

BRIXTON
Interim Report 2003

ALL YOU
NEED TO
KNOW
ABOUT OUR
LAST SIX
MONTHS



FINANCIAL HIGHLIGHTS

+3.2%
£43.3M

net rental income +3.2%
like-for-like; total for the
half year +1.4% (2002: £42.7m)

-1.9%
£21.2M

investment profit

+0.5%
£21.8M

profit before tax

-2.6%
7.4P

adjusted eps

-2.2%
318P

adjusted NAV per share
(full year 2002: 325p)

+2.6%
3.95P

interim dividend

**LOWER INSOLVENCY LEVELS AND NET INCREASE OF £0.6M FROM
RESULTANT RE-LETTING (2002: £1.0M LOSS)**

PROPERTY HIGHLIGHTS

**QUANTUM OF
LETTINGS UP
117% YEAR TO
DATE ON WHOLE
OF 2002**

**OVERALL VACANCY
REDUCED TO 7.9%
YEAR TO DATE
FROM 9.1% AT
JUNE; WELL
BELOW FORECAST
LEVELS**

**CONTINUED
OUTPERFORMANCE
OF VALUERS' ERVs
ON NEW LETTINGS
AND RENT
REVIEWS**

**CAUTIOUS
RE-ACTIVATION
OF DEVELOPMENT
PROGRAMME
PLANNED**

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CHAIRMAN'S INTRODUCTION LOUISE PATTEN

BRIXTON IS THE UK'S MOST FOCUSED PROPERTY COMPANY SPECIALISING IN THE SOUTH EAST INDUSTRIAL, WAREHOUSE AND BUSINESS SPACE MARKETS. THE INITIATIVES TAKEN IN ANTICIPATION OF SOFTENING OCCUPATIONAL MARKET CONDITIONS DURING THE LAST TWO YEARS CONTINUE TO STAND US IN GOOD STEAD.

THESE INTERIM RESULTS STILL REFLECT THIS SLOWDOWN BUT THROUGH OUR HANDS-ON, CUSTOMER-ORIENTATED MANAGEMENT APPROACH AND WITH THE BENEFIT OF A DIVERSE AND QUALITY PORTFOLIO OF TENANTS, POSITIVE PROGRESS IS BEING MADE, PARTICULARLY IN TERMS OF INCOME GENERATION, LETTINGS AND OCCUPIER RETENTION LEVELS.

WE HAVE A STRONG BALANCE SHEET, WE ARE NOT EXPOSED TO DEVELOPMENT RISK AND THERE ARE NOW SOME SIGNS OF MORE CONFIDENCE AND ACTIVITY IN OUR MARKETPLACE. WE WILL BE TRACKING THIS VERY CLOSELY AND ARE WELL-POSITIONED TO CAPITALISE ON ANY SUCH CHANGES.

HALF YEAR REVIEW

“THE INCREASE IN ENQUIRIES AND ACTIVITY THAT WE ARE STARTING TO SEE MAY WELL BE AN INDICATION THAT WE ARE OVER THE WORST OF THE SLOWDOWN”

“THE DIVERSITY, QUALITY, SECURITY AND RESILIENCE OF THE TENANT BASE IS VERY IMPORTANT TO OUR PERFORMANCE... WITH ONLY FOUR TENANTS BECOMING INSOLVENT COMPARED WITH 17 IN 2002 AND 16 IN 2001”

(fig.1) Results for the six months to 30 June 2003

	June 2003	June 2002		
Net rental income	£43.3m	£42.7m	+1.4%	(+3.2% like-for-like)
Investment profit	£21.2m	£21.6m	-1.9%	
Profit before tax	£21.8m	£21.7m	+0.5%	
Adjusted earnings per share	7.4p	7.6p	-2.6%	
Dividend per share	3.95p	3.85p	+2.6%	

Results for the six months to 30 June 2003 (fig.1)

Net rental income for the six months to 30 June 2003 was £43.3m an increase of 1.4% over the previous half year figure. On a like-for-like basis the increase was £1.4m or 3.2% reflecting the additional income that continues to be generated from lettings and rent reviews notwithstanding the slowdown in the economy.

As we have emphasised in previous reports, the diversity, quality, security and resilience of the tenant base is very important to our performance:

- We have a diverse tenant base with approximately 500 tenants in our wholly owned portfolio and over 670 tenants including our joint ventures.
- The average unexpired lease term in the wholly owned portfolio at the end of the first half – even assuming all tenants vacated at the earliest opportunity – was just over 8 years for the industrial portfolio and 8.3 years for the portfolio as a whole.
- Under the same “worst-case scenario” assumption, for the next 5 and 10 years respectively, 70% and 40% of our rental income is not affected by breaks or expiries.

• In the first half of this year, we saw a marked reduction in the number of tenant insolvencies with only 4 tenants becoming insolvent compared with 17 in 2002 and 16 in 2001.

• There has been a net increase in annualised rent of £0.6m from re-letting vacant space arising from insolvencies compared with a net loss in annualised rent of £1m for both 2002 and 2001.

• The provision for bad and doubtful debts continues to remain low at £0.6m representing 0.7% of the total rent roll.

Net interest payable, including joint venture interest, increased by £0.1m to £22.1m, reflecting the reduction of £0.6m in interest capitalised on

developments from £1.3m to £0.7m. The average cost of debt (including joint venture debt) charged against profit fell from 6.7% in the first half of 2002 to 6.4% in the current half year. Total net interest payable (excluding joint venture interest) was covered 2.0 times by net rental income, the same as for both the first half and full year of 2002. Our policy is to maintain income cover in the 1.8 times to 2.0 times range.

The exceptional interest cost of £0.7m relates to premiums of £0.3m paid on purchases of £0.8m of the smaller debenture stocks and swap cancellation costs of £0.4m arising on the sale by the Woodside Limited Partnership of its property at Dunstable.

Investment profit, which excludes exceptional items, being the exceptional interest cost and the results arising on sale of properties, decreased by £0.4m to £21.2m. During the first half, properties at Edgware and Leatherhead were sold generating, together with the sale of Dunstable, a profit of £1.3m over the previous year end book values. Profit before tax, which includes the exceptional items referred to, increased by £0.1m to £21.8m.

Adjusted earnings per share, excluding exceptional items and deferred tax relating to capital allowances, were 7.4p compared with 7.6p in the previous first half. A tax rate of 15% of investment profit has been used in the current half, the same rate as for the first half of 2002. Earnings per share, including exceptional items and deferred tax on capital allowances, were 6.6p, compared with 6.7p for the first half of 2002.

Dividend The Board has resolved to pay an interim dividend of 3.95p per share, an increase of 2.6% over last year's interim dividend of 3.85p. Payment of the dividend will be made on 5 January 2004. The record date is 28 November 2003 and the ex-dividend date is 26 November 2003.

“AN INTERIM DIVIDEND OF 3.95P PER SHARE, AN INCREASE OF 2.6%, HAS BEEN DECLARED”

(fig.2) Balance Sheet

	June 2003	Dec 2002	
Adjusted NAV per share	318p	325p	-2.2%
Net debt/property	46%	47%	
Net debt/equity	86%	88%	

(fig.3) Valuation Summary (£m Inc JV's)

	Industrial	Offices	Overall portfolio
Valuation	1,333	192	1,525
Valuation share	87%	13%	100%
Valuation deficit	(0.5%)	(8.7%)	(1.6%)
Running yield (excl voids)	6.8%	8.8%	7.0%

(fig.4) Rental Levels (wholly owned portfolio)

	2003 Overall portfolio		2002 Overall portfolio			
	Industrial	Offices	Industrial	Offices	Overall portfolio	
% reversionary (over rented)	9.4%	(12.3%)	6.3%	10.8%	(4.1%)	8.6%
Average estimated rental values (£psf)	8.91	16.69	-	8.86	17.80	-
Average passing rents (£psf)	8.14	19.04	-	7.99	18.55	-

Our policy is to achieve consistent, progressive dividend growth each year based on the level of post-tax investment profits.

Turning now to the Balance Sheet (fig.2).

Adjusted net asset value per share as at 30 June 2003 was 318p, compared with 325p at 31 December 2002, a decrease of 2.2%. This reduction was caused by the deficit of £24.9m, equivalent to 10p per share, arising from the revaluation of the Group's portfolio, but mitigated by the benefit of retained earnings of 3p per share.

Valuation The factors that adversely affected the valuation of the portfolio at the end of 2002 were also evident in the first half of 2003. The slowdown in rental growth and the lack of positive occupational activity in the South East office market contributed to the small decrease in the value of our properties (fig.3).

The Group's portfolio was valued by CB Richard Ellis and King Sturge as at 30 June 2003 at £1,525m (including £91m for Brixton's share of joint venture properties) compared with £1,587m (including £118m for Brixton's share of joint venture properties) at the end of 2002. After adjusting for sales and capital expenditure the valuation deficit was £24.9m, a decrease of 1.6%.

The industrial element of the portfolio was valued at £1,333m (including £91m of joint venture properties) generating a valuation deficit of £6.6m, or 0.5%, the same as for the wholly owned industrial portfolio. This compares with an overall deficit on our industrials of 0.7% during 2002. The office portfolio was valued at £192m producing a valuation deficit of £18.3m, a decrease of 8.7% over the six-month period, and compares with a deficit of 8.2% during 2002.

At the half year, the overall running yield on the portfolio (excluding voids) was 7.0%, split 6.8% for industrial and 8.8% for offices. This compares with the 2002 year end figures of 6.9%, 6.8% and 8.1% respectively.

The effect of the slowdown in rental growth is demonstrated in the table (fig.4) where the reversionary element of the industrial portfolio has reduced and the office portfolio has become more over rented since the end of 2002.

In the first half of 2003, Brixton's industrial rental values from its wholly owned portfolio marginally declined by 0.3%, with Greater London static and the Rest of the South East (ROSE) down 0.6%. This compares with the 2002 year end figures of zero, 2.2% and (2.5%) respectively.

The average lot size of our industrial holdings (excluding those in joint ventures) was £31m at the half year (£30m in 2002).

As was the case in 2002, Greater London continues to be the best performer for our industrial properties with a valuation surplus of 0.2% compared with a valuation deficit of 1.6% for ROSE. The Greater London portfolio benefited from a small number of its properties being in areas exempt from stamp duty following the Budget in March 2003. This was, however, marginal adding approximately £3.3m or 0.2% to the capital value of the wholly owned portfolio.

Equiton, our multi-party limited partnership specialising in smaller South East industrial estates, continues to perform well producing a 2.1% valuation surplus in the first half, 2.5% on a like-for-like basis.

We remain confident of the robustness of the valuation, given the close correlation between sales executed and the then current valuation. Since 1996 nearly £700m of UK property has been sold at an average 2.5% above valuation and in the last six months £45m of property has been sold at 3.7% above valuation.

HALF YEAR REVIEW

Finance Net debt at the half year was £664.0m compared with £693.7m at the end of 2002 – a reduction of £29.7m. Net debt/equity was 86% (2002: 88%) based on adjusted net assets and net debt / property was 46% (2002: 47%).

The Group had approximately £480m of committed bank facilities available, of which £266m were undrawn, at the half year and the weighted average maturity of all borrowings was 7.7 years. The average cost of Group debt was 6.2% as at 30 June compared with 6.3% at the end of 2002. The proportion of floating rate debt to total debt as at 30 June was 24% compared with 28% at the end of 2002.

The ratio of secured to total borrowings was 27% at the half year compared with 26% at the end of 2002. The market value of our net debt and derivatives as at 30 June 2003 was £758.2m compared with a book value of £664.0m. This excess, on a pre-tax basis of £94.2m compares with a figure of £83.8m at the end of 2002. On a post-tax basis the 2003 excess is £65.9m, equivalent to 27p per share compared with £58.7m, equivalent to 24p per share. However, it should be noted that the Company's only obligation is to repay its debentures, bonds and loans at par value on the maturity dates.

In June 2003 the Company cancelled and repaid its preference share capital at a price of 58p per share. This sum represented a premium of 8p over the nominal value of 50p. The cost of the repayment was £87,000 and was funded out of distributable reserves.

Brixton's Market

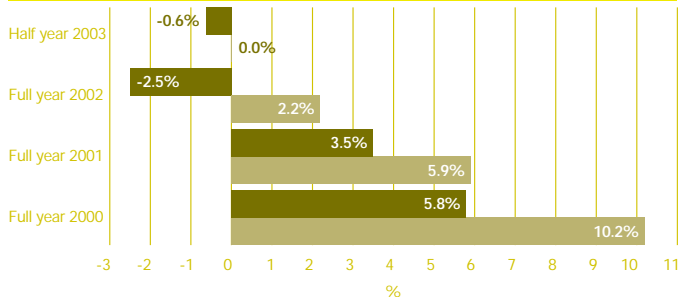
During both 2001 and 2002, Brixton anticipated weakening occupational market conditions. To mitigate this we took a more cautious approach to our business, including:

- Reducing our speculative development programme
- Only buying in our core locations
- Developing B-Serv to strengthen tenant relationships
- Selling lower performing peripheral assets

Two of the areas we are focusing on particularly closely in the current market are income generation and vacancy levels.

Income Generation Although our portfolio shows that the rate of rental growth in the South East industrial market has slowed markedly over the last couple of years, overall the figure has been stable in the last 6 months (fig.5) and we are still outperforming the valuers' estimated rental values (ERVs) on the new letting settlements and those agreed at rent review. We have exceeded the ERVs by 1.1% and 0.9% to the half year and by 6.8% and 0.7% in the year to date on lettings and rent reviews respectively (fig.6 and 7). It is important to view this also in the context of the accuracy of our valuations, which has been thoroughly tested by the pricing and volume of recent sales, as mentioned earlier.

(fig 5) Rental Growth* – Industrial (like-for-like) – slowing but stable overall

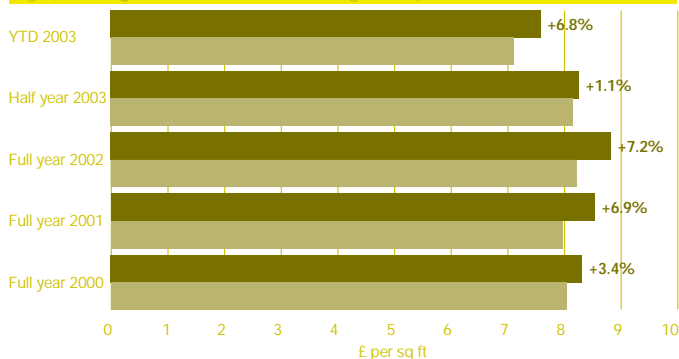


Cumulative compound totals: Overall 12.7%; Greater London 19.2%; ROSE 6.1%

Rest of South East Greater London

*wholly owned

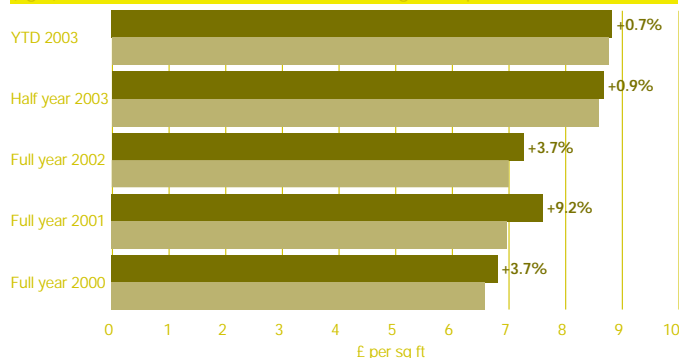
(fig 6) Lettings* – Industrial – continuing to outperform valuers' ERVs



Lettings Valuers' ERVs

*wholly owned

(fig 7) Rent Reviews* – Industrial – continuing to outperform valuers' ERVs



Rent reviews Valuers' ERVs

*wholly owned

“ENCOURAGEMENT CAN BE TAKEN FROM THE MARKED INCREASE IN THE VOLUME OF NEW LETTINGS, THE CONTROL AND STABILISATION OF THE VACANCY LEVELS, THE LEVEL OF RENTS AND THE CONTINUED STRENGTH AND VOLUME OF RENT REVIEW SETTLEMENTS”

The year to date has seen a reasonably healthy level of activity in new lettings, with significant transactions completed at Oxford, Brentford, Park Royal, Basingstoke and Radlett and a stronger level of new enquiries than for the corresponding period in 2002. King Sturge have, for example, estimated an increase of over 17% in the total area of industrial enquiries for the first half of 2003 compared to the first half of 2002 for the North West, West and South West London market, within the M25, where we are most prevalent.

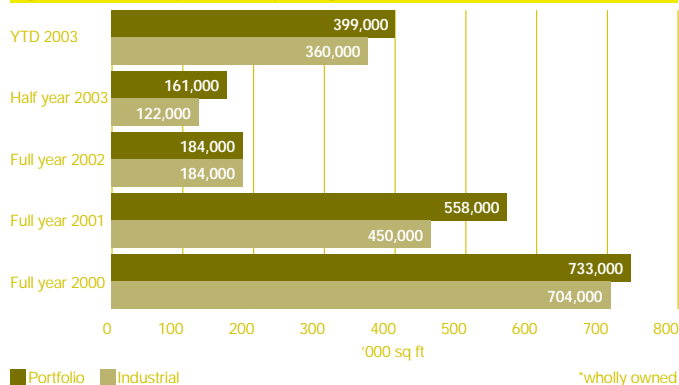
The quantum of new lettings and the effect of the net position on income from lettings, rent reviews and lease renewals is demonstrated in (fig.8 and 9). Encouragement can be taken from the marked increase in the volume of new lettings, the control and stabilisation of the vacancy levels, the level of rents and the continued strength and volume of rent review settlements, despite the higher than average amount of space being returned. During the first half, 320,000 sq ft of space was returned in the wholly owned portfolio, compared with 394,000 sq ft for the whole of 2002. Over £1m of new income has, however, been created from rent reviews in the first half compared with £1.5m for the whole of 2002.

In the wholly owned portfolio 161,000 sq ft of new lettings have taken place in the first half (399,000 sq ft in the year to date) of which industrial make up 122,000 sq ft (360,000 sq ft for the year to date). The take up of 399,000 sq ft compares with 184,000 sq ft for the whole of 2002 – an increase of 117%. The net loss of income for the 6 months was just under £1.0m, reducing to virtually zero in the year to date, compared with a loss of £0.8m for the whole of 2002.

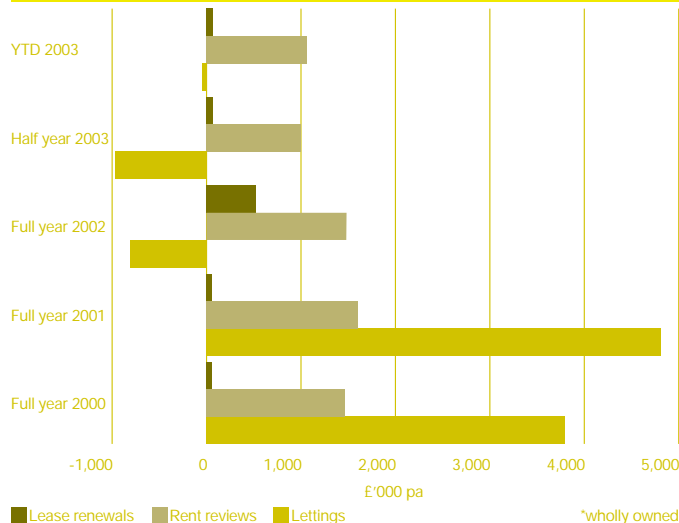
The chart (fig.10) shows the movement in rental values in terms of reversionary potential in the portfolio and the driver for income growth is still clearly from our industrials, which are 9.4% reversionary. In addition, further income will be generated from letting up the void portfolio. In total this represents over £11m of income which would add a further 12.3% to the existing rent roll.

In summary, the income created from our properties continues to exceed expectations, appears to be on an upward trend, and with this level of reversionary potential and the increased levels of activity, the outlook is improving.

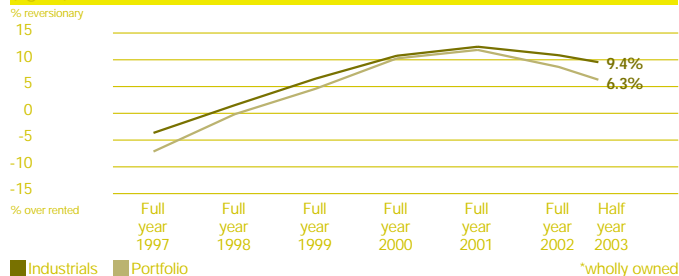
(fig.8) Area Let* – quantum improving over 2002



(fig.9) Net Income Changes* – improvement over 2002



(fig.10) Portfolio Potential* – industrials are the driver



HALF YEAR REVIEW

“ACTIVE AND EFFECTIVE CUSTOMER-ORIENTATED MANAGEMENT, OUR SPECIALIST SKILLS AND A DETAILED KNOWLEDGE OF OUR MARKETS IS ENABLING US TO CONTROL THE LEVEL OF OUR VACANCIES”

Vacancy Levels Looking now at the successful control of our vacancy levels, the charts opposite (fig.11 and 12) clearly show the progression of the absolute level of voids within the portfolio and the comparison with our forecasts and the “worst case scenario”. The worst case assumes that for any given period every tenant who could break their lease does so, that no tenant with an expiry takes a new lease, and that no lettings take place.

It is encouraging that in absolute terms the void levels, having risen during 2002 and in the first half of 2003, have not materially worsened and indeed have reduced in the last couple of months. At 9.1% for the whole portfolio and 8.4% for the industrial at the half year stage, voids are below the forecasts of 11.6% and 11% respectively and the “worst case scenario” for the portfolio of 14.3%. In the year to date the position has improved significantly to a 7.9% vacancy for the whole portfolio and 7.1% for the industrials. These comparisons demonstrate that our vacancy management initiatives are working, and indeed having stabilised to the similar levels seen at the December 2002 year end of 7.8% and 7.3% respectively.

It is relevant to look at King Sturge's latest Industrial and Distribution Floorspace availability figures and their analysis published to the end of April 2003. Whilst England and Wales as a whole has almost returned to the peak availabilities of 1993 neither ROSE nor Greater London has, with the latter, where the majority of our portfolio is based, still having significantly less space available than then. Although, in the first four months of this year the total level of available space in the South East increased by 7.5%, with Greater London up 9.5% and ROSE increasing by 6.6%, new floorspace availability in both areas has decreased in the period.

As the chart opposite (fig.12) shows, voids in our office portfolio (which make up only 13% of the total portfolio), which at the half year were 17.1% vacant compared with the forecast of 18.8%, only have a very small effect on the overall position. The office void increased the portfolio void figure at the half year to just over 9% compared to the industrial figure of 8.4% and to 7.9% compared to 7.1% respectively in the year to date. 70% of the office void by area (just over 80% by income) is accounted for by the two office buildings at Aviator Park, which, it is important to

remember, make up less than 1% of our total portfolio by area and 2.5% by income. It is encouraging that there have been a number of positive enquiries for both of the buildings and pre-letting opportunities on the rear land, although a realistic view of rentals, patience, and a flexible approach to leasing is likely to be required in the present market.

Knight Frank, who provide the most definitive review of the M25 office market, have reported that vacancies stood at 9.3% at the half year and are expected to peak at 9.5% before the year end. As with the trend in the industrial sector, Knight Frank believe that the volume of active named M25 office enquiries has also risen – they estimate by 7% during the second quarter of 2003.

We have potentially 1.2m sq ft (11.9% of the wholly owned portfolio), accounting for £9.1m (10.3% of the total income), with lease expiries or tenant breaks from the year to date to the end of 2004. These figures include 0.3m sq ft of accommodation (£1.7m of income) for the short-term leaseback to Penguin Books of the Polar Park redevelopment site at Heathrow which was purchased in December 2001 and now has planning consent for 306,000 sq ft of space. The deal was structured to provide vacant possession by September 2004.

The chart opposite (fig.13) demonstrates the “worst case scenario” on expiries and breaks and clearly shows that less than half of the potentially available space has actually become vacant in the year to date.

We believe that B-Serv's holistic approach to customer management, evidenced by independently assessed improvements in satisfaction levels from the tenants as we have consolidated and driven cost savings and quality benefits into the landlord's services supply chain, is helping tenant retention and improving income levels and longevity.

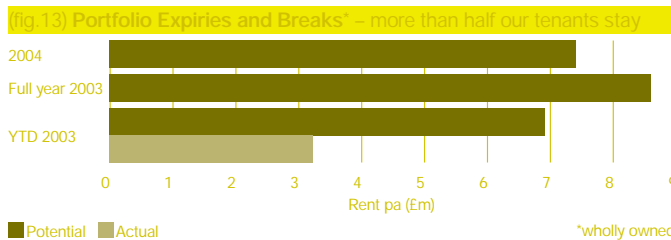
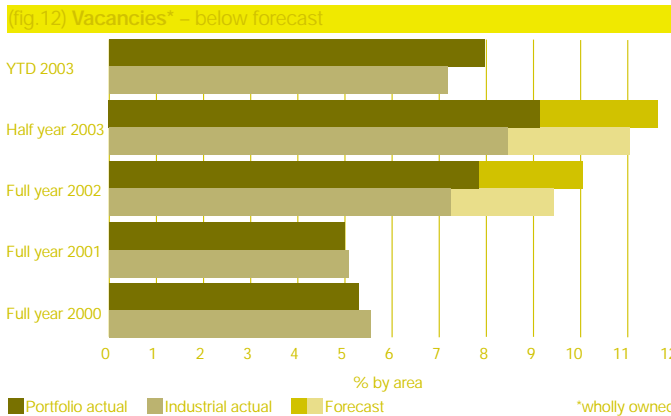
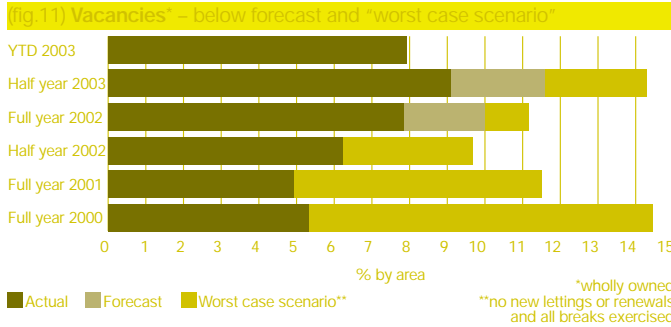
Largely as a result of B-Serv's initiatives, Brixton was voted the Occupiers' Landlord of the Year at the 2003 Property Week Property Awards, the main industry event of its kind, which we think is also significant in the context of providing a platform for improving income growth.

Looking specifically at some examples of how the void process is managed:

- On a 159,000 sq ft distribution unit at Ventura Park, Radlett we have just agreed a lease with B&Q plc at a total annual rental of £1.03m (£6.50 per sq ft).

B&Q will take a 10 year lease without break with a rent review after 5 years and have a 6 month rent free period following refurbishment of this late 1970s building. B&Q will continue in part occupation moving into total occupation on a phased basis, as each part of the refurbishment is completed.

Brixton has been able to structure the deal following one of the previous tenants leaving at expiry in March 2003 and the other tenant, Tibbett & Britten (T&B) exercising a break with effect from November this year. T&B did this to allow B&Q, their client at the premises, to take a direct lease on the whole unit. T&B will continue to run B&Q's logistics from the warehouse, and remain as tenants of ours elsewhere on the estate in Radlett.



- Daewoo Cars went into administration in October 2002. By February 2003 we had agreed to re-let the 39,000 sq ft office building in Rickmansworth that had become available through Daewoo's default at £20 psf for 20 years with a 15 year break and 12 months rent free to BACS. The previous rent was £19.40 psf and in any event Daewoo had a break in September 2004.

- At the Causeway Corporate Centre, Staines we have negotiated a settlement equivalent to £4.03m to allow Procter & Gamble to exercise a break originally effective from December 2002 on a 44,000 sq ft office building. This equates to approximately 4 years passing rent and provides a substantial cushion to cover the costs of refurbishment and letting.

- We have demonstrated the ability to create repeat business with lettings at West Cross Industrial Park, Brentford and Kingsland Business Park, Basingstoke to existing tenants from elsewhere in the portfolio. In each case new rental levels have been established and the occupiers have added to their total accommodation leased from Brixton.

Active and effective customer orientated management, our specialist skills and a detailed knowledge of our markets is enabling us to control the level of our vacancies. We have shown that our vacancy forecasts have not been reached in the last 12 months, voids have improved markedly since the half year and the majority of potentially available space remains let, ie, less than half of our tenants break leases or do not renew at the end of their terms.

Portfolio Activity Acquisitions and Disposals Brixton itself has made no acquisitions this year as we remain selective given the pricing aspirations and competition resulting from the continued strength of the investment market. Taking advantage of this, Brixton has sold its 276,000 sq ft industrial estate in Abingdon since the half year end for a consideration of £17.33m, some 1.2% over valuation with a further payment of up to £0.35m, giving a potential total 3.3% gain over valuation. Further disposals are also planned.

Turning to our joint ventures, the Equiton fund has been expanded to 27 separate South East industrial estates in lot sizes below £15m, totalling 1.9m sq ft and worth over £150m, through the acquisition this year of properties in Leatherhead and Ashford, Kent.

The Woodside Limited Partnership between Brixton and Equitable Life will be dissolved in due course following the sale of its sole asset, the 1.6m sq ft Woodside Estate in Dunstable, for £95.3m in January.

Brixton's third joint venture, Premier Greenford, has 0.82m sq ft of further space consented and it is probable that speculative development totalling approximately 0.2m sq ft will be commenced within the next 6 to 12 months at both Premier Park and Greenford Park.

HALF YEAR REVIEW

“OUR EARLY RESPONSE TO THE PREDICTED SLOWDOWN IN THE OCCUPATIONAL MARKETS HAS LEFT US IN A GOOD POSITION NOW TO TAKE ADVANTAGE OF PERHAPS THE BEGINNINGS OF A NEW PHASE OF RESUMED TENANT DEMAND”

Developments The existing development programme is shown in the table (fig.14) and the chart (fig.15) shows the level by which we have reduced our exposure to development risk in the last 2½ years. It is now, however, likely that as well as the possibility of some development being commenced within the Premier Greenford partnership, Enfield will be started speculatively either later this year or early in 2004.

Outlook

We believe specialism and focus leads to outperformance over any reasonable period. Our tenant base is diverse and the portfolio has shown great resilience through the economic slowdown of the last couple of years, and, as a result, our strong financial record continues.

A more customer-orientated, partner-based, focused-management approach has helped to continue income outperformance. The benefits of B-Serv and our joint venture interests are apparent and our early response to the predicted slowdown in the occupational markets has left us in a good position now to take advantage of perhaps the beginnings of a new phase of resumed tenant demand, even though this is likely to be characterised by more limited growth rates.

There are signs for optimism. The weight of money and relatively strong investment market for our chosen sector continues but, more significantly, levels of occupier interest appear to be increasing with more enquiries and a much larger volume of lettings. Vacancies have not grown as quickly as predicted (and indeed have recently seen good improvement), and our lettings and rent review rental levels continue to out-perform. We will closely track these trends, particularly in relation to our lease expiry and break profile, our letting progress and the potential re-activation of selective parts of our development programme.

Heathrow will see further major growth through the construction of Terminal 5 (underway and due for completion in 2008), and the constrained planning regime, and with 40% of our portfolio now located there we are the largest and most dominant operator in that industrial and warehouse market.

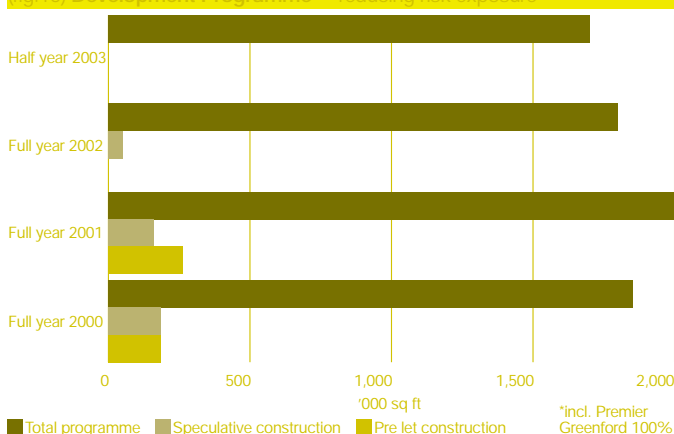
Brixton is prudently positioned for what we see as being a lower-growth but potentially strengthening corporate environment and we are confident that further progress will continue to be made.

(fig.14) Development Programme

	Sq ft 000	Cost Em	Projected Start
Brixton			
Enfield, Great Cambridge	92	6	Mar '04
Feltham, Spaceway	85	4	Jun '04
Southall, Great Western	98	6	Jun '04
Addlestone, Aviator Park – Phase 2*	183 (156 net)	23	Aug '04
Basingstoke, Kingsland	117	7	Jan '05
Polar Park, Heathrow	306	17	Mar '05
Total	881	63	
Premier Greenford JV			
Greenford Park, Green Zone	67	4	Jan '04
Premier Park – Phase 1	145	8	Jan '04
Greenford Park, Blue Zone – Phase 1	174	8	Jun '04
Premier Park – Phase 2	235	12	Aug '05
Greenford Park, Blue Zone – Phase 2	198	8	Jan '06
Total	819	40	
Total programme	1,700	103	
Total Brixton inc 50% JV share	1,291	83	

*Offices

(fig.15) Development Programme* – reducing risk exposure



GROUP PROFIT AND LOSS ACCOUNT

	Notes	Six months to 30 June 2003 unaudited £m	Six months to 30 June 2002 unaudited £m	Year to 31 December 2002 audited £m
Net rental income		45.6	45.7	92.1
Less share of joint ventures' net rental income		(2.3)	(3.0)	(6.1)
Net rental income – Group	2	43.3	42.7	86.0
Administration expenses		(2.2)	(2.0)	(4.8)
Operating profit		41.1	40.7	81.2
Share of operating profits of joint ventures		2.2	2.9	5.9
		43.3	43.6	87.1
Profit/(loss) arising on sale of properties	3	1.3	0.1	(0.3)
Profit on ordinary activities before interest		44.6	43.7	86.8
Net interest payable	4	(22.1)	(22.0)	(44.4)
Exceptional interest cost	4	(0.7)	–	(4.4)
Investment profit		21.2	21.6	42.7
Exceptional items	3/4	0.6	0.1	(4.7)
Profit on ordinary activities before taxation		21.8	21.7	38.0
Taxation	5	(5.8)	(5.3)	(6.7)
Profit on ordinary activities after taxation		16.0	16.4	31.3
Dividends – ordinary and preference	6	(9.6)	(9.4)	(26.6)
Retained profit		6.4	7.0	4.7
Earnings per share – basic and diluted	7	6.6p	6.7p	12.9p
Adjusted earnings per share	7	7.4p	7.6p	15.3p
Dividend per share		3.95p	3.85p	10.9p

GROUP BALANCE SHEET

	Notes	Six months to 30 June 2003 unaudited £m	Six months to 30 June 2002 unaudited £m	Year to 31 December 2002 audited £m
Fixed assets				
Tangible assets				
Properties	8	1,433.6	1,453.7	1,469.2
Other fixed assets		1.4	1.5	1.5
Investments				
Investments in joint ventures	9			
Share of gross assets		91.2	120.2	118.2
Share of gross liabilities		(42.2)	(60.8)	(59.8)
		49.0	59.4	58.4
Total fixed assets		1,484.0	1,514.6	1,529.1
Current assets				
Debtors		18.5	17.1	18.0
Cash		1.9	0.2	5.4
		20.4	17.3	23.4
Creditors: Amounts falling due within one year		(63.6)	(115.4)	(82.1)
Net current liabilities		(43.2)	(98.1)	(58.7)
Total assets less current liabilities		1,440.8	1,416.5	1,470.4
Creditors: Amounts falling due after more than one year				
Borrowings	10	(665.9)	(586.8)	(679.1)
Provision for liabilities and charges	11	(50.1)	(47.3)	(47.7)
Net assets		724.8	782.4	743.6
Capital and reserves				
Called-up share capital		61.0	61.0	61.0
Reserves		663.8	721.4	682.6
Shareholders' funds		724.8	782.4	743.6
Net asset value per share	12	297p	321p	305p
Adjustment to net assets arising on the provision for deferred tax	12	21p	19p	20p
Adjusted net asset value per share	12	318p	340p	325p

GROUP CASH FLOW STATEMENT

	Notes	Six months to 30 June 2003 unaudited £m	Six months to 30 June 2002 unaudited £m	Year to 31 December 2002 audited £m
Net cash inflow from operating activities	13.1	38.9	38.9	80.3
Dividends received from joint ventures		0.2	0.7	1.4
Returns on investments and servicing of finance				
Interest received		0.1	0.1	0.5
Interest paid		(20.3)	(13.6)	(49.3)
Net cash outflow from returns on investments and servicing of finance		(20.2)	(13.5)	(48.8)
Corporation tax paid		(2.4)	(1.8)	(5.4)
Net cash flow after tax		16.5	24.3	27.5
Capital expenditure				
Acquisition and property development		(4.2)	(36.6)	(101.8)
Sales of properties		16.4	51.0	68.4
Other fixed assets		(0.1)	(0.2)	(0.4)
Net cash inflow/(outflow) for capital expenditure		12.1	14.2	(33.8)
Acquisitions and disposals				
Loans repaid by/(advanced to) joint ventures		10.5	(1.1)	(1.5)
Equity dividends paid		(9.4)	(25.8)	(25.8)
Cash inflow/(outflow) before financing		29.7	11.6	(33.6)
Financing				
Share capital issued		0.1	1.6	1.7
Preference share capital purchased and cancelled		(0.1)	-	-
(Decrease)/increase in borrowings	13.2	(33.2)	(19.4)	30.9
Net cash (outflow)/inflow from financing		(33.2)	(17.8)	32.6
Decrease in cash in the period	13.2	(3.5)	(6.2)	(1.0)

OTHER PRIMARY STATEMENTS

	Six months to 30 June 2003 unaudited £m	Six months to 30 June 2002 unaudited £m	Year to 31 December 2002 audited £m
Statement of total recognised gains and losses			
Profit for the financial period	16.0	16.4	31.3
Unrealised (deficit)/surplus on revaluation of:			
Properties	(24.9)	12.1	(21.4)
Joint ventures	–	(3.3)	(6.4)
Taxation on sale of properties	(0.8)	–	–
Realised gain re prior year sale to joint venture	0.5	–	–
Total recognised gains and losses for the period	(9.2)	25.2	3.5
Note of historical cost profits and losses			
Profit on ordinary activities before taxation	21.8	21.7	38.0
Realisation of property revaluation surplus of previous years	5.4	12.6	12.3
Historical cost profit on ordinary activities before taxation	27.2	34.3	50.3
Historical cost profit for the period retained after taxation and dividends	11.8	19.6	17.0
Reconciliation of movements in shareholders' funds			
Total recognised gains and losses for the period	(9.2)	25.2	3.5
Total dividends	(9.6)	(9.4)	(26.6)
New share capital subscribed	0.1	1.6	1.7
Preference share capital purchased and cancelled	(0.1)	–	–
Net (reduction)/addition to shareholders' funds	(18.8)	17.4	(21.4)
Opening shareholders' funds	743.6	765.0	765.0
Closing shareholders' funds	724.8	782.4	743.6

NOTES TO THE INTERIM RESULTS

1 Abridged accounts

The financial information contained in these Interim Results has been prepared on the basis of the accounting policies set out in the Group's audited financial statements for the year ended 31 December 2002.

The financial information for the year to 31 December 2002 has been extracted from the statutory accounts of the Group, which have been reported on, without qualification, by the auditors and have been delivered to the Registrar of Companies. The financial information for the six months to 30 June 2003 is unaudited and does not constitute statutory accounts.

2 Net rental income

	Six months to 30 June 2003 unaudited £m	Six months to 30 June 2002 unaudited £m	Year to 31 December 2002 audited £m
Gross rental income	45.6	44.5	90.1
Property outgoings	(2.3)	(1.8)	(4.1)
Net rental income	43.3	42.7	86.0

All income was derived from within the United Kingdom from continuing operations.

The analysis above excludes the results of joint ventures.

3 Profit/(loss) arising on sale of properties

Profit/(loss) arising on sale of properties is calculated by reference to book value at the date of sale.

4 Net interest payable

	Six months to 30 June 2003 unaudited £m	Six months to 30 June 2002 unaudited £m	Year to 31 December 2002 audited £m
Interest on bank loans and overdrafts	5.1	4.9	10.0
Interest on debenture stocks and bonds	16.6	16.8	33.7
Interest payable	21.7	21.7	43.7
Less: interest capitalised	(0.7)	(1.3)	(2.5)
	21.0	20.4	41.2
Interest receivable	(0.1)	(0.1)	(0.2)
Group interest charged to profit and loss account	20.9	20.3	41.0
Share of joint ventures' interest	1.2	1.7	3.4
	22.1	22.0	44.4
Exceptional interest cost (see below)	0.7	-	4.4

The exceptional loan interest cost relates to premiums of £0.3m paid on purchases of £0.8m of the smaller debenture stocks and swap cancellation costs of £0.4m arising on the sale by the Woodside Limited Partnership of its property at Dunstable.

NOTES TO THE INTERIM RESULTS

5 Taxation

	Six months to 30 June 2003 unaudited £m	Six months to 30 June 2002 unaudited £m	Year to 31 December 2002 audited £m
UK corporation tax:			
Current period	3.4	3.2	5.4
Adjustment relating to prior periods	–	–	(1.2)
Corporation tax charge for the period	3.4	3.2	4.2
Deferred taxation	3.1	3.3	5.6
Release of deferred taxation in respect of properties sold in period	(0.7)	(1.2)	(3.1)
	5.8	5.3	6.7

Factors affecting the tax charge for the period:

Tax on profit on ordinary activities at UK corporation tax rate of 30%	6.5	6.5	11.4
Effect of:			
Capital allowances	(2.9)	(2.9)	(5.3)
Capitalised interest	(0.2)	(0.4)	(0.8)
Differences arising from taxation of chargeable gains	–	–	0.1
Tax charge for the period	3.4	3.2	5.4

Taxation has been charged at an effective rate of 15% (2002 interim: 15%; 2002 full year: 12.9%) on investment profit. Of the total charge £0.2m (2002 interim: £nil; 2002 full year: credit £1.3m) relates to taxation on exceptional items. If the Group's properties were sold for their book value at the balance sheet date it is estimated that the resultant liability would not exceed £28.5m (2002: £38.6m).

6 Ordinary and Preference dividends

	Six months to 30 June 2003 unaudited £m	Six months to 30 June 2002 unaudited £m	Year to 31 December 2002 audited £m
Ordinary dividends			
Interim – 3.95p (2002: 3.85p)	9.6	9.4	9.4
Final – (2002: 7.05p)	–	–	17.2
	9.6	9.4	26.6

Preference dividends Preference dividends (relating to non-equity shares) of £1,680 (2002 interim: £1,875; 2002 full year: £3,750) were paid during the period.

7 Earnings per share

Earnings per share and adjusted earnings per share have been calculated, using the weighted average number of shares in issue during the period of 243.8m (2002 interim: 243.3m; 2002 full year: 243.5m), as follows:

	Six months to 30 June 2003 unaudited Profit after tax £m	Six months to 30 June 2003 unaudited Earnings per share pence	Six months to 30 June 2002 unaudited Profit after tax £m	Six months to 30 June 2002 unaudited Earnings per share pence	Year to 31 December 2002 audited Profit after tax £m	Year to 31 December 2002 audited Earnings per share pence
Basic and diluted	16.0	6.6p	16.4	6.7p	31.3	12.9p
(Profit)/loss arising on sale of properties	(0.9)	(0.4p)	(0.1)	–	0.3	0.1p
Deferred tax	2.4	1.0p	2.1	0.9p	2.5	1.0p
Exceptional interest cost	0.5	0.2p	–	–	3.1	1.3p
Adjusted	18.0	7.4p	18.4	7.6p	37.2	15.3p

Diluted earnings per share are the same as basic earnings per share.

8 Properties

	Freehold £m
Group	
Balance at 1 January 2003: at valuation	1,469.2
Additions	3.8
Disposals	(14.5)
	1,458.5
Deficit on valuation	(24.9)
Balance at 30 June 2003: at valuation	1,433.6

The Group's properties were externally valued as at 30 June 2003 by CB Richard Ellis and King Sturge in accordance with the Appraisal and Valuation Standards of RICS which became effective on 1 May 2003, on the basis of market value (formerly open market value). Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller. Market value is estimated without regard to costs of sale.

Long leasehold properties where the lease has more than 150 years to expiry, which are classified as freehold properties, amounted to £101.0m (2002 interim: £58.5m; 2002 full year: £103.2m).

Development properties at 30 June 2003 included above, amounted to £17.9m (2002 interim: £58.1m; 2002 full year: £26.2m).

NOTES TO THE INTERIM RESULTS

9 Joint ventures

	Group £m
Balance at 1 January 2003	58.4
Net disinvestment in joint ventures	(9.8)
Share of profits	0.6
Dividends received	(0.2)
Balance at 30 June 2003	49.0

At 30 June 2003 the Group's investments in joint ventures comprised:

	Joint venture % holding
a) Premier Greenford Limited Partnership (a partnership with Pearl Assurance plc)	50%
b) Equiton Industrial Partnership (a partnership with The Equitable Life Assurance Society and The Prudential Assurance Company Limited)	8.8%

The properties owned by the joint ventures were externally valued as at 30 June 2003 by CB Richard Ellis and King Sturge.

The two limited partnerships have secured, external, non-recourse loans repayable between 2005 and 2006. The Group's share of these loans at 30 June 2003 was £42.3m.

10 Borrowings

	30 June 2003 unaudited £m	30 June 2002 unaudited £m	31 December 2002 audited £m
Secured			
Debentures:			
10% Debenture Stock 2012	107.2	120.0	107.2
9½% Debenture Stock 2026	29.6	30.0	30.0
10% Debenture Stock 2025	14.5	15.0	14.8
11¼% Debenture Stock 2023	14.9	15.0	15.0
11¼% Debenture Stock 2018	15.0	15.0	15.0
Total secured	181.2	195.0	182.0
Unsecured			
6% Bonds 2010 (nominal £275m)	273.7	273.5	273.6
Sterling bank loans and overdrafts	211.0	180.3	243.5
Total unsecured	484.7	453.8	517.1
Total borrowings	665.9	648.8	699.1
Falling due within one year	–	(62.0)	(20.0)
Falling due after more than one year	665.9	586.8	679.1

Security for secured borrowings is provided by charges on property.

NOTES TO THE INTERIM RESULTS

10 Borrowings continued

The weighted average interest rate on Group borrowings as at 30 June 2003 was as follows:

	30 June 2003 %	30 June 2002 %	31 December 2002 %
On fixed rate borrowings	6.9	7.3	7.0
On all borrowings	6.2	6.5	6.3

As at 30 June 2003 the weighted average period for which fixed rate borrowings were fixed was 9 years (2002 interim: 10 years; 2002 full year: 10 years).

The interest rate for variable rate borrowings is set by reference to LIBOR.

Maturity of undrawn committed borrowing facilities

	30 June 2003 unaudited £m	30 June 2002 unaudited £m	31 December 2002 audited £m
Expiring:			
Within one year	50.0	63.0	50.0
One to two years	1.0	–	–
More than two years	215.5	204.2	169.0
	266.5	267.2	219.0

Fair values of financial assets and liabilities

	Unaudited 30 June 2003			Audited 31 December 2002		
	Book value £m	Fair value £m	Fair value adjustment £m	Book value £m	Fair value £m	Fair value adjustment £m
Cash and short-term deposits	1.9	1.9	–	5.4	5.4	–
Debentures	(181.2)	(255.4)	(74.2)	(182.0)	(255.2)	(73.2)
Eurosterling bond	(273.7)	(284.9)	(11.2)	(273.6)	(277.3)	(3.7)
Other loans and overdrafts	(211.0)	(211.0)	–	(243.5)	(243.5)	–
Interest rate derivatives	–	(8.8)	(8.8)	–	(6.9)	(6.9)
Total net debt	(664.0)	(758.2)	(94.2)	(693.7)	(777.5)	(83.8)
Fair value on a post-tax basis			(65.9)			(58.7)

Fair values have been calculated by using market values at the balance sheet date. The fair value of interest rate derivatives represent the cumulative unrecognised gains/(losses) at the balance sheet date none of which are expected to be recognised within the next two financial years.

The Group's only obligation is to repay its debentures, bonds and loans at par value on the maturity dates.

Loans of £37.6m (2002 interim: £48.0m; 2002 full year: £49.5m) have been made to the joint ventures. These loans are not interest bearing and the return is dependent on the overall return from the partnerships. It is therefore not practical to determine the fair value of these loans.

11 Provision for liabilities and charges

	30 June 2003 unaudited £m	30 June 2002 unaudited £m	31 December 2002 audited £m
Deferred tax			
At beginning of period	47.7	45.2	45.2
Charge for period	3.1	3.3	5.6
Released in respect of properties sold in period	(0.7)	(1.2)	(3.1)
At end of period	50.1	47.3	47.7

12 Net asset value per share

Net asset value per share has been calculated on 243.9m shares in issue at 30 June 2003 (2002 interim: 243.8m; 2002 full year: 243.8m) and based on net assets attributable to shareholders of £724.8m (2002 interim: £782.4m; 2002 full year: £743.6m).

Adjusted net asset value per share has been calculated on the same number of shares in issue but excluding the deferred tax provision of £50.1m (2002 interim: £47.3m; 2002 full year: £47.7m).

13 Notes to the Group cash flow statement

	Six months to 30 June 2003 unaudited £m	Six months to 30 June 2002 unaudited £m	Year to 31 December 2002 audited £m
13.1 Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	41.1	40.7	81.2
Non-cash movements	0.2	0.2	0.3
Other movements arising from operations:			
Debtors	(0.8)	1.4	(3.0)
Creditors	(1.6)	(3.4)	1.8
Net cash inflow from operating activities	38.9	38.9	80.3
13.2 Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the period	(3.5)	(6.2)	(1.0)
Decrease/(increase) in borrowings	33.2	19.4	(30.9)
Movement in net debt in the period	29.7	13.2	(31.9)
Net debt brought forward	(693.7)	(661.8)	(661.8)
Net debt carried forward	(664.0)	(648.6)	(693.7)

NOTES TO THE INTERIM RESULTS

13 Notes to the Group cash flow statement continued

	At 1 January 2003 £m	Cash flow £m	At 30 June 2003 £m
13.3 Analysis of changes in net debt			
Cash at bank and in hand	5.4	(3.5)	1.9
Borrowings	(699.1)	33.2	(665.9)
Total	(693.7)	29.7	(664.0)

14 Future capital expenditure

	30 June 2003 unaudited £m	31 December 2002 audited £m
The Directors have authorised future capital expenditure, including the Company's share of its joint ventures' capital expenditure, which amounts to:		
Contracted for	4.8	4.7
Not contracted for	85.7	102.4
	90.5	107.1

SHAREHOLDER INFORMATION

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Michael R N Moore CBE MBA MA

Steven J Owen LLB FCA MCT
Deputy Chief Executive

John S Rink LLB

David Scotland

Company Secretary

Susan E Dixon FCS

Executive Management Committee

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Financial calendar

Interim dividend payable	5 January 2004
Announcement of results for the year to 31 December 2003	March 2004
Circulation of Annual Report	April 2004
Annual General Meeting	May 2004

Low-cost share dealing service

The Company has arranged for Cazenove & Co. Ltd to provide shareholders and investors with a simple low-cost method of buying and selling its shares. Full details are available from the Brixton plc Share Dealing Service, Cazenove & Co. Ltd, 20 Moorgate, London EC2R 6DA (tel: 020 7155 5155).

Copies of this Report will be sent to shareholders and will also be available on the Company's website (www.brixton.plc.uk) or from the registered office of the Company, 50 Berkeley Street, London W1J 8BX (tel: 020 7399 4500).