



Leading in a growth market



Workspace Group

Workspace Group PLC
Quarterly Report
For the nine months ended
31 December 2006

Highlights

Results for the nine months ended 31 December 2006.

- Conversion to a REIT on 31 December 2006 (conversion has impacted upon the Group balance sheet and the financial ratios reported in this period).
- Adjusted Net Asset Value (NAV)*† per share at 31 December 2006 £3.38, up 8.3% over the nine months and up 21.6% over 12 months (31 March 2006: £3.12; 31 December 2005: £2.78).
- NAV per share† at 31 December 2006 £3.23 up 36% over the nine months and up 54% over 12 months (31 March 2006: £2.37; 31 December 2005: £2.10).
- Valuation surplus for nine months £71.6m (2005: £74.2m).
- Pre-tax profits £85.2m (2005: £83.6m).
- Pre-tax profits on trading operations* £6.4m (2005: £9.7m restated).
- Basic earnings per share† 95.8p (2005: 35.8p).
- Total rent roll £43.7m up 10.1% (excluding Glebe JV but including acquisitions) (31 March 2006: £39.7m restated).
- Acquisitions £70.4m since 31 March 2006 to date, with others under negotiation.
- Disposals of £171.7m (including £146.0m to Glebe JV) since 31 March 2006.

†Adjusted NAV per share, NAV per share and basic earnings per share were affected by the release of deferred tax and the provision for tax on conversion to a REIT together with the conversion of the convertible loan stock to equity during the period.

*A glossary of terms is provided at page 26.

Operating and Financial Review

Chairman's Statement

The Workspace model continues to create value in changing market conditions.

The most significant event of the quarter was the conversion of the Group to a REIT (Real Estate Investment Trust) at the end of the period. Our analysis showed, that as a REIT, the Group would be able to make greater distributions to shareholders without impacting on its business activities; the increased dividends being financed effectively out of taxation savings as a REIT.

Adjusted NAV per share (allowing for the tax provision arising from REIT conversion) has increased by 11.8% over the nine months, with valuation surpluses for the year to date totalling £71.6m. In the interim statement I reflected that yield compression was unlikely to continue. There has been some compression over the current year but the surplus is now attributable increasingly to rental improvements, derived in turn from occupancy improvements over the quarter, and to our value adding work on a number of properties.

There has been good progress on occupancy and rents. However, this has not been reflected yet in trading results. Much of the rental growth in the period occurred in the later stages of the quarter and so contributed little to reported earnings. Interest rates have increased steadily throughout the period. At 31 December 2006 LIBOR was approximately 0.5% higher than the level anticipated earlier in the year. Market quoted forward rates indicate this trend continuing through 2007 but declining thereafter. This has had and continues to have an impact on your business, reducing immediate earnings. Your Board has considered this carefully during the year, particularly since property yields have now reached a level where acquisitions no longer make an immediate contribution to earnings. It has concluded that, providing acquisitions offer the prospect of good returns in the medium term, we should continue to invest. We have therefore continued to purchase at low capital cost, an average of £108 per sq. ft. We consider that the Group's acquisition policy should be driven more by the longer term prospects for London than shorter term volatility in the interest rate market. Our joint venture with Glebe has made a good start and is already showing signs of promising prospects for the future.

Chief Executive's Statement

Summary

Occupancy improved significantly over the quarter, recovering the ground lost over the first six months and providing a good platform for growth going forward. Furthermore, the total rent roll on a like-for-like basis increased by £1.1m or 2.6%. However, these improvements did not contribute significantly to earnings at a time when other exceptional costs were incurred (principally National Insurance charges on share options and interest costs described in the Financial Review following). As a result trading profits for the quarter were depressed taking the nine month total to £6.4m (2005/6: £9.7m restated). However, the further substantial valuation surplus together with profits on disposals took total pre-tax earnings for the nine month period to £85.2m, slightly ahead of that reported last year (£83.6m).

Good progress has been made on acquisitions with over £70m either purchased or contracted for purchase so far this year. These acquisitions are an integral part of the Group's plans to add value going forward.

Valuation

The valuation surplus for the quarter was £12.6m taking the total surplus for the nine month period to £71.6m, equivalent to 42 pence per share. The Group's portfolio was valued at 31 December 2006 at £942.2m (with the Glebe joint venture assets valued at £153.4m our 50% stake in which is reported upon in note 22 to the accounts).

Portfolio

One acquisition was completed during the third quarter with two further acquisitions completed shortly following the quarter end, taking acquisitions (excluding costs) for the year to date to £70.4m. One disposal was made in the quarter. Details of these acquisitions and disposals are given below:

Operating and Financial Review

continued

Acquisitions and Disposals

Name of Property	Description	Price £m	Income £000	Market rent at 31 December 2006 £000
Acquisitions during quarter				
Seven Sisters, 214-218 Seven Sisters Road, London N15	7 self-contained office buildings totalling 20,300 sq. ft	3.2	188.8	227.9
Acquisitions made following the quarter end				
Exmouth House, Pine Street, Clerkenwell, EC1	52,240 sq. ft business centre over retail units on ground floor	18.1	953.2	1,219.7
Avro House & Hewlett House, Havelock Terrace, London SW8	58,000 sq. ft 51 unit business centre in 2 buildings with central courtyard	10.0	418.3	839.5
		31.3	1,560.3	2,287.1
Yield			4.98%	7.31%
Disposals during quarter				
Park Avenue, Luton LU3	203,000 sq. industrial estate	12.1	653.4	
Yield			5.40%	

Seven Sisters is located at the junction of the Seven Sisters Road with the A10 immediately adjacent to the Seven Sisters underground station on the Victoria Line. It sits between the Group's current ownerships at N17 Studios and the Chocolate Factory and its more recent purchases at Uplands Business Park and Leyton Industrial Village. It fits with the Group's acquisition criteria both in terms of giving representation in a part of London in which the Group currently has none but also is in a location with a higher PTAL (Public Transport Accessibility Level) rating. Exmouth House is located in Clerkenwell close to the Group's Clerkenwell Workshops and Bowling Green Lane properties. It is a property that has been tracked for a number of years and will complement the Group's other ownerships in this area. Avro House and Hewlett House are located just off Battersea Park Road opposite Battersea Power Station and close to Battersea Park. It also has good access both to public transport and the roadway infrastructure. It offers good potential for improvement over time.

The Luton disposal was made as part of the Group's strategy of divesting itself of assets outside of the M25 whilst reinvesting in London. The Group now holds three properties outside the M25 with a total value of £22.3m, just 2.0% of the Group's total portfolio.

Operating and Financial Review

continued

Following the acquisitions and disposals completed in the period, and the establishment of the joint venture with Glebe, the portfolio statistics and progress through the period may be summarised as follows:

	December 2006	September 2006	June 2006	March 2006 Restated*
Portfolio Statistics (excluding joint venture with Glebe)				
Number of estates	99	99	96	93
Total floor space (million sq.ft)	4.80	4.98	4.89	4.69
of which:				
Like-for-like portfolio (million sq.ft)	4.10	4.10	4.10	4.10
Disposals (million sq. ft)	–	0.20	0.20	0.23
Acquisitions (million sq. ft)	0.37	0.35	0.23	–
Improvement properties (million sq. ft)	0.33	0.33	0.36	0.36
Lettable units	4,233	4,215	4,286	4,108
Annual rent roll of occupied units (£m)	43.69	43.01	40.88	39.71
Average rent (£/sq.ft)	10.85	10.56	10.22	10.21
Overall occupancy (%)	83.9%	81.7%	81.8%	83.0%
Like-for-like Occupancy (%)	87.3%	85.3%	86.7%	87.7%
Like-for-like Average rent (£/sq.ft)	10.75	10.90	10.60	10.54
Like-for-like Net rent roll (£m)	38.51	38.12	37.65	37.81
(*restated for disposal to joint venture)				
Workspace Glebe Joint Venture Portfolio Statistics				
Number of estates	14	14	14	11
Total floor space (million sq.ft)	1.15	1.15	1.14	1.08
Lettable units	811	810	806	797
Annual rent roll of occupied units (£m)	8.08	7.76	7.50	6.87
Average rent (£/sq.ft)	7.84	7.39	7.13	7.06
Overall occupancy (%)	89.9%	91.6%	92.5%	89.8%

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 a refurbishment programme.

Operating and Financial Review

continued

In the interim report we provided a table giving a breakdown of the movements in occupancy over the first half. As may be seen from the table above the occupancy reduction seen over the first half was reversed in the third quarter. These movements may be analysed as:

	Properties	31 March 2006	31 December 2006	Difference
“Adjusted” like for like occupancy	77	87.6%	89.6%	2.0%
Future Developments	3	–	(1.3%)	
Other Significant Sites	5	0.1%	(1.0%)	
Like for Like Occupancy		87.7%	87.3%	(0.4%)
Improvement Properties	6	(5.0%)	(2.9%)	
Acquisitions/Disposals	10	0.3%	(0.5%)	
		83.0%	83.9%	0.9%

Across the core 77 properties, occupancy has improved by 2% over the nine months. This growth has been impacted however by “Future Development” sites (Kennington, Greenheath, Parmiter) where our pre-development activities have reduced occupancy and 5 “Other Significant” sites (Westminster Business Centre, Kingsmill, Barratt Way, Horton Industrial Estate and Canalot Studios) where exceptional reductions have occurred. The mix of these estates has changed since the last quarter. With the levels of churn that the Group experiences (25% p.a.) it is inevitable that, at any stage, a handful of properties will be at lower than planned occupancy. With the letting of space at Enterprise, Clerkenwell and Power Road, “Improvement Properties” (Enterprise, Wharf Road, Clerkenwell, Lombard, Power Road and Thurston Road) have seen good occupancy improvements over the period.

Whilst occupancy, rent roll (up £1.1m excluding net acquisitions) and overall average rents have improved substantially over the period, the like-for-like average rent has moved sideways. This is due to the mix of lettings achieved over the period. Total average rents were assisted by letting of higher value units in the improvement properties. However, like-for-like rents were depressed in the quarter by the letting of a significant amount of lower rental value space. Over the year to date, notwithstanding this, average like-for-like rents have increased by 2.0% and total average rents by 6.3%.

Financial Review

Profit before tax at £85.2m for the nine month period was 1.9% up on last year (2005/6: £83.6m). Trading profit before tax, at £6.4m (2005/6: £9.7m restated) was constrained by a number of factors:

- National Insurance on Share Options: Provisions of £1.1m have been made in the nine month period (driven by the Group’s 47% share price increase over this period).
- Acquisitions: Acquisitions to date have totalled £70m compared with an anticipated spend for the entire year of £60m. At an average initial yield of 4.62% the net cost of these acquisitions is £1.4m pa at current interest rate levels.
- Interest Rates: Interest rates at 5.63% (3 month LIBOR) are now 0.8% higher than levels anticipated early in 2006. With a floating rate borrowings level of £320m this gives rise to £2.6m p.a. extra interest cost. Going forward with interest rates forecast to increase further and the continuing impact initially of acquisitions it is likely that earnings growth will be affected.

All of these issues were highlighted in the Interim Statement issued in November 2006. However, it is fair to say that movements since this time have increased their impact. Whilst acquisitions in the year to date have eroded trading profits they have contributed through valuation surpluses. Acquisitions in the nine months cost £44.6m (including acquisition costs). These were valued at £47.65m at 31 December, a surplus of £3.05m after an average hold period of approximately five months.

Operating and Financial Review

continued

As noted in the Chairman's Statement, following the EGM on 15 December at which a resolution to change the Group's Articles in anticipation of its conversion to a REIT was passed (with almost 100% of shares cast voting in favour of the resolution), the Group served notice of conversion on HMRC with effect from 1 January 2007. The circular issued with the Interim Report highlighted the benefits to the Group and its shareholders of conversion (a copy of this circular may be found on the Group's website).

Conversion has had a number of impacts on financial reporting in this period.

- EPS at 95.8p have increased due to the £75.0m (44 pence per share) tax credit recorded for the nine month period. As explained in Note 4 to the accounts, this credit has arisen as a result of the reversal of part of the deferred tax liability (which has reduced from £122.6m at 31 March to £25.5m at 31 December) due to the conversion. The remaining £25.5m liability relates principally to the properties that the Group holds in the Glebe JV which is not presently part of the REIT. Against this a provision of £18.8m has been made for the Group's conversion charge taking the current tax liability to £21.8m (31 March 2006: £1.7m).
- Net asset value per share: All of the Net asset value per share ratios ordinarily reported on the Balance Sheet (Page 9) are impacted by these changes. In order to give an assessment of the change in NAV excluding these changes we have reported an extra ratio in this report, being the modified net asset value per share which excludes the conversion charge. Going forward it is noteworthy that EPRA Adjusted NAV will now track more closely alongside that measured under IFRS (International Financial Reporting Standards).

Further details of the adjustments made on becoming a REIT (releasing deferred tax and providing for the conversion charge) are given in note 4 on pages 12 and 13.

Key financial statistics, reported both on an IFRS and former UK GAAP basis are:

	9 months to 31 December 2006	6 months to 30 September 2006	3 months to 30 June 2006	Year to 31 March 2006	9 months to 31 December 2005
Net rental income: revenue	69%	71%	72%	73%	74%
Trading operating profit: revenue	53%	55%	57%	59%	60%
Trading PBT: revenue	14%	17%	18%	24%	24%
EPS per share (pence)	95.8	29.4	18.4	65.1	35.8
NAV per share (£) – IFRS	3.23	2.58	2.56	2.37	2.10
– Adjusted IFRS	3.38	3.40	3.36	3.12	2.78
Trading interest cover	1.39	1.46	1.45	1.69	1.66
Gearing – IFRS	62%	80%	77%	110%	126%
– UK GAAP	62%	63%	62%	85%	97%
Available facilities (£m)	99.2	93.9	145.7	15.7	14.7

Here once again conversion to a REIT has impacted upon ratios with gearing under IFRS moving closer to that reported under former UK GAAP.

Prospects

Lettings remain good and the rent roll has continued to increase following the quarter end. The Group continues to track a large number of properties in London which meet its core acquisition criteria and continues to demonstrate its ability to purchase property at low capital values. These acquisitions, which will return less than the cost of money initially, will impact adversely on trading income at first as will current increased interest rates. However, going forward, under our management and with the growth of the London economy they offer the prospect of value improvement.

Consolidated Income Statement

Audited Year ended 31 March 2006 £m	Notes	Unaudited 9 months ended 31 December 2006			Unaudited 9 months ended 31 December 2005 £m	
		Trading Operations* £m	Other Items* £m	Total £m		
63.2	Revenue	1	44.2	–	44.2	45.4
(16.8)	Direct costs	1	(13.5)	–	(13.5)	(11.9)
46.4	Net rental income	1	30.7	–	30.7	33.5
(9.1)	Administrative expenses		(7.4)	0.2	(7.2)	(6.3)
131.3	Gain from change in fair value of investment property		–	71.6	71.6	74.2
–	Other income	8d	–	1.6	1.6	–
3.4	Profit on disposal of investment properties	2	–	4.5	4.5	–
172.0	Operating profit		23.3	77.9	101.2	101.4
0.2	Finance income – interest receivable		0.1	–	0.1	0.1
(23.6)	Finance costs – interest payable	3	(16.9)	–	(16.9)	(17.4)
0.4	Change in fair value of derivative financial instruments	14d	–	0.6	0.6	(0.5)
–	Share in joint venture post tax (losses)/profit	22	(0.1)	0.3	0.2	–
149.0	Profit before tax		6.4	78.8	85.2	83.6
(42.4)	Taxation	4	(1.0)	76.0	75.0	(25.1)
106.6	Profit for the period after tax and attributable to equity shareholders		5.4	154.8	160.2	58.5
65.1p	Basic earnings per share	6	3.2p	92.6p	95.8p	35.8p
62.7p	Diluted earnings per share	6	3.2p	89.8p	93.0p	34.3p

*Trading Operations and Other Items are defined in the glossary of terms on pages 26 and 27.

Consolidated Statement of Recognised Income and Expense (SORIE)

Audited Year ended 31 March 2006 £m		Unaudited 9 months ended 31 December 2006 £m	Unaudited 9 months ended 31 December 2005 £m
106.6	Profit for the financial period	160.2	58.5
106.6	Total recognised income and expense for the period	160.2	58.5

There is no difference between the profit for the financial period and the total recognised income and expense for the period.

Consolidated Balance Sheet

Audited 31 March 2006 £m	Notes	Unaudited 31 December 2006 £m	Unaudited 31 December 2005 (restated*) £m	
Non-current assets				
954.0	Investment properties	8	940.1	901.4
0.2	Intangible assets		0.2	0.2
3.6	Property, plant and equipment	9	3.4	3.4
–	Investment in joint venture	22	17.8	–
957.8			961.5	905.0
Current assets				
6.7	Trade and other receivables	10	9.6	7.8
0.1	Financial assets – derivative financial instruments	14d	0.1	0.1
8.2	Investment properties held for sale	8a	–	–
1.7	Cash and cash equivalents	11	2.1	3.4
16.7			11.8	11.3
Current liabilities				
(3.6)	Financial liabilities – borrowings	14a	(21.2)	(0.1)
(1.2)	Financial liabilities – derivative financial instruments	14d	(0.6)	(2.0)
(29.0)	Trade and other payables	12	(30.9)	(28.7)
(1.7)	Current tax liabilities	13	(21.8)	(1.0)
(35.5)			(74.5)	(31.8)
(18.8)	Net current liabilities		(62.7)	(20.5)
Non-current liabilities				
(426.1)	Financial liabilities – borrowings	14a	(323.2)	(431.9)
(122.6)	Deferred tax liabilities	16	(25.5)	(108.9)
(548.7)			(348.7)	(540.8)
390.3	Net assets		550.1	343.7
Shareholders' equity				
16.9	Ordinary shares	17	17.4	16.9
28.7	Share premium	19	30.6	28.4
(5.1)	Investment in own shares	20	(3.8)	(5.4)
0.8	Other reserves	18	0.8	0.7
349.0	Retained earnings	19	505.1	303.1
390.3	Total shareholders' equity		550.1	343.7
£2.37	Net asset value per share (basic)	7	£3.23	£2.10
£2.29	Diluted net asset value per share	7	£3.17	£2.02
£3.12	Adjusted net asset value per share (basic)	7	£3.38	£2.78
£3.12	Modified net asset value per share (basic)†		£3.49	£2.78
£3.01	Diluted adjusted net asset value per share	7	£3.32	£2.66

*Cash and cash equivalents and trade and other receivables have been restated (see note 11).

†Represents adjusted net asset value per share (basic) modified by adding back £18.8m REIT conversion charge (see note 13).

Consolidated Cash Flow Statement

Audited Year ended 31 March 2006 £m	Notes	Unaudited 9 months ended 31 December 2006 £m	Unaudited 9 months ended 31 December 2005 (restated) £m
Cash flows from operating activities			
39.0	15a	25.9	27.6
0.2		0.1	0.1
(22.9)		(16.7)	(16.1)
(1.9)		–	(1.7)
14.4		9.3	9.9
Cash flows from investing activities			
(132.8)		(44.9)	(99.9)
(20.9)		(14.8)	(16.5)
44.2		159.9	6.1
(4.8)		(2.7)	(2.2)
(0.1)		(0.1)	(0.1)
(0.7)		(0.3)	(0.4)
–		(19.5)	–
(115.1)		77.6	(113.0)
Cash flows from financing activities			
103.9		–	109.6
–		(81.6)	–
0.4		0.9	0.1
(0.1)		–	–
–		0.2	–
(5.8)	5	(4.1)	(3.7)
98.4		(84.6)	106.0
(2.3)		2.3	2.9
0.4	15	(1.9)	0.4
(1.9)	15	0.4	3.3

Notes to the Quarterly Report

For the 9 months ended 31 December 2006

1. Analysis of net rental income

Revenue £m	Year ended 31 March 2006			9 months ended 31 December 2006			9 months ended 31 December 2005		
	Direct Costs £m	Net Rental Income £m		Revenue £m	Direct Costs £m	Net Rental Income £m	Revenue £m	Direct Costs £m	Net Rental Income £m
49.2	(0.2)	49.0	Rental income*	33.6	(0.2)	33.4	35.8	(0.1)	35.7
12.3	(15.9)	(3.6)	Service charges and other recoveries	9.2	(12.5)	(3.3)	8.3	(11.3)	(3.0)
1.7	(0.7)	1.0	Services, fees, commissions and sundry income	1.4	(0.8)	0.6	1.3	(0.5)	0.8
63.2	(16.8)	46.4		44.2	(13.5)	30.7	45.4	(11.9)	33.5

*Rental income includes lease surrender premia of £0.3m (31 March 2006: £2.2m, 31 December 2005: £1.0m).

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 on disposal of investment properties

Year ended 31 March 2006 £m			9 months ended 31 December 2006 £m	9 months ended 31 December 2005 £m
44.5	Gross proceeds from sale of investment properties		168.3	5.9
(41.1)	Book value at time of sale plus sale costs		(161.1)	(5.9)
3.4			7.2	–
–	Group's share of unrealised profits on sale of properties to joint venture		(2.7)	–
3.4	Pre tax profit on sale		4.5	–
(4.7)	Current taxation		(2.9)	(0.3)
4.9	Deferred tax released on sale		3.0	0.3
–	Deferred taxation on sale of properties to joint venture		(1.6)	–
–	Group's share of tax on unrealised profits on sale of properties to joint venture		0.8	–
0.2	Net tax		(0.7)	–
3.6	Net profit on disposal after tax		3.8	–

Notes to the Quarterly Report

continued

3. Finance costs

Year ended 31 March 2006 £m		9 months ended 31 December 2006 £m	9 months ended 31 December 2005 £m
21.0	Interest payable on bank loans and overdrafts	15.2	15.6
0.5	Amortisation of issue costs of bank loans	0.4	0.3
0.1	Interest payable on finance leases	–	–
1.4	Interest payable on 11.125% First Mortgage Debenture Stock 2007	1.0	1.0
0.8	Interest payable on 11.625% First Mortgage Debenture Stock 2007	0.6	0.6
0.3	Interest payable on 11% Convertible Loan Stock 2011	0.1	0.2
(0.5)	Interest capitalised (note 8a)	(0.4)	(0.3)
23.6		16.9	17.4

4. Taxation

Year ended 31 March 2006 £m	Analysis of charge in period	9 months ended 31 December 2006 £m	9 months ended 31 December 2005 £m
5.9	Current tax	22.9	2.3
36.5	Deferred tax	(97.9)	22.8
42.4	Total taxation (credit)/charge	(75.0)	25.1

The charge in the period is analysed as follows:

Current tax:			
6.8	UK corporation tax (including REIT conversion charge)	22.9	2.3
(0.9)	Adjustments to tax in respect of previous periods	–	–
5.9		22.9	2.3
Deferred tax:			
34.5	On fair value gains of investment properties	(90.1)	22.0
1.2	On accelerated tax depreciation	(8.1)	0.8
0.1	On derivative financial instruments	0.3	(0.1)
0.5	Adjustments to tax in respect of previous periods	–	–
0.2	Others	–	0.1
36.5		(97.9)	22.8
42.4	Total taxation (credit)/charge	(75.0)	25.1

Notes to the Quarterly Report

continued

4. Taxation continued

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:

Year ended 31 March 2006 £m		9 months ended 31 December 2006 £m	9 months ended 31 December 2005 £m
149.0	Profit on ordinary activities before taxation	85.2	83.6
–	Less share of post tax profits in joint venture	(0.2)	–
149.0		85.0	83.6
44.7	Tax at standard rate of corporation tax in the UK of 30% (2005: 30%)	25.5	25.1
	Effects of:		
–	Accelerated capital allowances	(0.8)	–
–	Capitalised interest	(0.1)	–
(0.4)	Income taxed as capital gains	(0.4)	–
(0.3)	Contaminated land relief	–	–
(1.2)	Capital gains adjustments on property disposals	(0.6)	–
(0.4)	Adjustments to tax in respect of previous periods	–	–
–	REIT conversion charge	18.8	–
–	Changes in fair value not subject to tax	(21.5)	–
–	Deferred tax released on REIT conversion	(95.9)	–
42.4	Total taxation	(75.0)	25.1

5. Dividends paid

Year ended 31 March 2006 £m		9 months ended 31 December 2006 £m	9 months ended 31 December 2005 £m
3.7	Final dividend 2004/5 – 2.28p per ordinary share	–	3.7
2.1	Interim dividend 2005/6 – 1.25p per ordinary share	–	–
–	Final dividend 2005/6 – 2.51p per ordinary share	4.1	–
5.8		4.1	3.7

In addition the directors have declared an interim dividend in respect of the financial year ending 31 March 2007 of 1.38p per ordinary share which will absorb an estimated £2.3m of shareholders' funds. It was paid on 1 February 2007 to shareholders who were on the register of members on 5 January 2007.

Notes to the Quarterly Report

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6. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding those held in the employee share ownership trust (ESOT).

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Following the conversion of the 11% Convertible Loan Stock the Group has only one class of dilutive potential ordinary shares: those share options granted to employees.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

Profit Year ended 31 March 2006 £m	Earnings per share Year ended 31 March 2006 pence		Profit		Earnings per share	
			9 months ended 31 December 2006 £m	9 months ended 31 December 2005 £m	9 months ended 31 December 2006 pence	9 months ended 31 December 2005 pence
106.6	65.1	Earnings used for basic earnings per share	160.2	58.5	95.8	35.8
		Interest saving net of taxation on 11%				
0.2	(1.5)	Convertible Loan Stock dilution	0.1	0.1	(1.2)	(0.9)
–	(0.9)	Share option scheme dilution	–	–	(1.6)	(0.6)
106.8	62.7	Total diluted earnings	160.3	58.6	93.0	34.3
(94.9)	(55.7)	Less non trading items	(154.8)	(51.0)	(89.8)	(29.8)
11.9	7.0	Trading diluted earnings	5.5	7.6	3.2	4.5

Year ended 31 March 2006 Number	Weighted average number of shares used for calculating earnings per share	9 months ended 31 December 2006 Number	9 months ended 31 December 2005 Number
		163,629,157	Weighted average number of shares (excluding shares held in the ESOT)
2,538,531	Dilution due to Share Option Schemes	2,947,264	2,713,973
4,400,000	Dilution due to Convertible Loan Stock	2,192,000	5,000,000
170,567,688	Used for calculating diluted earnings per share	172,342,275	171,153,981

Notes to the Quarterly Report

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7. Net assets per share

31 March 2006		31 December 2006	31 December 2005
£m	Net assets used for calculation of net assets per share	£m	£m
390.3	Net assets at end of period (basic)	550.1	343.7
2.2	Dilution due to Convertible Loan Stock	–	2.4
392.5	Diluted net assets	550.1	346.1
1.1	Derivative financial instruments at fair value	0.5	1.9
8.3	Deferred tax on accelerated tax depreciation	0.2	7.3
114.2	Deferred tax on fair value change of investment properties	25.3	101.7
(0.4)	Deferred tax on derivative financial instruments	(0.1)	(0.6)
515.7	Diluted adjusted net assets	576.0	456.4
513.5	Adjusted net assets (basic)	576.0	454.0

31 March 2006		31 December 2006	31 December 2005
Number	Number of shares used for calculating net assets per share	Number	Number
169,509,640	Shares in issue at period end	174,080,087	168,909,640
(4,940,960)	Less ESOT shares	(3,718,410)	(5,340,370)
164,568,680	Number of shares for calculating basic net assets per share	170,361,677	163,569,270
2,538,531	Dilution due to Share Option Schemes	2,947,264	2,713,973
4,400,000	Dilution due to Convertible Loan Stock	–	5,000,000
171,507,211	Number of shares for calculating diluted net assets per share	173,308,941	171,283,243

8(a). Investment properties

31 March 2006		31 December 2006	31 December 2005
£m		£m	£m
716.5	Balance at beginning of period	954.0	716.5
154.5	Additions during the period	63.6	116.3
0.5	Capitalised interest (note below)	0.4	0.3
(40.6)	Disposals during the period	(149.5)	(5.9)
131.3	Net gain from fair value adjustments on investment property	71.6	74.2
(8.2)	Investment property held for sale (note below)	–	–
954.0	Balance at end of period	940.1	901.4

Property held for sale at the balance sheet date is shown separately under current assets as required by IFRS 5.

Capitalised interest is included at a rate of capitalisation of 5.82% (31 March 2006: 5.73%; 31 December 2005: 5.77%). The total amount of capitalised interest included in investment properties was £1.9m (31 March 2006 £1.5m; 31 December 2005 £1.4m).

Notes to the Quarterly Report

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8(b). Valuation

The Group's investment properties were revalued at 31 December 2006 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.

The reconciliation of the valuation report to the total shown in the Consolidated Balance Sheet as non-current assets, investment properties, is as follows:

31 March 2006 £m		31 December 2006 £m	31 December 2005 £m
964.3	Total per CB Richard Ellis valuation report	942.2	903.4
(2.4)	Owner occupied property	(2.4)	(2.4)
(8.2)	Property held for sale (shown as current assets)	–	–
0.7	Head leases treated as finance leases under IAS 17	0.7	0.8
(0.4)	Other	(0.4)	(0.4)
954.0	Total per balance sheet	940.1	901.4

8(c). During the period part of the property at Wharf Road was sold for residential development. The consideration for this sale was £1.86m in cash plus the provision by the developer of a new 30,000 sq.ft business centre to be constructed on the retained portion of the site. The commitment to deliver the building over the next two years (costing £5.8m including interest and fees) by the developer has been secured by a charge over the land sold to it; which was considered, on valuation by CBRE, to be worth more than the construction liability. On this basis, and on the assumption that the construction works are completed, the profit on this disposal has been recognised in the period (see note 2) and the present value of the retained land and replacement buildings (also valued by CBRE) has been included in investment property.

8(d). Following a fire that destroyed part of the Westwood Business Centre, it has been decided that the damaged portion of the property will not be replaced. As a result the £1.6m net insurance proceeds has been recognised as other income in the Income Statement in the period. A reduction in fair value of the investment property of £0.7m has been recognised in the valuation surplus for the period.

Notes to the Quarterly Report

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9. Property, plant and equipment

	Owner occupied land £m	Owner occupied buildings £m	Equipment and fixtures £m	Total £m
Cost				
Balance at 1 April 2005	0.5	1.5	4.1	6.1
Additions during the period	–	0.1	0.3	0.4
Balance at 31 December 2005	0.5	1.6	4.4	6.5
Additions during the period	–	–	0.3	0.3
Balance at 31 March 2006	0.5	1.6	4.7	6.8
Additions during the period	–	–	0.3	0.3
Disposals during the period	–	–	(1.2)	(1.2)
Balance at 31 December 2006	0.5	1.6	3.8	5.9
Cumulative depreciation to 31 December 2005	–	0.1	3.0	3.1
Net book amount at 31 December 2005	0.5	1.5	1.4	3.4
Cumulative depreciation to 31 March 2006	–	0.1	3.1	3.2
Net book amount at 31 March 2006	0.5	1.5	1.6	3.6
Cumulative depreciation to 31 December 2006	–	0.1	2.4	2.5
Net book amount at 31 December 2006	0.5	1.5	1.4	3.4

10. Trade and other receivables

	31 March 2006 £m	31 December 2006 £m	31 December 2005 (restated) £m
3.8 Trade debtors		3.8	4.0
(0.3) Less provision for impairment of receivables		(0.4)	(0.5)
3.5 Trade debtors – net		3.4	3.5
0.3 Taxation and social security		–	–
2.9 Prepayments and accrued income		6.2	4.3
6.7		9.6	7.8

Notes to the Quarterly Report

continued

11. Cash and cash equivalents

31 March 2006 £m		31 December 2006 £m	31 December 2005 (restated) £m
–	Cash at bank and in hand	–	1.7
1.7	Restricted cash – tenants' deposit deeds	2.1	1.7
1.7		2.1	3.4

December 2005 comparatives have been restated for the inclusion of restricted cash. This was previously reported in trade and other receivables. Tenants' deposit deeds represent returnable cash security deposits received from tenants and are ring-fenced under the terms of the individual lease contracts.

Bank overdrafts are included within cash and cash equivalents for the purpose of the cash flow statement (see note 15b).

12. Trade and other payables

31 March 2006 £m		31 December 2006 £m	31 December 2005 £m
2.4	Trade payables	2.4	2.5
0.4	Taxation and social security payable	0.7	1.1
1.7	Tenants' deposit deeds (see note 11)	2.1	1.7
5.3	Tenants' deposits	6.0	5.3
13.9	Accrued expenses	15.2	11.9
5.3	Deferred income-rent and service charges	4.5	6.2
29.0		30.9	28.7

There is no material difference between the above amounts and their fair values due to the short term nature of the payables.

13. Current tax liabilities

31 March 2006 £m		31 December 2006 £m	31 December 2005 £m
1.7	Current tax liabilities	21.8	1.0

The liability at 31 December 2006 includes the REIT conversion charge of £18.8m.

Notes to the Quarterly Report

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14. Financial liabilities – borrowings

a) Balances

31 March 2006 £m		31 December 2006 £m	31 December 2005 £m
Current			
3.6	Bank overdraft due within one year or on demand (secured)	1.7	0.1
–	11.125% First Mortgage Debenture Stock 2007 (secured)	12.5	–
–	11.625% First Mortgage Debenture Stock 2007 (secured)	7.0	–
3.6		21.2	0.1
Non-current			
2.2	11% Convertible Loan Stock 2011 (unsecured)	–	2.4
12.5	11.125% First Mortgage Debenture Stock 2007 (secured)	–	12.5
7.0	11.625% First Mortgage Debenture Stock 2007 (secured)	–	7.0
403.7	Other loans (secured)	322.5	409.3
0.7	Finance lease obligations (secured)	0.7	0.7
426.1		323.2	431.9
429.7		344.4	432.0

The Debenture Stocks are repayable on 30 June 2007.

b) Maturity

31 March 2006 £m		31 December 2006 £m	31 December 2005 £m
Secured (excluding finance leases)			
3.6	Repayable in less than one year	21.2	0.1
19.5	Repayable between one year and two years	–	19.5
–	– Repayable between two years and three years	123.1	–
134.7	Repayable between three years and four years	200.0	140.4
270.0	Repayable between four years and five years	–	270.0
427.8		344.3	430.0
(1.0)	Less cost of raising finance	(0.6)	(1.1)
426.8		343.7	428.9
Unsecured			
2.2	Repayable in five years or more	–	2.4
Finance leases (secured)			
0.7	Repayable in five years or more	0.7	0.7
429.7		344.4	432.0

Notes to the Quarterly Report

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c) Financial instruments held at fair value through the profit and loss

The following interest rate collars are held:

	Amount hedged £m	Interest cap %	Interest floor %	Expiry
Interest rate collar (amortising amount)	96.3	8.00%	4.50%	July 2009
Interest rate collar	75.0	6.95%	4.05%	July 2009
Interest rate collar (increasing amount)	38.7	7.00%	2.99%	Oct 2010

The above instruments are treated as financial instruments at fair value with changes in value dealt with in the income statement during each reporting period.

At the period end 6% (31 March 2006: 5%, 31 December 2005: 5%) of the Group's borrowings were fixed with a further 61% (31 March 2006: 50%, 31 December 2005: 49%) subject to a collar.

d) Fair values of financial instruments

31 March 2006			31 December 2006		31 December 2005	
Book Value	Fair Value		Book Value	Fair Value	Book Value	Fair Value
£m	£m		£m	£m	£m	£m
Financial liabilities not at fair value through profit or loss						
3.6	3.6	Bank overdraft	1.7	1.7	0.1	0.1
2.2	2.5	11% Convertible Loan Stock 2011	–	–	2.4	2.8
12.5	13.1	11.125% First Mortgage Debenture Stock 2007	12.5	12.7	12.5	13.0
7.0	7.4	11.625% First Mortgage Debenture Stock 2007	7.0	7.1	7.0	7.6
403.7	403.7	Other loans	322.5	322.5	409.3	409.3
0.7	0.7	Finance lease obligations	0.7	0.7	0.7	0.7
429.7	431.0	Financial liabilities at fair value through profit or loss	344.4	344.7	432.0	433.5
Derivative financial instruments:						
1.2	1.2	Liabilities	0.6	0.6	2.0	2.0
(0.1)	(0.1)	Assets	(0.1)	(0.1)	(0.1)	(0.1)
1.1	1.1		0.5	0.5	1.9	1.9
430.8	432.1		344.9	345.2	433.9	435.4

The total gain recorded in the income statement was £0.6m (31 March 2006: £0.4m; 31 December 2005: £0.5m loss) 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 0.2p per share (31 March 2006: 0.8p, 31 December 2005: 0.9p).

Notes to the Quarterly Report

continued

15. Notes to cash flow statement

a) Reconciliation of profit for the period to cash generated from operations:

Year ended 31 March 2006 £m	9 months ended 31 December 2006 £m	9 months ended 31 December 2005 (restated) £m	
106.6	Profit for the period	160.2	58.5
42.4	Tax	(75.0)	25.1
0.6	Depreciation	0.5	0.5
0.1	Amortisation of intangibles	0.1	0.1
(3.4)	Profit on disposal of investment properties	(4.5)	–
(131.3)	Net gain from fair value adjustments on investment property	(71.6)	(74.2)
(0.4)	Fair value (gains)/losses on financial instruments	(0.6)	0.5
(0.2)	Interest income	(0.1)	(0.1)
23.6	Interest expense	16.9	17.4
–	Share in joint venture post tax profit	(0.2)	–
	Changes in working capital:		
(1.7)	Increase in trade and other receivables	(2.3)	(2.9)
2.7	Increase in trade and other payables	2.5	2.7
39.0	Cash generated from operations	25.9	27.6

b) Reconciliation of cash and cash equivalents:

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

31 March 2006 £m	31 December 2006 £m	31 December 2005 (restated) £m	
–	Cash at bank and in hand	–	1.7
1.7	Restricted cash – tenants' deposit deeds	2.1	1.7
(3.6)	Bank overdrafts	(1.7)	(0.1)
(1.9)		0.4	3.3

December 2005 comparatives have been restated for the inclusion of restricted cash. This was previously reported in trade and other receivables.

Notes to the Quarterly Report

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16. Deferred tax liabilities

31 March 2006 £m		31 December 2006 £m	31 December 2005 £m
86.1	Balance at start of period	122.6	86.1
36.5	Deferred tax (credit)/charge	(97.9)	22.8
	Group's share of tax on unrealised profits on sale of properties to joint		
–	venture	0.8	–
122.6	Balance at end of period	25.5	108.9

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

31 March 2006 £m		31 December 2006 £m	31 December 2005 £m
114.2	Fair value gains on investment properties (see note below)	23.7	101.7
–	Profit on sale to joint venture	1.6	–
0.4	Capitalised interest	–	0.4
8.3	Accelerated tax depreciation	0.2	7.3
(0.4)	Derivative financial instruments	(0.1)	(0.6)
0.1	Other	0.1	0.1
122.6		25.5	108.9

If the Group's directly owned investment properties were sold for their revalued amount there would be a potential liability to corporation tax of £nil following the Group's conversion to a REIT (31 March 2006: £95.6m, 31 December 2005: £84.7m). The balance of £23.7m on fair value gains on investment properties represents deferred tax on properties transferred to the Workspace Glebe joint venture, which is not part of the Group REIT. 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 2006 Number		31 December 2006 Number	31 December 2005 Number
240,000,000	Authorised :Ordinary shares of 10p each	240,000,000	240,000,000
169,504,640	Issued: Fully paid ordinary shares of 10p each	174,080,087	168,909,640
		£	£
16,950,964	Issued: Fully paid ordinary shares of 10p each	17,408,009	16,890,964
		Number	Number
	Movements in share capital were as follows:		
168,839,660	Number of shares at start of period	169,509,640	168,839,660
–	Executive share options exercised	45,000	–
69,980	Save as You Earn share options exercised	125,447	69,980
600,000	Convertible Loan Stock converted	4,400,000	–
169,509,640	Number of shares at end of period	174,080,087	168,909,640

Notes to the Quarterly Report

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18. Other reserves

31 March 2006 Total £m		Equity element of convertible loan stock £m	Equity settled share based payments £m	31 December 2006 Total £m	31 December 2005 Total £m
0.5	Balance at start of period	0.2	0.6	0.8	0.5
–	– Loan stock conversion	(0.2)	–	(0.2)	–
0.3	Value of employee services	–	0.2	0.2	0.2
0.8	Balance at end of period	–	0.8	0.8	0.7

19. Statement of changes in shareholders' equity

31 March 2006 Total equity £m		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	31 December 2006 Total equity £m	31 December 2005 Total equity £m
288.5	Balance at start of period	16.9	28.7	(5.1)	0.8	349.0	390.3	288.5
0.3	Share issues	0.1	0.1	–	–	–	0.2	–
0.4	ESOT shares released	–	–	1.3	–	–	1.3	0.1
(5.8)	Dividends paid	–	–	–	–	(4.1)	(4.1)	(3.7)
–	– Loan stock conversion	0.4	1.8	–	(0.2)	–	2.0	–
0.3	Value of employee services	–	–	–	0.2	–	0.2	0.3
106.6	Profit for the period	–	–	–	–	160.2	160.2	58.5
390.3	Balance at end of period	17.4	30.6	(3.8)	0.8	505.1	550.1	343.7

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 dividends on the shares have been waived. During the period the Trust transferred 1,222,550 shares to employees on exercise of options. At 31 December 2006, the number of shares held by the Trust totalled 3,718,410 (31 March 2006: 4,940,960, 31 December 2005: 5,340,370). The shares have been included at cost in shareholders' equity. 3,718,300 shares held by the Trust are subject to option awards.

Notes to the Quarterly Report

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21. Capital commitments

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

31 March 2006 £m		31 December 2006 £m	31 December 2005 £m
	Under contract:		
6.5	Purchases, construction or refurbishment of investment property	5.5	4.3
0.2	Repairs, maintenance or enhancement of investment property	0.8	0.9
6.7		6.3	5.2
	Authorised by directors but not contracted:		
0.2	Property, plant and equipment	–	0.2
0.1	Intangible assets	–	–
6.9	Purchases, construction or refurbishment of investment property	28.5	0.8
8.5	Repairs, maintenance or enhancement of investment property	2.7	2.6
15.7		31.2	3.6

22. Joint Venture

On 12 June 2006 the Group merged its interests in Workspace 12 Limited, a wholly owned subsidiary which held 11 properties valued at £146m with those of Glebe Three Limited, a wholly owned subsidiary of Glebe Two Limited, a third party, creating a joint venture, Workspace Glebe Limited, a company incorporated in England. The purpose of the joint venture is to invest in properties contributed by Workspace and Glebe with potential for intensification and improvement. Workspace Group plc holds 50% of the ordinary share capital of Workspace Glebe Limited. Its interest in this joint venture has been equity accounted for in the Group's consolidated financial statements.

The Group's share of amounts of each of current assets, long term assets, current liabilities and long term liabilities, income and expenses are shown below:

	31 December 2006 £m
Investment property	76.7
Current assets	2.1
Total assets	78.8
Current liabilities	(1.7)
Non-current liabilities	(59.3)
Total liabilities	(61.0)
Group share of joint venture net assets	17.8
Revenue	2.9
Direct costs	(0.8)
Net rental income	2.1
Administrative expenses	–
Change in fair value of investment property	(0.1)
Finance costs – interest payable	(2.2)
Change in fair value of derivative financial instruments	0.5
Profit before tax	0.3
Taxation	(0.1)
Profit after tax	0.2

Notes to the Quarterly Report

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22. Joint Venture continued

	31 December 2006 £m
Share of joint venture at start of period	–
Share of joint venture profit after tax for the period	0.2
Net equity movements in joint venture	1.0
Net loan movements with joint venture	18.5
Group's share of unrealised profits after tax on sale of properties to the joint venture	(1.9)
Share of joint venture at end of period	17.8
Comprising:	
Unlisted shares at cost	1.0
Group's share of post acquisition retained profit after tax	0.2
Group's share of unrealised profits after tax on sale of properties to the joint venture	(1.9)
Loan to joint venture	18.5
	17.8

The Group's share of capital commitments of the Workspace Glebe joint venture were £0.3m for commitments under contract and £1.9m authorised by directors but not contracted.

23. Post balance sheet events

On 12 January 2007 the Group acquired Exmouth House, London, EC1, a 52,000 sq.ft. office/retail building for a cash consideration of £18.1m.

On 31 January 2007 the Group acquired Avro House and Hewlett House, London SW8, a 58,000 sq.ft business centre for a cash consideration of £10.0m.

24. Basis of preparation

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 adopted by the European Union.

The Group's accounting policies are unchanged from those set out in the Annual Report and Financial Statements for the year ended 31 March 2006 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 9 February 2007.

This report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial statements for the year to 31 March 2006, which were prepared under IFRS have been delivered to the Registrar of Companies. The auditors' opinion on those financial statements was unqualified and did not contain a statement made under Section 237(2) or Section 237(3) of the Companies Act 1985.

25. Quarterly Report

Copies of this statement will be dispatched to shareholders on 12 February 2007 and will be available from the Group's registered office at Magenta House, 85 Whitechapel Road, London, E1 1DU and on the Group's website www.workspacegroup.co.uk from 9.00am on that day.

Glossary of Terms

Adjusted NAV per share is NAV excluding deferred tax on revaluation surpluses and capital allowances, and the fair value of derivative financial instruments (net of tax).

Adjusted net assets are shareholders' funds excluding deferred tax on revaluation surpluses and capital allowances and the fair value of derivative financial instruments (net of tax).

Comparator IPD Index is a benchmark index computed by IPD of comparable properties in comparable locations to those held by the Group.

Core portfolio (like-for-like portfolio) are those properties that have been held throughout the period and which are not subject to significant improvement/refurbishment works.

Diluted NAV per share is NAV adjusted for the effect of those shares potentially issuable under convertible loan stock or employee share schemes.

Earnings per share (EPS) is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and Adjusted EPS are determined as set out under NAV.

Employee Share Ownership Trust (ESOT) is the trust created by the Group to hold shares pending exercise of employee share options.

EPRA NAV is the definition of net asset value as set out by the European Public Real Estate Association.

Equivalent Yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the income received.

Estimated rental value (ERV) or market rental value is the Group's external valuers' opinion as to the open market rent, which on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review.

Gearing is the Group's net debt as a percentage of net assets.

Initial yield is the net rents generated by a property or by the portfolio as a whole expressed as a percentage of its valuation.

Interest cover is the number of times net interest payable is covered by operating profit.

IPD is the Investment Property Databank Ltd, a company that produces an independent benchmark of property returns.

Like-for-like (see core portfolio).

Market rental values (see ERV).

Net assets per share (NAV) are shareholders' funds, divided by the number of shares in issue at the period end (excluding shares held in the ESOT).

Glossary of Terms

continued

Net rents are current rents excluding any contracted increases and after deduction of inclusive service charge revenue.

National Insurance on share options is the national insurance charge expected to be paid on the exercise of share options, as calculated by the Black Scholes Model in accordance with IFRS2.

Occupancy percentage is the area of space let divided by the total net lettable area (excluding land used for open storage).

Open market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers).

Other items in the Income Statement include profits and losses (together with their related taxation) on sales of investment properties and items of a non trading nature such as: valuation adjustments arising from the fair valuing of investment properties and derivative financial instruments; adjustments arising from the treatment of head lease payments as interest; insurance claim proceeds; and certain adjustments arising from the estimation of the cost of employee share based payments.

Profit before tax (PBT) is income less all expenditure other than taxation.

REIT Real Estate Investment Trust is a tax transparent property investment regime as enacted in the Finance Act 2006 and which came into being on 1 January 2007.

Rent per sq ft is the current net rent divided by the occupied area.

Reversion is the increase in rent estimated by the Group's external valuers, where the net rent is below the current estimated rental value. The increases to rent arise on rent reviews, letting of vacant space and expiry of rent free periods or rental increase steps.

Reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value. It is calculated by dividing the ERV by the valuation.

SEE means Social Ethical and Environmental matters. The Group produces a separate SEE report, the most recent report was titled Sustainability Report 2006.

Small and Medium Sized Enterprises (SMEs) are those businesses with a turnover of less than £1m p.a. or staff of less than 50. Most Workspace customers are SME businesses with staffing of up to 20.

Total Shareholder Return (TSR) is the return obtained by a shareholder calculated by combining both share price movements and dividend receipts.

Trading operations/earnings/PBT etc is that element of earnings/PBT etc that arises from trading activity alone. It therefore excludes other items (above).

Valuation Surplus and growth rate is measured as the valuation surplus for the period divided by the total value of the portfolio before revaluation.

Directors and Advisers

Directors

Antony Hales BSc, Chairman^{*(2)}
Harry Platt MA MRTPI, Chief Executive
John Bywater FRICS^{*(1)}
Madeleine Carragher FRICS, Operations Director
Bernard Cragg BSc ACA^{*(1)}
Rupert Dickinson MRICS^{*(1)}
Patrick Marples MRICS, Property Director
Mark Taylor BSc FCA, Finance Director

*Non-executive

⁽¹⁾Member of Remuneration, Nominations and Audit Committees

⁽²⁾Member of Nominations Committee

Company Secretary

Mark Taylor BSc FCA

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

N M Rothschild
New Court
St Swithin's Lane
London EC4P 4DU

Financial Advisers and Joint Stockbrokers

Panmure Gordon & Co. plc
155 Moorgate
London EC2M 6XB

Joint Stockbrokers

Investec
2 Gresham Street
London EC2V 7QP

Registrars

Computershare Services PLC
PO Box 82
The Pavilions,
Bridgwater Road
Bristol BS99 7NH

Registered Office and Headquarters

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Email: info@workspacegroup.co.uk
Website: www.workspacegroup.co.uk

Registered Number

2041612