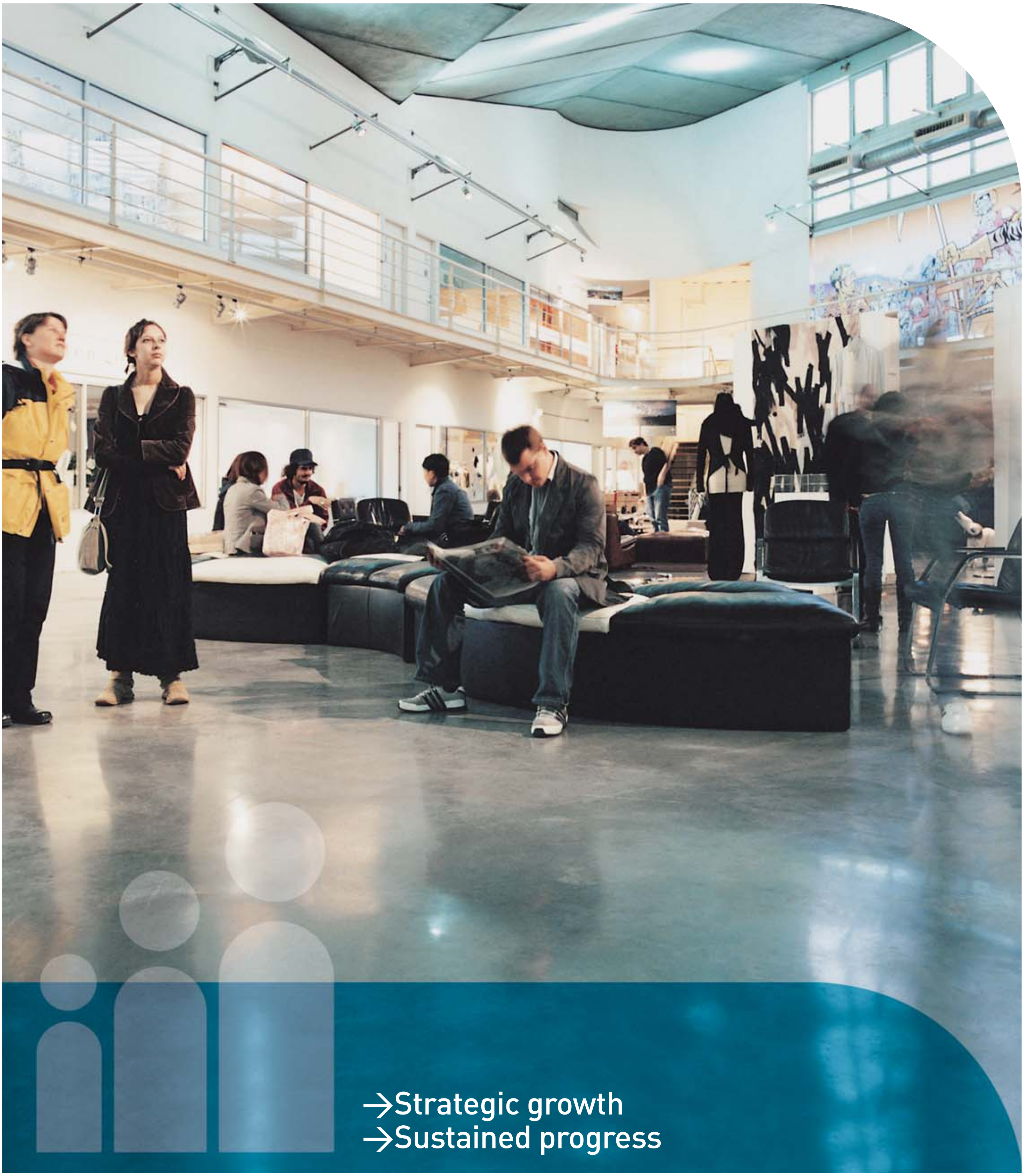

Workspace Group

Workspace Group PLC
Quarterly Report
December 2005

Highlights

Results for the nine months ended 31 December 2005.

- Net Asset Value (NAV) per share at 31 December 2005 £2.10, up 18.6% over the nine months and up 22.8% over 12 months (31 March 2005: £1.77; 31 December 2004 £1.71).

- NAV per share (under former UKGAAP) at 31 December 2005 £2.71, up 21.0% over the nine months and up 35.5% over 12 months (31 March 2005: £2.24; 31 December 2004: £2.00).

- Valuation surplus for nine month period £74.1m (2004: £55.4m).

- Pre-tax profits £83.6m (2004: £66.3m).

- Pre-tax profits on trading operations * £10.7m (2004: £10.8m).

- Basic earnings per share 35.8p (2004: 29.0p).

- Acquisitions of £95.7m and disposals of £47.6m either under contract or completed over nine months.

- Contracts exchanged for redevelopment of Wharf Road.

*Trading operations exclude other items defined following the Income Statement (page 8).

Operating and Financial Review

Chairman's Statement

These third quarter results show further excellent growth in asset values driven primarily by yield movements reflecting the continuing investor appetite for commercial property. Following our latest external revaluation at 31 December 2005, our total portfolio was valued at £903 million. Adjusted Net Asset Value (NAV) per share at £2.66 is up 19.8% over the nine month period, and 24.9% over the last twelve months. Reported NAV per share has risen to £2.10 (31 March 2005: £1.77).

Since the quarter end we have completed the sale of a portfolio of 9 properties (with 2 others pending) within the South East, outside the M25, for a total of £41.7 million. Most of our portfolio of 95 estates, 5.8m sq ft, and 3,800 customers is now focused within the M25. Furthermore, 68% of this portfolio by value is within six miles of the centre of London.

In this market Workspace is by far the leading supplier of space for small and medium sized enterprises (SMEs). Yet we have a small proportion of this large and growing market place (comprising over 300,000 SMEs) and the opportunities to continue to expand our portfolio remain considerable as we track 2,000 properties in our target area. Furthermore, with our focused intensive management, marketing and branding, there is the prospect of future growth in rental values from the current low base of £9.58 per sq. ft.

Your Board is committed to building long term shareholder value. During the third quarter, I informed you of a possible interest in the Company, which was subsequently withdrawn shortly before Christmas. This interest lay not only in the core business outlined above, but also in the potential for change of use or intensification value of certain estates – the value of which we are well aware. We are developing clear strategies to release this hidden value and during the last few months we have progressed individual "added value" initiatives (at Wharf Road, Greenheath and Thurston Road). This report also gives some more detail on our approach to this area going forward.

Chief Executive's Statement

Summary

Pre-tax profits during the three quarter period of £83.6m are up 26.1% on last year (31 December 2004: £66.3m) due to the accelerated growth in the value of the portfolio. Pre-tax profits on trading operations of £10.7m are down £0.1m on last year due mainly to higher year on year interest charges in the first quarter, slower rental growth during the year and the level of refurbishment/redevelopment taking place in the Group's portfolio.

Total Rent Roll has increased by £6.1m over the nine months to £48.3m, £5.6m of which is from acquisitions net of disposals with the remaining £0.46m due to growth in the core portfolio.

Earnings per share for the nine month period, at 35.8p, are up 23% on last year. Trading earnings per share at 4.6p however are unchanged on the level for the same period last year.

Portfolio

In the first half of the year the Group made acquisitions of £95.7m. No acquisitions were made in the third quarter, although since the quarter end we have completed the purchase of one property (value £5.15m) and have three others in legal hands.

During the quarter we made one disposal and, on 25 January 2006, completed the sale of a portfolio of properties outside the M25. Details are given below.

Name of Property	Description	Exit Income	Sale Price
Alpine Park, Beckton E6	Single warehouse of 35,036 sq. ft	£0.35m	£3.8m
Magenta Portfolio	11 small unit industrial estates located outside the M25 totalling 321,142 sq. ft in 234 units (deferred completion on 2 properties)	£2.86m	£41.7m

Operating and Financial Review
continued

Alpine Park was sold to its occupier, Easy Managed Transport (EMT), a classic case study of the Workspace model. It reflects the continuing success story of one of our customers, who joined us in 1990 occupying a small industrial unit on Bow Enterprise Park, E3. Following EMT's continued expansion on that estate, in 2000 Workspace acquired land and financed the development of a warehouse at Alpine Park into which EMT moved on a long term lease with an option to acquire the property.

The Magenta Portfolio disposal consisted of the majority of the Group's holdings outside London. The properties have performed well for us in the past and have shown pre-tax internal rates of return of between 13% and 31% and a combined IRR of 22%. A tax charge of £5.2m will arise from this disposal. We now have only four properties outside the M25 at Luton, Basildon, Maidenhead and Harlow. It is our current intention in due course to dispose of the first three of these, whilst the fourth, which continues to fit well with our other ownerships, will be retained.

The funds released by these disposals will be used to further expand the business within Greater London where we have recently completed the purchase of Sundial Court, Tolworth, Kingston-upon-Thames. Three other transactions are in legal hands. Further details will be announced shortly.

We know London well and are tracking about 2,000 properties of which approximately 700 have been identified as prime acquisition targets. We are confident that we will deliver superior returns by concentrating our management and marketing skills, as well as our brand, on opportunities in this area.

Following the disposal completed in the quarter, the portfolio statistics and progress through the year may be summarised as follows:

	31 December 2005	30 September 2005	30 June 2005	31 March 2005
Number of estates	106	107	105	104
Total floor space at end of period (million sq. ft.)	5.89	5.92	5.33	5.16
of which:				
Like-for-like portfolio (million sq. ft.)	4.90	4.90	4.90	
Acquisitions (million sq. ft.)	0.80	0.80	0.21	
Developments (million sq. ft.)	0.18	0.18	0.18	
Lettable units (number)	4,922	4,885	4,748	4,717
Annual rent roll of occupied units (£m)	48.34	48.17	43.17	42.28
Average rent (£/sq. ft.)	9.58	9.47	9.35	9.29
Average rent of like-for-like portfolio (£/sq. ft.)	9.38	9.25	9.25	9.11
Occupancy overall	85.70%	85.92%	86.65%	88.26%
Occupancy of like-for-like portfolio	88.55%	88.66%	89.32%	90.20%

Comparisons of overall occupancy and rent roll are distorted by acquisitions, disposals and transfers. The "like-for-like" portfolio is defined as those properties that have been held throughout the year to date and which are not subject to refurbishment/redevelopment programmes.

Like-for-like occupancy in the quarter has remained in the 88.5% to 89% range, whilst average like-for-like rents have risen by 1.4% (from £9.25 to £9.38). Over the three quarter period like-for-like occupancy has declined from 90.2% to 88.55%, whilst average rents have risen by 3% (from £9.11 to £9.38). This decline in occupancy was caused mainly by the occurrence of several larger voids, some of which have now been re-let, notably the space vacated in the second quarter at Surrey House and that at Tower Bridge Business Complex. However, this has not

Operating and Financial Review
continued

yet compensated for the other vacancies elsewhere in our portfolio. Furthermore, by the financial year end we anticipate two other significant vacancies will occur which will open up opportunities for the Group to create more space for small businesses. In particular, this includes a vacancy at the recently purchased Kennington Park where we always recognised potential for further refurbishment and subdivision to create small unit space. Aside from the vacation of these larger units, occupancy more generally has been stable. Enquiry rates have been good throughout the nine months and appear to have improved further of late following the start of the new calendar year.

Our refurbishment works at Southbank are now complete, and marketing/letting of the space is in progress. Meanwhile, refurbishment works at Enterprise and Clerkenwell will complete in the next three months. Lettings here should improve total occupancy, currently 85.7%, through 2006. We estimate that these three properties alone afford the opportunity to increase the rent roll by £3.6m as the vacant space is let up.

Valuation

The third quarter external property valuation yielded a net surplus of £74.1m for the 9 months, an uplift of 9.0% (£33.9m for the quarter, an uplift of 3.9%), taking the total value of investment property to £903m. This increase in the valuation has been driven mainly by yield movements (some 80%). The Group's portfolio is valued on an "existing use" basis. This approach is, as described, based on the current use of the property but will recognise the extra value that will accrue to a property where planning approval has been obtained for a more valuable use of the site. However, it does not recognise the latent potential within the Group's portfolio associated with those sites for which such a consent has not been obtained, irrespective of the opportunity for such.

The Group has stated that in the longer term as much as 45% of the existing portfolio has potential for added value activity such as refurbishment, extension and redevelopment. At four estates (Aberdeen Studios, Thurston Rd, Wharf Rd, and Greenheath) planning consents have been obtained or are in progress. When these projects are completed, the density of the estates will increase to almost three times the current levels through the creation of 430,000 sq.ft. of extra space in addition to the replacement of the current 220,000 sq.ft on the sites. This new space will provide both replacement workspace as well as residential, retail and student accommodation. On another eleven estates, we consider density may also be increased to create a further 2.2m sq.ft over the existing 1.2m, again for a mixture of uses. In this way, the Group can improve the quality of the accommodation offered to its customers, whilst achieving attractive financial returns from the redevelopment of its property to provide further much needed accommodation in the Capital.

This potential will take time to realise but will mature as work proceeds and pressure on land in London increases. The Group is clearly focused on unlocking this value and ensuring that in addition to its skills of managing and driving rentals from property it also has available to it the correct range of skills which will ensure effective value creation.

Financial Review

The third quarter valuation surplus of £33.9m followed the substantial surpluses recorded in the first two quarters of £18.1m and £22.1m. This strong pattern of surpluses has impacted both upon Net Asset Value (NAV) per share and gearing with Adjusted NAV up 19.8% to £2.66 and gearing (based on former UKGAAP principles) up just 10% to 97% despite net acquisitions of £90m over the nine month period. After the sale of the £41.7m portfolio referred to earlier, gearing will reduce further to 89%, only marginally above that at the start of the year.

The following table summarises the impacts of the changes to Net Asset Value per share:

Net Assets per share	31 March 2005	Movements	31 December 2005
Under former UKGAAP	£2.24	£0.47	£2.71
Adjustments	£(0.47)	£(0.14)	£(0.61)
Under IFRS	£1.77	£0.33	£2.10

Operating and Financial Review
continued

Earnings per share performance has mirrored the valuation result with EPS for the nine months up 23% over last year at 35.8p. Trading earnings per share, however, were level with that reported last year at 4.6p. With 111 Power Road being mainly vacant on purchase, acquisitions during the current period have been made at much tighter margins over the cost of money. Consequently, with little net contribution from these and with rents on the core portfolio increasing by just £0.5m over the period, earnings growth has been lower. Going forward, with the recent completion of the refurbishment works at Southbank House followed soon by those at Enterprise House and Clerkenwell Studios, there is substantial potential for growth in rents over the next year (with 90% market rent (ERV), some £3.6m over current rents passing). Following this, on the completion of the works at 111 Power Road, there will be further increases (with, at 90% ERV, £0.9m over current rents).

Banking facilities were unchanged during the quarter, with the proposed new facility of £25m (referred to at the interim stage) deferred while cash requirements following the recent significant disposal were reappraised.

As noted above, the changes to the trading account and balance sheet under IFRS have had a substantial impact on financial ratios, with EPS and gearing affected most. Your Board, in common with the Group's bankers, considers that gearing measurement should continue to be monitored for the present under the former UKGAAP principles. As a result, both IFRS and former UKGAAP measures are incorporated in the following table of key financial statistics and indicators:

		9 months to 31 December 2005	6 months to 30 September 2005	3 months to 30 June 2005	Year to 31 March 2005	9 months to 31 December 2004
Net rental income: revenue		74%	73%	72%	74%	74%
Trading operating profit: revenue		60%	59%	58%	60%	60%
Trading PBT: revenue		24%	23%	22%	26%	26%
EPS per share (pence)		35.8	19.6	8.5	36.1	29.0
NAV per share (£)	– IFRS	2.10	1.94	1.85	1.77	1.71
	– UKGAAP	2.71	2.49	2.35	2.24	2.00
Trading interest cover		1.66	1.65	1.63	1.77	1.77
Gearing	– IFRS	126%	137%	112%	112%	111%
	– UKGAAP	97%	105%	87%	88%	94%
Available facilities (£m)		*14.7	*13.6	38.0	49.2	62.6

*Arrangements are in hand to increase facilities by a further £25.0m and (at 31 December 2005) contracts had been exchanged for the sale of property for a total consideration of £41.7m.

Net cash flow from operating activities was £9.40m (2004: £9.33m). Following expenditures on investment property of £116.45m (2004: £38.23m) and other items the net cash used in investing activities was £113.03m (2004: £5.83m), financed principally by increases in bank borrowings of £109.60m (2004: £1.6m). As noted above, gearing at 31 December 2005, measured under former UKGAAP was 97% (31 December 2004: 94%, 31 March 2005: 88%).

Prospects

With an active investment market, the potential for continued growth in asset values in the fourth quarter appears good. Whilst property held vacant for refurbishment has slowed earnings growth of late, their reletting should contribute to growth in the near future. We continue to search out opportunities from both within our current portfolio and through acquisition to provide growth both to earnings and capital values.

Consolidated Income Statement (unaudited)

for the 9 months ended 31 December 2005

Year ended 31 March 2005 (restated) £000		Notes	9 months ended 31 December 2005 Trading Operations £000	Other Items* £000	Total £000	9 months ended 31 December 2004 (restated) £000
55,039	Revenue	1	**45,443**	**–**	**45,443**	41,052
(14,071)	Direct costs	1	**(11,947)**	**38**	**(11,909)**	(10,649)
40,968	**Net rental income**		**33,496**	**38**	**33,534**	30,403
(7,643)	Administrative expenses		**(6,452)**	**119**	**(6,333)**	(5,481)
67,923	Gain from change in fair value of investment property		**–**	**74,149**	**74,149**	55,390
(75)	Profit/(loss) on disposal of investment properties	2	**–**	**12**	**12**	(377)
101,173	**Operating profit**		**27,044**	**74,318**	**101,362**	79,935
73	Finance income – interest receivable		**104**	**–**	**104**	60
(19,523)	Finance costs – interest payable	3	**(16,411)**	**(1,015)**	**(17,426)**	(14,569)
1,097	Change in fair value of derivative financial instruments		**–**	**(424)**	**(424)**	885
82,820	**Profit before tax**		**10,737**	**72,879**	**83,616**	66,311
(24,342)	Taxation	4	**(3,252)**	**(21,870)**	**(25,122)**	(19,406)
58,478	**Profit for the period after tax and attributable to equity shareholders**		**7,485**	**51,009**	**58,494**	46,905
36.1p	Basic earnings per share	6	**4.6p**	**31.2p**	**35.8p**	29.0p
34.8p	Diluted earnings per share	6	**4.5p**	**29.8p**	**34.3p**	27.9p

* **Other Items** above include profits and losses (together with their related taxation) on sales of investment properties, items of a non trading nature, valuation adjustments arising from the fair valuing of financial assets and liabilities, adjustments to direct costs arising from the treatment of head lease payments as interest, adjustments to administrative expenses arising from the estimation under IFRS2 of the cost for the grant of share options and other non-cash remuneration to staff.

Consolidated Statement of Recognised Income and Expense (unaudited)

for the 9 months ended 31 December 2005

Year ended 31 March 2005 (restated) £000		9 months ended 31 December 2005 £000	9 months ended 31 December 2004 (restated) £000
58,478	Profit for the financial period	**58,494**	46,905
(15)	Convertible loan stock conversion	**–**	(15)
231	Value of employee services	**289**	166
58,694	Total recognised income and expense for the period	**58,783**	47,056

Consolidated Balance Sheet (unaudited)

as at 31 December 2005

31 March 2005 (restated) £000		Notes	31 December 2005 £000	31 December 2004 (restated) £000
	Assets			
	Non current assets			
716,537	Investment properties	8	**901,354**	686,678
143	Intangible assets		**185**	146
3,523	Property, plant and equipment	10	**3,455**	3,491
720,203			**904,994**	690,315
	Current assets			
5,159	Trade and other receivables	11	**7,864**	6,240
187	Financial assets – derivative financial instruments		**63**	67
1,251	Financial assets – tenants' deposits	12	**1,744**	1,258
3	Cash and cash equivalents		**1,662**	1,393
6,600			**11,333**	8,958
	Liabilities			
	Current liabilities			
(817)	Financial liabilities – borrowings	14	**(78)**	(173)
(24,816)	Trade and other payables	13	**(28,739)**	(25,925)
(2,507)	Current tax liabilities		**(979)**	(4,614)
(28,140)			**(29,796)**	(30,712)
(21,540)	Net current liabilities		**(18,463)**	(21,754)
	Non current liabilities			
(322,402)	Financial liabilities – borrowings	14	**(431,937)**	(307,562)
(1,729)	Financial liabilities – derivative financial instruments		**(2,030)**	(1,822)
(86,075)	Deferred tax liabilities	16	**(108,852)**	(80,827)
(410,206)			**(542,819)**	(390,211)
288,457	**Net assets**		**343,712**	278,350
	Shareholders' equity			
16,884	Ordinary shares	17	**16,891**	1,688
28,388	Share premium	19	**28,442**	43,586
(5,519)	Investment in own shares	19/20	**(5,389)**	(5,827)
461	Other reserves	18	**750**	396
248,243	Retained earnings	19	**303,018**	238,507
288,457	**Total shareholders' equity**	19	**343,712**	278,350
£1.77	Net asset value per share (basic)	7	**£2.10**	£1.71
£2.22	Adjusted net asset value per share (diluted)	7	**£2.66**	£2.13

Consolidated Cash Flow Statement (unaudited)
for the 9 months ended 31 December 2005

Year ended 31 March 2005 (restated) £000		Notes	9 months ended 31 December 2005 £000	9 months ended 31 December 2004 (restated) £000
	Cash flows from operating activities			
33,870	Cash generated from operations	15	**27,084**	25,461
73	Interest received		**104**	60
(19,714)	Interest paid		**(16,117)**	(13,943)
(3,179)	Tax paid		**(1,676)**	(2,241)
11,050	Net cash from operating activities		**9,395**	9,337
	Cash flows from investing activities			
(44,944)	Purchase of investment property		**(99,956)**	(31,888)
(9,543)	Capital expenditure on investment property		**(16,490)**	(6,340)
35,362	Proceeds from sales of investment property		**6,132**	34,960
(2,745)	Taxation on disposal of investment property		**(2,195)**	(1,888)
(44)	Purchase of intangible assets		**(110)**	(25)
(823)	Purchase of property, plant and equipment		**(412)**	(654)
(22,737)	Net cash used in investing activities		**(113,031)**	(5,835)
	Cash flows from financing activities			
287	Net proceeds from issue of ordinary share capital		**61**	289
16,300	Net proceeds from issue of new bank loan		**109,600**	1,600
687	Net distribution of own shares		**130**	379
(51)	Finance lease principal payments		**(38)**	(38)
(5,186)	Dividend paid to shareholders	5	**(3,719)**	(3,349)
12,037	Net cash from/(used in) financing activities		**106,034**	(1,119)
350	**Net increase in cash and cash equivalents**		**2,398**	2,383
(1,159)	Cash and cash equivalents at start of period		**(809)**	(1,159)
(809)	**Cash and cash equivalents at end of period**	15	**1,589**	1,224

Notes to the Quarterly Results

1. Analysis of net rental income

Year ended 31 March 2005 (restated) Revenue £000	Costs £000	Net Rental Income £000		9 months ended 31 December 2005 Revenue £000	Costs £000	Net Rental Income £000	9 months ended 31 December 2004 (restated) Revenue £000	Costs £000	Net Rental Income £000
43,270	(278)	42,992	Rental income	**35,830**	**(146)**	**35,684**	32,367	(247)	32,120
9,865	(13,482)	(3,617)	Service charges and other recoveries	**8,344**	**(11,351)**	**(3,007)**	7,344	(10,265)	(2,921)
1,904	(311)	1,593	Services, fees, commissions and sundry income	**1,269**	**(412)**	**857**	1,341	(137)	1,204
55,039	(14,071)	40,968		**45,443**	**(11,909)**	**33,534**	41,052	(10,649)	30,403

The Group operates a single business segment providing business accommodation for rent in London and the South East of England, which is continuing.

2. Profit/(loss) on disposal of investment properties

Year ended 31 March 2005 (restated) £000		9 months ended 31 December 2005 £000	9 months ended 31 December 2004 (restated) £000
34,721	Proceeds from sale of investment properties	**5,900**	34,421
(34,796)	Book value at time of sale plus sale costs	**(5,888)**	(34,798)
(75)	Profit/(loss) on sale	**12**	(377)
(4,007)	Current tax	**(235)**	(3,791)
4,485	Deferred tax released on sale	**310**	4,487
478	Net tax	**75**	696
403	Net profit on disposal after tax	**87**	319

During the period to date the Group has disposed of Payne Road Studios and 5 Payne Road, London, E3 for £2.1m and Alpine Park, London, E6 for £3.8m.

3. Finance costs – interest payable

Year ended 31 March 2005 (restated) £000		9 months ended 31 December 2005 £000	9 months ended 31 December 2004 (restated) £000
	Interest expense:		
(16,806)	Interest payable on bank borrowings	**(15,547)**	(12,472)
(391)	Amortisation of issue costs of bank loans	**(332)**	(287)
(51)	Interest payable on finance leases	**(38)**	(38)
(1,391)	Interest payable on 11.125% First Mortgage Debenture Stock 2007	**(1,043)**	(1,043)
(814)	Interest payable on 11.625% First Mortgage Debenture Stock 2007	**(611)**	(611)
(284)	Interest payable on 11% Convertible Loan Stock 2011	**(211)**	(211)
214	Interest capitalised on investment property re-developments	**356**	93
(19,523)		**(17,426)**	(14,569)

Notes to the Quarterly Results
continued

4. Taxation

Year ended 31 March 2005 (restated) £000	Analysis of charge in period	9 months ended 31 December 2005 £000	9 months ended 31 December 2004 (restated) £000
6,190	Current tax	**2,345**	6,502
18,152	Deferred tax (see note 16)	**22,777**	12,904
24,342	Total taxation	**25,122**	19,406

The tax on the Group's profit for the period differs from the standard applicable corporation tax rate in the UK (30%). The differences are explained below:

82,820	Profit before taxation	**83,616**	66,311
24,846	Tax at standard rate of corporation tax in the UK of 30% (2004/5: 30%)	**25,085**	19,893
14	Expenses not deductible for tax purposes	**30**	30
64	Other differences	**85**	67
(408)	Capital gains adjustments on property disposals	**(78)**	(584)
(5)	Reductions due to application of small companies rate	**–**	–
(169)	Adjustment in respect of previous periods	**–**	–
24,342	Tax expense	**25,122**	19,406

5. Dividends paid

Year ended 31 March 2005 (restated) £000		9 months ended 31 December 2005 £000	9 months ended 31 December 2004 (restated) £000
–	Final dividend for year ended 31 March 2005 of 2.28p per ordinary share paid 2 August 2005	**3,719**	–
3,349	Final dividend for year ended 31 March 2004 of 2.07p* per ordinary share paid 2 August 2004	**–**	3,349
1,837	Interim dividend for year ended 31 March 2005 of 1.13p* per ordinary share paid 1 February 2005	**–**	–
5,186	Dividends paid out of retained earnings (see note 19)	**3,719**	3,349

*Figures adjusted to reflect bonus share issue made in March 2005.

In addition an interim dividend for the year ended 31 March 2006 of 1.25p per ordinary share was payable on 1 February 2006.

Notes to the Quarterly Results
continued

6. Earnings per share
a) Earnings used in calculating earnings per share

Year ended 31 March 2005 (restated) £000		9 months ended 31 December 2005 £000	9 months ended 31 December 2004 (restated) £000
58,478	Earnings for basic earnings per share	**58,494**	46,905
191	Interest saving net of taxation on 11% Convertible Loan Stock	**132**	118
58,669	Diluted earnings	**58,626**	47,023
(48,229)	Less non trading other items	**(51,009)**	(39,394)
10,440	Trading diluted earnings	**7,617**	7,629

b) Weighted average number of shares used for calculating earnings per share

Year ended 31 March 2005 (restated) Number		9 months ended 31 December 2005 Number	9 months ended 31 December 2004 (restated) Number
161,931,920	Weighted average number of shares (excluding shares held in the ESOT)	**163,440,008**	16,162,588
–	Increase due to capitalisation (March 2005)	**–**	145,463,292
161,931,920	Used for calculating basic earnings per share (excluding shares held in the ESOT)	**163,440,008**	161,625,880
1,682,780	Dilution due to Share Option Schemes	**2,713,973**	184,039
5,000,000	Dilution due to Convertible Loan Stock	**5,000,000**	500,000
–	Increase due to capitalisation (March 2005)	**–**	6,156,351
168,614,700	Used for calculating diluted earnings per share	**171,153,981**	168,466,270

7. Net assets per share
a) Net assets used in calculating net assets per share

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
288,457	Net assets at end of period	**343,712**	278,350
2,484	Dilution due to Convertible Loan Stock	**2,422**	2,409
290,941	Diluted net assets	**346,134**	280,759
6,541	Deferred tax on accelerated tax depreciation	**7,310**	5,140
80,029	Deferred tax on fair value change of investment properties	**102,071**	76,230
(463)	Deferred tax on derivative financial instruments	**(590)**	(527)
377,048	Adjusted diluted net assets	**454,925**	361,602

Net asset value used to calculate NAV per share under former UKGAAP has been calculated by adding back the adjustments made under IFRS (mainly deferred tax and valuation adjustments on debt instruments).

Notes to the Quarterly Results

continued

7. Net assets per share continued

b) Number of shares used for calculating net assets per share

31 March 2005 (restated) Number		31 December 2005 Number	31 December 2004 (restated) Number
168,839,660	Shares in issue at end of period	**168,909,640**	16,883,211
(5,620,370)	Less ESOT shares	**(5,340,370)**	(612,321)
–	Increase due to capitalisation (March 2005)	**–**	146,438,010
163,219,290	Number of shares for calculating basic net assets per share	**163,569,270**	162,708,900
1,682,780	Dilution due to Share Option Schemes	**2,713,973**	184,039
5,000,000	Dilution due to Convertible Loan Stock	**5,000,000**	500,000
–	Increase due to capitalisation (March 2005)	**–**	6,156,351
169,902,070	Number of shares for calculating diluted net assets per share	**171,283,243**	169,549,290

8. Investment properties

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
626,817	Balance at beginning of period	**716,537**	626,817
55,973	Additions during the period	**116,214**	38,767
214	Capitalised interest on re-developments	**356**	93
(34,385)	Disposals during the period	**(5,899)**	(34,385)
67,923	Gain from fair value adjustments on investment property	**74,149**	55,390
(5)	Amortisation of finance leases	**(3)**	(4)
716,537	Balance at end of period	**901,354**	686,678

Capitalised interest is included as an addition in the period, the rate of capitalisation is 5.77% (31 March 2005: 5.79%; 31 December 2004: 5.76%).

9. Valuation

The Group's investment properties were revalued at 31 December 2005 by CB Richard Ellis, Chartered Surveyors, a firm of independent qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards on the basis of market value. Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction. A full valuation of the portfolio was not undertaken by CB Richard Ellis at 31 December 2004 and has not been undertaken retrospectively. The value for 31 December 2004 has been arrived at by CB Richard Ellis on a pro-rata basis using the actual valuations that were undertaken by CB Richard Ellis both at 30 September 2004 and 31 March 2005, taking into account properties purchased and sold, the actual change in total income and consideration of the performance of the IPD Property Index over this period.

Included in the CB Richard Ellis valuations is an amount in respect of the Company's short leasehold interest (expiring 11 February 2011) in the Alpha Business Centre, Walthamstow. For accounts purposes, as the unexpired term of the leasehold interest in Alpha Business Centre is less than 20 years, the valuation of the property has been retained at a nominal £1. The adjustment from the valuation report total to the accounts total may be reconciled as follows:

Notes to the Quarterly Results
continued

9. Valuation continued

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
718,425	Total per CB Richard Ellis valuation report	**903,375**	688,545
(350)	Alpha Business Centre	**(385)**	(375)
(2,290)	Owner occupied property	**(2,385)**	(2,245)
752	Head leases treated as finance leases under IAS17	**749**	753
716,537	Total per accounts	**901,354**	686,678

10. Property, plant and equipment

	Owner occupied land £000	Owner occupied buildings £000	Motor Vehicles £000	Equipment and Fixtures £000	Total £000
Cost					
Balance at 1 April 2004 (restated)	500	1,525	25	4,165	6,215
Additions	–	14	–	640	654
Disposals	–	–	–	(939)	(939)
Balance at 31 December 2004 (restated)	500	1,539	25	3,866	5,930
Balance at 1 April 2004 (restated)	500	1,525	25	4,165	6,215
Additions	–	9	–	813	822
Disposals	–	–	–	(939)	(939)
Balance at 31 March 2005 (restated)	500	1,534	25	4,039	6,098
Balance at 1 April 2005	500	1,534	25	4,039	6,098
Additions	–	32	8	372	412
Disposals	–	–	–	–	–
Balance at 31 December 2005	**500**	**1,566**	**33**	**4,411**	**6,510**
Cumulative depreciation to 31 December 2004 (restated)	–	23	14	2,402	2,439
Net book value at 31 December 2004 (restated)	500	1,516	11	1,464	3,491
Cumulative depreciation to 31 March 2005 (restated)	–	30	15	2,530	2,575
Net book value at 31 March 2005 (restated)	500	1,504	10	1,509	3,523
Cumulative depreciation to 31 December 2005	**–**	**54**	**18**	**2,983**	**3,055**
Net book value at 31 December 2005	**500**	**1,512**	**15**	**1,428**	**3,455**

At 1 April 2004, the fair value of owner occupied land and buildings was adopted as the deemed cost of those assets. The fair value of owner occupied land and buildings was £2,025,000 and the carrying value at 1 April 2004 under UK GAAP was £2,036,401.

Notes to the Quarterly Results
continued

11. Trade and other receivables – current

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
3,484	Trade debtors	**4,023**	3,511
(385)	Less: provision for impairment of receivables	**(489)**	(518)
3,099	Trade debtors – net	**3,534**	2,993
2,060	Prepayments and accrued income	**4,330**	3,247
5,159		**7,864**	6,240

12. Financial assets – tenants' deposits
Financial assets – tenants' deposits represent returnable cash security deposits received from tenants. These deposit deeds are ring-fenced under the terms of the individual lease contracts and cannot be used to fund the working capital of the Group. They are accordingly held separately from other cash balances and excluded from cash and cash equivalents with a corresponding liability recorded in trade and other payables (note 13).

13. Trade and other payables – current

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
2,219	Trade payables	**2,512**	2,052
1,111	Taxation and social security payable	**1,084**	2,119
1,251	Tenants' deposit deeds (see note 12)	**1,744**	1,258
4,869	Tenants' deposits	**5,307**	4,771
10,525	Accrued expenses	**11,872**	11,095
4,841	Deferred income-rent and service charges	**6,220**	4,630
24,816		**28,739**	25,925

Notes to the Quarterly Results
continued

14. Financial liabilities – borrowings
a) Balances

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
	Current		
812	Bank overdraft repayable on demand (secured)	**73**	169
5	Finance lease obligations	**5**	4
817		**78**	173
	Non current		
2,484	11% Convertible Loan Stock 2011 (unsecured)	**2,422**	2,409
12,500	11.125% First Mortgage Debenture Stock 2007 (secured)	**12,500**	12,500
7,000	11.625% First Mortgage Debenture Stock 2007 (secured)	**7,000**	7,000
299,671	Other loans (secured)	**409,271**	284,904
747	Finance lease obligations	**744**	749
322,402		**431,937**	307,562
323,219		**432,015**	307,735

b) Maturity

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
	Secured		
812	Less than one year	**73**	169
–	Between one year and two years	**19,500**	–
219,500	Between two years and three years	**–**	219,500
–	Between three years and four years	**140,400**	–
100,800	Between four years and five years	**270,000**	86,100
321,112		**429,973**	305,769
(1,129)	Less cost of raising finance	**(1,129)**	(1,196)
319,983		**428,844**	304,573
	Unsecured		
2,484	In five years and more	**2,422**	2,409
	Finance Leases		
752	In five years and more	**749**	753
323,219		**432,015**	307,735

Notes to the Quarterly Results

continued

14. Financial Liabilities – borrowings continued

c) Financial instruments held at fair value

The following interest rate caps and collars are held:

	Amount £000	Interest Rate Cap	Interest Rate Floor	Expiry
Interest rate cap and collar (amortising amount)	102,370	8.00%	4.50%	July 2009
Interest rate cap and collar	75,000	6.95%	4.05%	July 2009
Interest rate cap and collar (increasing amount)	32,630	7.00%	2.99%	Oct 2010

All these instruments are treated as financial instruments at fair value with changes in value dealt with in the income statement at each reporting date.

d) Fair values of financial instruments

31 March 2005 (restated)			31 December 2005		31 December 2004 (restated)	
Book Value £000	Fair Value £000		Book Value £000	Fair Value £000	Book Value £000	Fair Value £000
		Financial instruments not at fair value through profit and loss				
812	812	Bank overdraft	**73**	**73**	169	169
2,484	2,914	11% Convertible Loan Stock 2011	**2,422**	**2,829**	2,409	2,849
12,500	13,474	11.125% First Mortgage Debenture Stock 2007	**12,500**	**13,153**	12,500	13,496
7,000	7,601	11.625% First Mortgage Debenture Stock 2007	**7,000**	**7,400**	7,000	7,613
299,671	299,671	Other loans	**409,271**	**409,271**	284,904	284,904
752	752	Finance lease obligations	**749**	**749**	753	753
323,219	325,224		**432,015**	**433,475**	307,735	309,784
		Financial instruments at fair value through profit and loss				
		Derivative financial instruments:				
1,729	1,729	Liabilities	**2,030**	**2,030**	1,822	1,822
(187)	(187)	Assets	**(63)**	**(63)**	(67)	(67)
1,542	1,542		**1,967**	**1,967**	1,755	1,755
324,761	326,766		**433,982**	**435,442**	309,490	311,539

The total loss recorded in the income statement was £424,000 (31 March 2005: £1,097,000 gain, 31 December 2004: £885,000 gain) for changes of fair value of derivative financial instruments.

The fair value of the interest rate collars has been determined by reference to market prices and discounted expected cash flows at prevailing interest rates. All other fair values have been calculated by discounting expected cash flows at prevailing interest rates. The total fair value adjustment equates to 0.9p per share (31 March 2005: 1.2p, 31 December 2004: 1.3p). Comparatives have been restated for the bonus issue in March 2005.

Notes to the Quarterly Results
continued

15. Cash generated from operations
Reconciliation of profit for the period to cash generated from operations:

Year ended 31 March 2005 (restated) £000		9 months ended 31 December 2005 £000	9 months ended 31 December 2004 (restated) £000
58,478	Profit for the period	**58,494**	46,905
24,342	Tax	**25,122**	19,406
567	Depreciation	**479**	429
96	Amortisation of intangible assets	**67**	74
(15)	Share based payments	**(119)**	(174)
75	Profit/(loss) on disposals of investment property	**(12)**	377
(67,923)	Net gain from fair value adjustments on investment property	**(74,149)**	(55,390)
(1,097)	Fair value losses/(gains) on financial instruments	**424**	(885)
(73)	Interest income	**(104)**	(60)
19,523	Interest expense	**17,427**	14,569
	Changes in working capital:		
46	(Increase)/decrease in trade and other receivables	**(3,294)**	(1,054)
(149)	Increase/(decrease) in trade and other payables	**2,749**	1,264
33,870	Cash generated from operations	**27,084**	25,461

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
3	Cash and bank balances	**1,662**	1,393
(812)	Bank overdrafts (note 14a)	**(73)**	(169)
(809)		**1,589**	1,224

Total tax paid in the period was £3,871,000 (31 March 2005: £5,924,000; 31 December 2004 £4,129,000).

Notes to the Quarterly Results
continued

16. Deferred tax liabilities

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
67,934	Balance at start of period	**86,075**	67,934
18,152	Deferred tax charge to Income Statement	**22,777**	12,904
(11)	Deferred tax credit to equity re: conversion of convertible loan stock	**–**	(11)
86,075	Balance at end of period	**108,852**	80,827

Deferred tax liability recognised in the balance sheet by each category of temporary timing difference is as follows:

31 March 2005 (restated) £000		31 December 2005 £000	31 December 2004 (restated) £000
80,029	Fair value gains on investment properties	**102,071**	76,230
6,541	Accelerated tax depreciation	**7,310**	5,140
(463)	Derivative financial instruments	**(590)**	(527)
(32)	Other	**61**	(16)
86,075		**108,852**	80,827

If the investment properties were sold for their revalued amount, there would be a potential liability to corporation tax of £84,687,000 (31 March 2005: £64,456,000, 31 December 2004: £59,924,000). Under IFRS no account is taken of indexation relief on capital gains resulting in the difference between expected corporation tax to be paid and the provision made for deferred tax.

17. Share capital

31 March 2005 Number		31 December 2005 Number	31 December 2004 Number
240,000,000	Authorised: Ordinary Shares of 10p each	**240,000,000**	21,500,000
168,839,660	Issued: Fully paid ordinary shares of 10p each	**168,909,640**	16,883,211
£		£	£
16,883,966	Issued: Fully paid ordinary shares of 10p each	**16,890,964**	1,688,321

Movements in share capital were as follows:

31 March 2005 Number		31 December 2005 Number	31 December 2004 Number
16,733,811	Number of shares at start of period	**168,839,660**	16,733,811
151,955,694	Bonus issue	**–**	–
50,000	Executive Share Options exercised	**–**	50,000
20,155	Employee Share Options exercised	**69,980**	19,400
80,000	Convertible Loan Stock converted	**–**	80,000
168,839,660	Number of shares at end of period	**168,909,640**	16,883,211

Notes to the Quarterly Results
continued

18. Other reserves

31 March 2005 (restated) Total £000		Equity element of convertible loan stock £000	Equity settled share based payments £000	31 December 2005 Total £000	31 December 2004 (restated) Total £000
254	At start of period	151	310	461	254
(35)	Convertible Loan Stock conversion	–	–	–	(35)
11	Deferred tax on conversion	–	–	–	11
231	Value of employee services	–	185	289	166
461	At end of period	**151**	**495**	**750**	396

19. Statement of changes in shareholders' equity

31 March 2005 (restated) Total £000		31 December 2005 Share Capital £000	Share Premium £000	Investment in Own Shares £000	Other Reserves £000	Retained Earnings £000	Total Equity £000	31 December 2004 (restated) Total £000
233,575	At start of period	16,884	28,388	(5,519)	461	248,243	288,457	233,575
697	Share issues	7	57	–	–	–	64	689
(10)	Share issue transaction costs	–	(3)	–	–	–	(3)	–
687	Distribution of own shares	–	–	130	–	–	130	379
(5,186)	Dividends paid	–	–	–	–	(3,719)	(3,719)	(3,349)
(26)	Convertible Loan Stock conversion	–	–	–	–	–	–	(26)
11	Deferred tax on conversion	–	–	–	–	–	–	11
231	Value of employee services	–	–	–	289	–	289	166
58,478	Profit for the period	–	–	–	–	58,494	58,494	46,905
288,457	At end of period	**16,891**	**28,442**	**(5,389)**	**750**	**303,018**	**343,712**	278,350

20. Investment in own shares

The Company has established an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the 1993 and 2000 Executive Share Option Schemes. The shares are held by an independent trustee and the rights to dividend on the shares have been waived. During the period the Trust transferred 280,000 shares to employees on exercise of options. At 31 December 2005, the number of shares held by the Trust totalled 5,340,370 (31 March 2005: 5,620,370, 31 December 2004: 6,123,210) with a book value of £5,389,100 (31 March 2005: £5,518,880, 31 December 2004: £5,827,000). The shares have been included in shareholders equity (see note 19). 5,329,010 shares held by the Trust are subject to option awards.

21. Capital commitments

At the period end the estimated amounts of commitments for future capital expenditure not provided for were:

31 March 2005 £000		31 December 2005 £000	31 December 2004 £000
8,859	Under contract	**5,228**	10,474
12,550	Authorised by directors but not contracted	**3,598**	5,059

Notes to the Quarterly Results
continued

22. Post balance sheet events
Following 31 December 2005 the Group completed on the sale of 9 out of the 11 estates contracted for sale for a total cash consideration of £41.7 million.

In addition, the Group has completed the purchase of Sundial Court, Kingston upon Thames for £5.2 million.

23. Basis of preparation
This is the Group's first third quarter report prepared under International Financial Reporting Standards (IFRS). The financial information reflects the current versions of the standards of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as currently endorsed by the European Union. IFRS will continue to evolve through development and adoption of new Standards and Interpretations as well as through practical experience gained from the application of IFRS by reporting entities and their auditors. For these reasons, the information contained in this document may be amended before its presentation in the audited financial statements of the Group for the year ended 31 March 2006.

UK generally accepted accounting principles (GAAP) differs in certain respects from IFRS. The comparative figures used within this report have been restated accordingly. The Group has issued an explanation and reconciliation of the adjustments from UK GAAP to IFRS for 31 March 2004 and 31 March 2005 and a statement of its IFRS accounting policies in the document entitled "Workspace Group PLC – Adoption of International Financial Reporting Standards (IFRS)" which is available from the Group's website or Company Secretary. An explanation and reconciliation of the adjustments from UK GAAP to IFRS for the period ended 31 December 2004 is shown in note 24 below.

The accounting policies set out in the document "Workspace Group PLC – Adoption of International Financial Reporting Standards (IFRS)" have been applied in preparing the financial information contained in this report. The Group has not adopted IAS 34 – Interim Financial Reporting.

This report was approved by the Board on 10 February 2006.

This report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year to 31 March 2005, which were prepared under UK GAAP, and on which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

24. Explanation and reconciliation of IFRS adjustments
The principal differences between UK GAAP and IFRS as they affect the reported results and their presentation of Workspace Group are set out below:

IAS 40 Investment property
IAS 40 requires that the revaluation gains or losses on investment property held at fair value be recognised on the face of the Income Statement rather than in reserves in the Statement of Group Total Recognised Gains and Losses as is the case under UK GAAP. As a result the revaluation reserve is no longer shown as a separate component of equity in the Balance Sheet but is included within retained earnings, and is non distributable.

Under UK GAAP, on disposal of properties the tax due on the realisation of gains previously recognised through the revaluation reserve was shown in the Statement of Group Total Recognised Gains and Losses. Under IFRS it is included in the Income Statement. The tax due on sale will comprise an element in the Income Statement current tax charge (based on the difference between the sales price and property's carrying value at the point of disposal) and a transfer from the deferred tax reserve of the deferred tax amount already provided in previous periods.

Notes to the Quarterly Results
continued

24. Explanation and reconciliation of IFRS adjustments continued

IAS 12 Income taxes

IAS 12 requires full provision to be made for the deferred tax on revaluation gains or losses of investment properties at the tax rate estimated at the point of realisation. A tax charge therefore arises in the Income Statement if a revaluation surplus occurs, the corresponding entry being a deferred tax liability in the balance sheet. Under IAS12 the provision for deferred tax will take no account of indexation allowances afforded under UK taxation law, the tax provided is not a calculation of potential Capital Gains Tax liability. Under UK GAAP the liability is an estimate of the Capital Gains Tax, but is not provided for, only disclosed in the notes (note 17 in the 31 March 2005 accounts).

IAS 17 Leases

IAS 17 requires leases, whether as the lessee or lessors to be examined to differentiate between finance and operating leases. Most property leases were recognised as operating leases under UK GAAP but under IFRS different criteria may mean some are considered as finance leases. Leases which extend for long periods and therefore under which a substantial portion of the asset life is consumed may be regarded as finance leases.

a) Head leases. Some (or some parts) of the investment properties of the Group are held under long leases which under IFRS are classified as finance leases so requiring recognition of a liability based on the minimum lease payments and a corresponding increase in the carrying value of the investment property. Many of these head leases incur only a peppercorn rent hence creating no finance lease liability. For head leases with rental payments other than peppercorn the rent paid is split between interest payable and repayment of the lease liability. Any rent payable in excess of the minimum lease payments as identified at initial recognition of the lease is considered as contingent rent and is expensed immediately.

   Under UK GAAP leasehold investment properties were reported at the valuation of the legal interest owned.

b) Tenant leases are subject to the same tests. Because of the multi tenanted nature of the Group's buildings and the short-term nature of most tenancies, no leases granted by the Group have been determined to be finance leases.

SIC-15 Operating Lease – Incentives

SIC-15 requires that any lease incentives offered to tenants, such as rent free periods or reduced initial rents are recognised over the lease term. An adjustment is therefore made to increase revenue in the Income Statement and create a financial asset. Under UK GAAP any incentive was spread to the shorter of the lease term or periods to the first rent review or lease break. The Group has granted no material operating lease incentives.

IAS 10 Events after the Balance Sheet Date

IAS 10 requires dividends only to be recognised when there is an irrevocable legal obligation to make payment. The final dividend does not become irrevocable until approved by the members at the Annual General Meeting. Under IFRS the final dividend is therefore not recognised until approved and interim dividend not recognised until paid.

IAS 16 Property, Plant and Equipment

IAS 16 requires owner occupied property to be shown as part of Property, Plant and Equipment. The Group's head office is defined as owner occupied property. As land has an indefinite life and buildings a finite life the land and building elements of the owner occupied property are shown separately, the latter being depreciated over the expected useful life and the former not being depreciated. Under UK GAAP the whole property was subject to depreciation. The valuation of the asset at the date of transition to IFRS is taken to be its deemed cost, any surplus or deficit being recognised in retained reserves.

Notes to the Quarterly Results
continued

24. Explanation and reconciliation of IFRS adjustments continued

IAS 23 Borrowing costs

IAS 23 allows the capitalisation of directly attributable borrowing costs on the creation or refurbishment of property by applying the weighted average borrowing costs to the expenditures on the asset. In the case of investment properties only the expenditure on the improvement costs may be subject to capitalisation of related borrowing costs and the underlying carrying cost of the property is excluded. Under UK GAAP interest capitalisation arose on both the original value of the investment property and on the improvement costs.

IAS 38 Intangible Assets

IAS 38 requires externally acquired computer software to be classified as an intangible asset. Under UK GAAP software was shown within fixtures and fittings amongst other tangible assets.

IAS 32/39 Financial Instruments: Disclosure and Presentation, Recognition and Measurement

a) IAS 32 requires the Convertible Loan Stock to be split into its equity and debt components. The debt element is carried at amortised cost, amortised over the life of the instrument, such that interest is charged at a constant effective interest rate compared to the liability outstanding at any given point in time. Under UK GAAP the instrument was considered wholly as debt.
b) IAS 39 requires derivative financial instruments to be valued at fair value through the Income Statement and their carrying values shown in the Balance Sheet unless they meet the IFRS hedging criteria. Under UK GAAP the fair value of such items was disclosed by way of a note and any original cost amortised over the life of the item.
c) IAS 39 requires the identification of any embedded derivatives in the Group's contractual arrangements. Embedded derivatives are derivative instruments that have been combined with other contractual arrangements to create a composite contract. The Group currently believes it has no material embedded derivatives.

IAS 7 Cash Flow Statements

IAS 7 defines cash and cash equivalents to include short-term, highly liquid investments, thus including short-term bank deposits. Cash equivalents were shown as investments under UK GAAP.

IFRS 2 Share-based payment

The Group operates an employee Save as You Earn Scheme, an Executive Share Option Scheme and a Long Term Incentive Plan (LTIP). IFRS 2 requires the cost of services provided where payment is made through a share based payment scheme to be recognised as an expense in the Income Statement over their vesting periods and requires that where there is no reliable estimate of the cost of these services then the fair value of the options granted should be recognised as the cost of services. The fair values have been estimated by use of the Black- Scholes option valuation model in the case of the SAYE and Executive Share Option Schemes which have non market related performance conditions and by use of Monte Carlo simulation in the case of the LTIP whose performance conditions are market related. Subsequent changes in fair value are shown as an expense in the Income Statement. Provision is also made for employer's National Insurance costs relating to share based payment schemes.

Under UK GAAP the SAYE and Executive Share Option Schemes were not directly recognised as an expense (although the interest costs arising from borrowings made to finance the purchase of shares held in the Group's ESOT to satisfy option exercises were recognised, together with share dilution where new shares were issued). The purchase cost of the matching shares was recognised for the LTIP on a straight line basis over the vesting period. Employer's National Insurance costs were recognised on share options expected to meet their vesting criteria.

IAS 7 Cash Flow statements

Under IFRS the consolidated cash flow statement describes movements in cash and cash equivalents. Under UK GAAP the cash flow analyses movements in cash only. With that exception there are no material differences between the previously published and restated cash flow statements.

Notes to the Quarterly Results
continued

24. Explanation and reconciliation of IFRS adjustments continued

Reconciliation of consolidated profit
for the 9 months ended 31 December 2004

	Previous GAAP £000	IAS 40 Investment Property £000	IAS 12 Contingent tax £000	IAS 17 Property head leases £000	IAS 23 Capitalisation of interest £000	IAS 32/39 Convertible loan stock £000	IAS 39 Fair value of derivatives £000	IFRS 2 Share based payments £000	Restated under IFRS £000
Revenue – continuing operations	41,052								41,052
Direct costs	(10,687)			38					(10,649)
Net rental income	30,365	0	0	38	0	0	0	0	30,403
Administrative expenses	(5,655)							174	(5,481)
Gain from change in fair value of investment property	0	54,821			569				55,390
Loss on disposal of investment properties	(377)								(377)
Operating profit	24,333	54,821	0	38	569	0	0	174	79,935
Interest receivable and payable and similar charges	(13,937)			(38)	(569)	6	29		(14,509)
Change in fair value of derivative financial instruments	0						885		885
Profit before tax	10,396	54,821	0	0	0	6	914	174	66,311
Taxation	(3,209)	643	(16,445)			(28)	(275)	(92)	(19,406)
Profit for the period	7,187	55,464	(16,445)	0	0	(22)	639	82	46,905

Notes to the Quarterly Results
continued

24. Explanation and reconciliation of IFRS adjustments continued

Reconciliation of equity
at 31 December 2004

	Previous GAAP £000	IAS 40 Investment Property £000	IAS 12 Contingent tax £000	IAS 17 Property head leases £000	IAS 10 Dividends £000	IAS 16 Owner occupied property £000	IAS 38 Computer software intangible £000	IAS 32/39 Convertible loan stock £000	IAS 39 Fair value of derivatives £000	IAS 7 Cash and cash equivalents £000	IFRS 2 Share based payments £000	Restated under IFRS £000
Non current assets												
Investment properties	658,137	27,788		753								686,678
Intangible assets	0						146					146
Property, plant and equipment – other	3,648					(511)	(146)					2,991
Property, plant and equipment – land	0					500						500
Total non current assets	661,785	27,788	0	753	0	(11)	0	0	0	0	0	690,315
Current assets												
Trade and other receivables	6,340								(177)		77	6,240
Financial assets – derivative financial instruments	0								67			67
Tenant deposits/other investments	2,647									(1,389)		1,258
Cash and cash equivalents	4									1,389		1,393
Total current assets	8,991	0	0	0	0	0	0	0	(110)	0	77	8,958
Current Liabilities												
Financial liabilities – borrowings	(169)			(4)								(173)
Trade and other payables	(27,813)				1,832						56	(25,925)
Current tax liabilities	(4,605)								(9)			(4,614)
Total current liabilities	(32,587)	0	0	(4)	1,832	0	0	0	(9)	0	56	(30,712)
Net current (liabilities)/assets	(23,596)	0	0	(4)	1,832	0	0	0	(119)	0	133	(21,754)
Non Current Liabilities												
Financial liabilities – borrowings	(306,904)			(749)				91				(307,562)
Financial liabilities – derivative financial instruments	0								(1,822)			(1,822)
Deferred tax liabilities	(5,842)	4,286	(79,741)					(27)	527		(30)	(80,827)
Total non current liabilities	(312,746)	4,286	(79,741)	(749)	0	0	0	64	(1,295)	0	(30)	(390,211)
Net Assets	325,443	32,074	(79,741)	0	1,832	(11)	0	64	(1,414)	0	103	278,350
Equity												
Ordinary shares	1,688											1,688
Investment in own shares	(5,827)											(5,827)
Share premium	43,586											43,586
Other reserves	0							151			245	396
Revaluation reserve	222,346	(222,346)										0
Retained earnings	63,650	254,420	(79,741)	0	1,832	(11)		(87)	(1,414)		(142)	238,507
Total equity	325,443	32,074	(79,741)	0	1,832	(11)	0	64	(1,414)	0	103	278,350

Notes to the Quarterly Results
continued

25. Quarterly Report

Copies of this statement will be dispatched to shareholders on 13 February 2006 and will be available from the Group's registered office at Magenta House, 85 Whitechapel Road, London, E1 1DU from 9.00am on that day.

Directors, Officers and Advisers

The Business	Workspace Group is a specialised property investment company devoted to the provision of small unit light industrial, studio and office workspace for rent to small and medium sized enterprises in London and the South East.
Directors	**Antony J Hales BSc,** (Chairman)* **Harry Platt MA MRTPI,** (Chief Executive) **John Bywater FRICS*** **Madeleine Carragher FRICS,** (Operations Director) **Bernard Cragg BSc ACA*** **J Patrick Marples MRICS,** (Property Director) **Christopher J Pieroni BA MSc PhD*** **R Mark Taylor BSc FCA,** (Finance Director) *Non-executive director
Secretary	**R Mark Taylor BSc FCA**
Registered Office and Headquarters	Magenta House 85 Whitechapel Road London E1 1DU Tel: 020 7247 7614 Fax: 020 7247 0157
Registered Number	2041612
Auditors	**PricewaterhouseCoopers LLP** 1 Embankment Place London WC2N 6RH
Solicitors	**Norton Rose** Kempson House Camomile Street London EC3A 7AN
Bankers	**The Royal Bank of Scotland** Corporate Banking London 280 Bishopsgate London EC2M 4RB
Financial Advisers and Joint Stockbrokers	**Panmure Gordon** 50 Stratton Street London W1J 8LL
Joint Stockbrokers	**Investec** 2 Gresham Street London EC2V 7QP
Financial Advisers	**N M Rothschild** New Court St Swithin’s Lane London EC4P 4DU
Registrars	**Computershare Services PLC** PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

Workspace Group PLC

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