for no consideration up until 8 June 2001. With effect from 8 June 2001 Mr Lipman and Mr Davis have signed service contracts directly with Bizspace Plc, terminable at any time on 12 months' notice for annual remuneration of £30,000 and £20,000 respectively. Mr N S Corderey has signed a three year service contract with Bizspace Plc dated 11 June 2001 with a current remuneration of £85,000.

The agreements with the non-executive directors provide for three month notice periods. Whilst notice periods remain under review the Remuneration Committee considers that current notice periods are appropriate for the stage of development of the business.

D.2.1 Whilst an appropriate system of internal financial control has been in operation throughout the period, the Board has yet to implement procedures to ensure compliance with Turnbull Guidance. This area will be addressed during the current financial year.

D.3.1 The Audit Committee comprised only two non-executive directors during the period. The Board feels that due to the size of the Company this is adequate.

By order of the Board
13 June 2001

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report to the Members of Bizspace plc

We have audited the financial statements on pages 15 to 29 which have been prepared under the accounting policies set out on page 19.

Respective responsibilities of directors and auditors

As described on page 13 the Company's directors are responsible for the preparation of the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, have been consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 28 February 2001 and of the Group's loss for the period from 8 May 2000 to 28 February 2001 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

Hill House, 1 Little New Street
London EC4A 3TR
13 June 2001

Consolidated Profit and Loss Account

Period from 8 May 2000 to 28 February 2001

	Note	Before exceptional item £'000	Exceptional item (note 5) £'000	Period from 8 May 2000 to 28 February 2001 £'000
Turnover	1,2	1,425	–	1,425
Cost of sales		(542)	–	(542)
Gross Profit		883	–	883
Administrative expenses		(371)	(164)	(535)
Operating Profit/(Loss)	4			
Continuing operations		(100)	(164)	(264)
Acquisitions		612	–	612
		512	(164)	348
Interest receivable and similar income		10	–	10
Interest payable and similar charges	6	(351)	–	(351)
Profit/(Loss) on ordinary activities before taxation		171	(164)	7
Tax on profit on ordinary activities	7	(65)	–	(65)
Profit/(Loss) on ordinary activities after taxation		106	(164)	(58)
Dividend payable	8	(2)	–	(2)
Retained Profit/(Loss) for the financial period	21	104	(164)	(60)
Basic Earnings/(Loss) per ordinary share	11	0.55p		(0.32)p
Diluted Earnings/(Loss) per share	11	0.55p		(0.32)p

There are no recognised gains or losses in the current period other than the loss for the period and therefore no statement of recognised gains and losses has been presented.

Non-acquired continuing activities incurred administrative expenses of £100,000 and exceptional costs as described in note 5 during the period. All remaining operating results above have arisen from acquired continuing operations.

Consolidated Balance Sheet

28 February 2001

	Note	28 February 2001 £'000
Fixed Assets		
Tangible assets	12	15,232
Current Assets		
Debtors	14	237
Cash		414
		651
Creditors: amounts falling due within one year	15	(509)
Net Current Assets		142
Total Assets less Current Liabilities		15,374
Creditors: amounts falling due after more than one year	16	(9,330)
Provisions for Liabilities and Charges	17	(4)
Net Assets		6,040
Capital and Reserves		
Called up share capital	19	1,349
Shares to be issued	19	146
Share premium account	20	5,104
Merger reserve	20	(499)
Profit and loss account	20	(60)
Total Shareholders' Funds		6,040
Equity shareholders' funds		5,990
Non-equity shareholders' funds		50
		6,040

These financial statements were approved by the Board of Directors on 13 June 2001.

Signed on behalf of the Board of Directors

P M Davis, Director
13 June 2001

Company Balance Sheet

28 February 2001

	Note	28 February 2001 £'000
Fixed Assets		
Tangible assets	12	10,089
Investment in subsidiary	13	499
		10,588
Current Assets		
Debtors	14	5,325
Cash		123
		5,448
Creditors: amounts falling due within one year	15	(229)
Net Current Assets		5,219
Total Assets less Current Liabilities		15,807
Creditors: amounts falling due after more than one year	16	(9,330)
Net Assets		6,477
Called up share capital	19	1,349
Shares to be issued	19	146
Share premium account	20	5,104
Profit and loss account	20	(122)
Total Shareholders' Funds		6,477
Equity shareholders' funds		6,427
Non-equity shareholders' funds		50
		6,477

These financial statements were approved by the Board of Directors on 13 June 2001.

Signed on behalf of the Board of Directors

P M Davis, Director
13 June 2001

Consolidated Cash Flow Statement

Period from 8 May 2000 to 28 February 2001

	Note	£'000	£'000
Net cash inflow from operating activities	22		590
Returns on investment and servicing of finance			
Interest received		10	
Interest paid		(351)	
Preference dividend paid		(2)	
			(343)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets			(15,291)
Cash outflow before financing			(15,044)
Financing			
Issue of share capital		6,560	
Expenses incurred in issuing share capital		(606)	
Increase in short term borrowings		3,840	
Repayment of short term borrowings		(3,840)	
External bank borrowing due after one year		10,000	
External bank borrowings repaid in the period		(373)	
Expenses incurred in arranging finance		(123)	
Net cash inflow from financing			15,458
Increase in cash for the period	23, 24		414

Notes to the Accounts

Period from 8 May 2000 to 28 February 2001

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The financial information incorporates the results of the Company and its wholly owned subsidiary, Bizspace Trading Limited. Bizspace Trading Limited was acquired on 3 July 2000, but under the provisions of merger accounting as set out in Financial Reporting Standard 6, Acquisitions and Mergers which has been adopted for the preparation of the Group accounts, this financial information includes the results of Bizspace Trading Limited since incorporation on 28 March 2000. Trading activity of the Group commenced on 10 May 2000.

Turnover

Turnover consists of the invoiced value of the managed workspace provided, exclusive of VAT.

Tangible fixed assets

Depreciation is not provided on freehold land. On other assets, depreciation is provided to write off the cost in equal annual instalments over the estimated economic lives of the assets. The rates of depreciation are as follows.

Freehold buildings	2% per annum straight line
Motor vehicles	25% per annum reducing balance
Office equipment	20% per annum straight line

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for impairment.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates which it is estimated that tax will arise.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Notes to the Accounts

Period from 8 May 2000 to 28 February 2001

2 SEGMENTAL INFORMATION

The total turnover, profit before tax and net assets for the period have been derived from the Group's principal activity, the provision of managed workspace, wholly undertaken in the United Kingdom.

3 ACQUISITION

On 3 July 2000, Bizspace Plc acquired the entire share capital of Bizspace Trading Limited for consideration of £6,992,776. The consideration was satisfied by the issue of 9,989,680 ordinary shares of 5p each, credited as fully paid at 70p per share, to the shareholders of Safeland Plc, the former parent company of Bizspace Trading Limited.

The merger accounting provisions of Financial Reporting Standard 6, Acquisitions and Mergers, have been adopted in the preparation of the financial information, including the results of Bizspace Trading Limited from its date of incorporation, 28 March 2000, although Bizspace Trading Limited was not acquired by Bizspace Plc until 3 July 2000. Accordingly, neither Bizspace Plc nor Bizspace Trading Limited generated any pre-merger profits or losses.

4 OPERATING PROFIT

Operating profit is after charging auditors' remuneration of £37,000 and depreciation of £59,000. The Group's auditors have also received fees of £163,000 in connection with non-audit assignments. These costs related to the issue of share capital in respect of the acquisition of Bizspace Trading Limited on 3 July 2000, the flotation on the Alternative Investment Market on 5 July 2000 and the further placing on 27 November 2000 and have been charged to the share premium account.

5 EXCEPTIONAL ITEM

The exceptional item of £164,000 relates to a charge in respect of directors' share options which were issued with an exercise price at a discount to the fair value of the options at the date of their issue and includes the estimated national insurance charge thereon. The tax effect of the exceptional item is that it is disallowable for Corporation Tax and this increases the effective tax rate.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 8 May 2000 to 28 February 2001 £'000
Bank interest	351

7 TAXATION

	Period from 8 May 2000 to 28 February 2001 £'000
UK Corporation Tax at 30%	61
Deferred taxation	4
	65

The charge for taxation for the period is high due to depreciation charged on assets not qualifying for capital allowances

8 DIVIDEND PAYABLE

	£'000
Non-equity preference dividend (3.75p per share)	2

Notes to the Accounts

Period from 8 May 2000 to 28 February 2001

9 DIRECTORS' EMOLUMENTS

Both Mr S S Landy and Mr J P Radgick received non executive director salaries of £2,500 during the period whilst Mr N S Corderey received an executive salary of £38,500. No other remuneration was received.

Option agreements dated 8 June 2000 are in place between the Company and each of Mr L G Lipman and Mr P M Davis. Pursuant to the agreements, the Company granted each of Mr Lipman and Mr Davis an option to acquire 257,242 ordinary shares (as amended for the diluting effect of the ordinary shares issued on 27 November 2000) of 5p at a subscription price of 5p per ordinary share. The options are exercisable under normal circumstances at any time after eighteen months and before ten years from admission of the Company's shares on the Alternative Investment Market on 3 July 2000. The options are exercisable on the condition that the share price is at least 77.78p (as amended for the diluting effect of the ordinary shares issued on 27 November 2000). On 12 December 2000 Mr N S Corderey was granted an option to acquire 303,500 ordinary shares of 5p at an exercise price of 28p per share. Mr N S Corderey must exercise his share options before 12 December 2010. All options for all three executive directors remained in place at the end of the period.

The shares of the Company traded at a high of 69.9p and a low of 19.5p during the period and at 28 February 2001 the share price was 23.5p.

The services of Mr L G Lipman and Mr P M Davis as directors have been provided by Safeland Plc for no consideration up until 8 June 2001. Mr Lipman and Mr Davis are both Directors of Safeland Plc which holds a 20.1% interest in the share capital of the Company. With effect from 8 June 2001 Mr Lipman and Mr Davis have signed service contracts directly with Bizspace Plc, terminable at any time on 12 months' notice for annual remuneration of £30,000 and £20,000 respectively. Mr N S Corderey has signed a three year service contract with Bizspace Plc dated 11 June 2001 with a current remuneration of £85,000.

10 EMPLOYEES

The Group had an average of four employees throughout the period, with wages and salaries of £56,567 and social security charges of £4,279 being incurred, including amounts paid to directors. No amounts were charged for pension costs.

11 EARNINGS/(LOSS) PER SHARE

Basic loss per share of 0.32p is based on the loss after taxation of £60,000 and on the weighted average number of ordinary shares in issue during the period of 18,773,430.

The diluted loss per share is calculated on the basis of the loss after taxation of £60,000 and a weighted average number of ordinary shares in issue during the period of 18,760,902 after taking account of 12,528 dilutive share options.

The basic profit per share before exceptional items of 0.55p is based on a pre-exceptional item profit of £104,000 and on a weighted average number of ordinary shares in issue during the period of 18,773,430. There are no dilutive share options in relation to the calculation of earnings per share pre exceptional cost.

12 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost				
Additions	15,276	14	1	15,291
At 28 February 2001	15,276	14	1	15,291
Accumulated depreciation				
Charge for the period	56	3	–	59
At 28 February 2001	56	3	–	59
Net book value				
At 28 February 2001	15,220	11	1	15,232

Company	Freehold land and buildings £'000
Cost	
Additions	10,111
At 28 February 2001	10,111
Accumulated depreciation	
Charge for the period	22
At 28 February 2001	22
Net book value	
At 28 February 2001	10,089

Notes to the Accounts

Period from 8 May 2000 to 28 February 2001

13 INVESTMENTS

	28 February 2001
	£'000
Investment in subsidiary undertaking	499

The investment in Bizspace Trading Limited represents the 9,989,680 ordinary shares in Bizspace Plc at their nominal value of 5p, issued to acquire the entire issued share capital of the subsidiary undertaking on 3 July 2000 (see note 3).

14 DEBTORS

	Group 28 February 2001	Company 28 February 2001
	£'000	£'000
Trade debtors	175	–
Amounts owed by group undertaking	–	5,323
Other debtors	22	–
Prepayments	40	2
	237	5,325

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 28 February 2001	Company 28 February 2001
	£'000	£'000
Bank loans	174	174
Trade creditors	31	4
Other creditors	155	–
Corporation tax	61	17
Accruals and deferred income	88	34
	509	229

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and Company 28 February 2001 £'000
Bank loan	9,330
Bank loan repayable:	
Between one and two years	174
Between two and five years	9,156
	9,330

The bank loan is secured over the undertaking and all property and assets. The loan is repayable over a five year period in instalments of £50,000 per quarter and interest is charged at 1.75% above bank base rate.

17 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred taxation £'000
Profit and loss charge	4
At 28 February 2001	4

The amount of deferred tax provided in the financial statements relates to capital allowances in excess of depreciation. There are no potential amounts of deferred tax not provided for.

Notes to the Accounts

Period from 8 May 2000 to 28 February 2001

18 FINANCIAL INSTRUMENTS

The Group's principal financial instrument at 28 February 2001 comprises a variable rate loan. The main purpose of this financial instrument is to finance the Group's acquisitions and to enable the settlement of ongoing liabilities.

The Group has various other financial instruments such as trade debtors and trade creditors which arise directly from its operations.

The Group has no exposure to currency risk. All monetary assets and liabilities are denominated in sterling.

The Group's borrowings at the beginning and end of the period and details of the interest rate cost are disclosed in note 16. Details of non-equity shares issued by the Group are set out in note 19.

The loan is subject to variable interest rates and therefore the directors believe that there is no material difference between fair value and book value. The fair value of the Group's non-equity shares has been reviewed by the directors and is not considered to be materially different from the book value.

19 CALLED UP SHARE CAPITAL

	28 February 2001
	£'000
Authorised:	
40,000,000 ordinary shares of 5 pence each	2,000
50,000 preference shares of £1 each	50
	2,050
Called up, allotted and fully paid:	
25,975,394 ordinary shares of 5 pence each	1,299
50,000 preference shares of £1 each	50
	1,349

Bizspace Plc was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each. Two ordinary shares were issued to the subscribers of the Memorandum of Association of Bizspace Plc which were subsequently transferred by the subscribers to an independent third party.

By an ordinary resolution passed on 30 May 2000:

- each ordinary share of £1 in the authorised and issued share capital of Bizspace Plc was subdivided into 20 ordinary shares of 5p each; and
- the authorised share capital of Bizspace Plc was increased by £1,500,000 from £50,000 to £1,550,000 by the creation of 50,000 preference shares of £1 each and an additional 29,000,000 ordinary shares.

On 30 May 2000, 50,000 preference shares were issued to Safeland Plc at par.

On 3 July 2000, 9,989,680 ordinary shares were issued to the shareholders of Safeland Plc credited at 70p per share in consideration of the acquisition by Bizspace Plc of the entire issued share capital of Bizspace Trading Limited pursuant to the acquisition agreement.

On 5 July 2000, 4,285,714 ordinary shares credited at 70p per share were issued to placees pursuant to the placing agreement dated 8 June 2000.

By an ordinary resolution passed on 14 November 2000, the authorised share capital of Bizspace Plc was increased by £500,000 from £1,550,000 to £2,050,000 by the creation of an additional 10,000,000 ordinary shares.

On 27 November 2000, 11,700,000 ordinary shares credited at 30p per share were issued to placees pursuant to the placing agreement dated 13 October 2000.

The preference shares carry the following rights:

- each preference share confers on the holder thereof the right to receive a fixed cumulative preferential, dividend in preference to the ordinary shareholders, at a rate of 5 per cent per annum (increasing to 10 per cent per annum in the event that the preference shares are not redeemed after two years from the date of issue);
- each preference share shall confer on the holder thereof the right on a return of capital on a winding up or otherwise to receive in priority to any payment to the holders of all other shares in the capital of Bizspace Plc firstly a sum equal to all arrears of the preference dividend together with interest on such preference share calculated down to and including the date of commencement of the winding up or of the return of the capital and secondly a sum equal to the nominal amount paid up on the preference share;
- the preference shares do not entitle their holders to attend or vote at general meetings; and
- the preference shares may be redeemed by Bizspace Plc at par, prior to the second anniversary of the issue by giving 28 days' written notice. Otherwise, Bizspace Plc shall redeem the preference shares on the second anniversary of the date of issue.

Shares to be issued of £146,000 corresponds to the charge made in respect of directors' share options which were issued with an exercise price at a discount to the fair value at the date of issue.

20 STATEMENT OF MOVEMENTS ON RESERVES

	Group and Company			
	Share premium account	Merger reserve	Group profit and loss account	Company profit and loss account
	£'000	£'000	£'000	£'000
At 8 May 2000	–	–	–	–
Premium on shares issued on 5 July 2000	2,785	–	–	–
Premium on shares issued on 27 November 2000	2,925	–	–	–
Expenses incurred in the share issues	(606)	–	–	–
Merger reserve arising on consolidation	–	(499)	–	–
Loss for the period	–	–	(60)	(122)
At 28 February 2001	5,104	(499)	(60)	(122)

Notes to the Accounts

Period from 8 May 2000 to 28 February 2001

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £'000	Company £'000
Loss for the period	(60)	(122)
Issue of shares (net of expenses)	6,453	6,599
Shares to be issued	146	–
Movement on merger reserve	(499)	–
Net addition to shareholders' funds	6,040	6,477
Opening shareholders' funds at 8 May 2000	–	–
Closing shareholders' funds at 28 February 2001	6,040	6,477

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Period from 8 May 2000 to 28 February 2001 £'000
Operating profit	348
Depreciation	59
Exceptional item (see note 5)	164
Increase in debtors	(237)
Increase in creditors	256
Net cash inflow from operating activities	590

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£'000
Increase in cash in the period	414
New loan (net of repayments)	(9,504)
Net debt at 8 May 2000	–
Net debt at 28 February 2001	(9,090)

24 ANALYSIS OF NET DEBT

	At 8 May 2000 £'000	Cash flow £'000	At 28 February 2000 £'000
Cash in hand and at bank	–	414	414
Debt due after one year	–	(9,330)	(9,330)
Debt due within one year	–	(174)	(174)
Total debt	–	(9,090)	(9,090)

25 ADDITIONAL INFORMATION ON SUBSIDIARY

Bizspace Plc held 100 per cent of the ordinary shares in one subsidiary undertaking, Bizspace Trading Limited, at 28 February 2001. Bizspace Trading Limited is incorporated in Great Britain, registered in England and Wales and undertakes the rental of workspace.

26 PARENT COMPANY LOSS

The Company has taken advantage of the exemption conferred by s230 of the Companies Act and has excluded the profit and loss account of the parent Company. The loss in the parent Company for the period to 28 February 2001 was £122,000.

27 RELATED PARTY TRANSACTIONS

Bizspace Trading Limited employed a subsidiary of Hercules Property Services Plc, Dunlop Heywood & Co. Limited, to manage four of the sites on a day-to-day basis. Mr L G Lipman and Mr P M Davis, directors of Bizspace Plc and Bizspace Trading Limited, are also both directors of Hercules Property Services Plc and Dunlop Heywood & Co. Limited.

During the period a fee of £10,000 was paid to Dunlop Heywood & Co. Limited in respect of establishment of the Company's operations. Fees of £53,277 were payable to Dunlop Heywood in respect of management of properties operated by the Group. The amount due to Dunlop Heywood & Co. Limited at the period end was £707. The directors consider that all amounts payable to Dunlop Heywood & Co. Limited have been established on an arm's length basis.

28 EVENTS OCCURRING AFTER THE PERIOD

In April 2001 a new site in Sheffield was purchased by the Group for a consideration of £462,500.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of the Company will be held at 2 Serjeant's Inn London EC4Y 1LT on 24th July 2001 at 10.00 am for the following purposes:

1 To receive the report of the directors and accounts for the period from 8 May 2000 to 28 February 2001.

2 To re-elect Larry Glenn Lipman as a director of the Company (who is retiring pursuant to Article 86.2 of the Articles of Association ("Articles")).

3 To re-elect Paul Malcolm Davis as a director of the Company (who is retiring pursuant to Article 86.2 of the Articles).

4 To re-elect Neil Sinclair Corderey as a director of the Company (who is retiring pursuant to Article 86.2 of the Articles).

5 To re-elect Jonathan Philip Radgick as a director of the Company (who is retiring pursuant to Article 86.2 of the Articles).

6 To re-elect Stephen Simon Landy as a director of the Company (who is retiring pursuant to Article 86.2 of the Articles).

7 To re-appoint Deloitte & Touche as auditors as auditors and to authorise the directors to fix their remuneration.

As special business to consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

8 THAT the Company is authorised, pursuant to section 166 of the Companies Act 1985 ("the Act"), to make market purchases (as defined in section 163 of the Act) of any of its ordinary shares of 5 pence each ("Ordinary Shares") in such manner and on such terms as the directors may from time to time determine provided that:

8.1 the maximum number of Ordinary Shares authorised to be purchased is 1,298,771 Ordinary Shares;

8.2 the maximum price (exclusive of expenses payable by the Company) which may be paid for each Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for the Ordinary Shares derived from the Alternative Investment Market section of the London Stock Exchange Daily Official List for each of the five business days immediately preceding the day on which the shares are contracted to be purchased and the minimum price (exclusive of expenses payable by the Company) is 5p; and

8.3 the authority hereby conferred shall, unless previously varied, revoked or renewed, expire at the conclusion of the next annual general meeting of the Company to be held in 2002 or at the date 15 months from the date of passing of this resolution, whichever shall be the earlier; and

8.4 the Company shall be entitled under such authority to make at any time before its expiry or termination any contract to purchase its own shares which will or might be concluded wholly or partly after the expiry or termination of such authority and may purchase its own shares pursuant to such contract.

By order of the Board

Paul Malcolm Davis
Secretary

13 June 2001

Registered Office:

144 Great North Way
London, NW4 1EG

Notes

1 Only the holders of ordinary shares are entitled to attend the meeting and vote. A member entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.

2 A form of proxy is provided. To be effective, a form of proxy must be completed, signed and lodged at Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TH not later than 48 hours before the time of the meeting. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.

3 Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 10.00 am on 20th July 2001.

4 Copies of the following documents will be available for inspection at the Company's registered office, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the day of the annual general meeting and at the place of the annual general meeting for 15 minutes prior to and during the meeting:

(a) the register of directors' interests in shares of the Company kept in accordance with section 325 of the Companies Act 1985; and

(b) copies of all service agreements under which directors of the Company are employed by the Company or any subsidiaries.

Officers and Professional Advisers

Directors

Larry G Lipman
Chairman

Paul M Davis FCA
Finance Director

Neil S Corderey BSc MRICS
Operations Director

Jonathan P Radgick FRICS
Non-Executive Director

Stephen S Landy FCA
Non-Executive Director

Secretary

Paul Malcolm Davis FCA

Registered Office

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Solicitors

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Nominated Adviser & Broker

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Registrars

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Auditors

Deloitte & Touche
Chartered Accountants
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