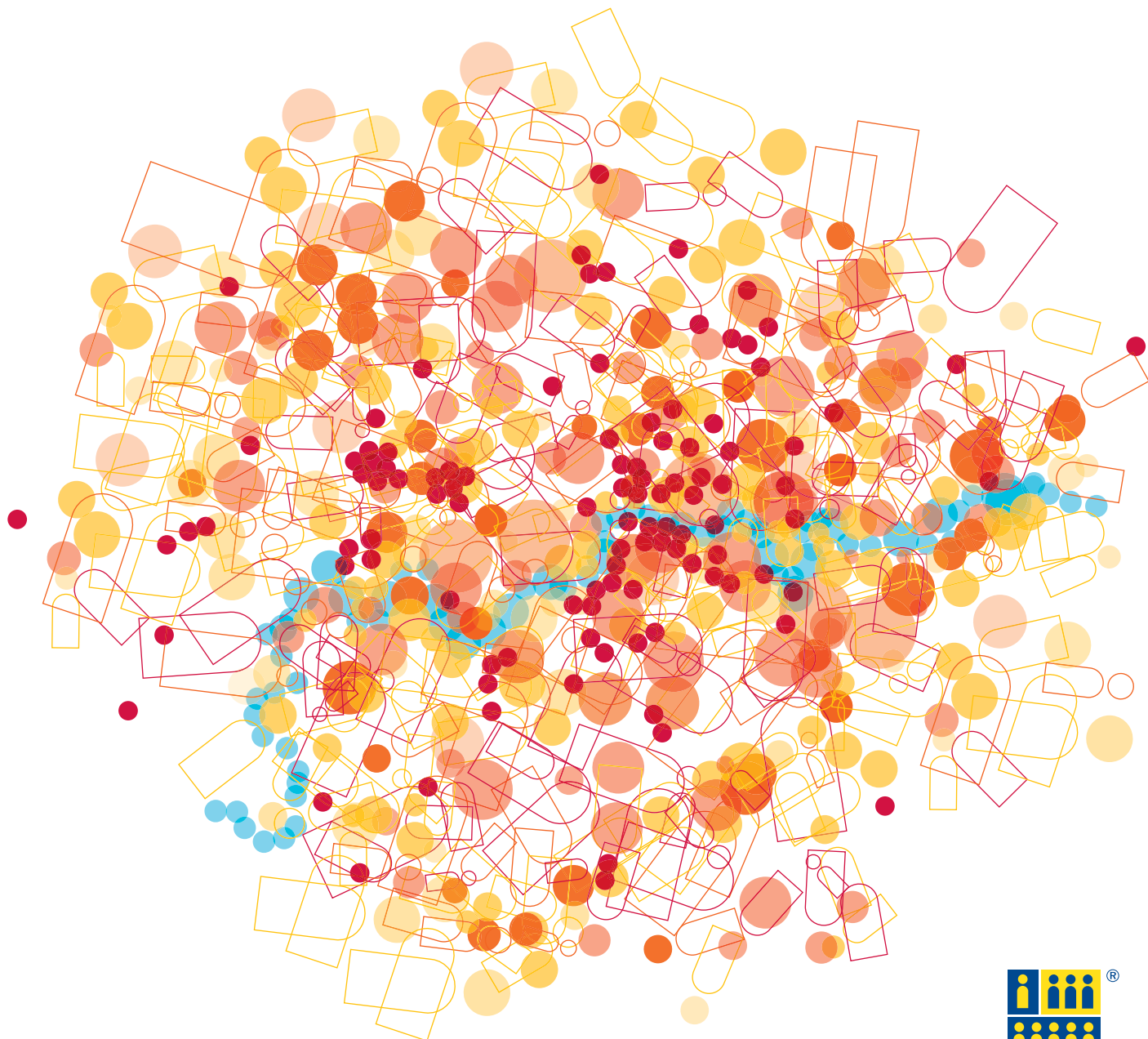


REGENERATING LONDON

Workspace Group PLC
Quarterly Report
For the nine months ended
31 December 2007



Workspace Group

Highlights

Results for the nine months ended 31 December 2007

Operating

- Rent roll up 3.3% in the quarter and 8.4% in the first nine months
- Overall occupancy including development sites at 86.2% up from 84.8% at March 2007
- Net Rental Income £35.0m up 14.0% on 2006

Valuation

- Portfolio valued at £1,002m with valuation reduction of 4.8% in the quarter and 3.7% for the nine months
- Estimated rental value increase of 4.0% in the quarter and 10.3% over the last nine months
- Overall reversionary yield out 50 bps in the quarter to 7.2%. Reversionary yield on business centres out to 7.6% (6.8% equivalent yield at 90% occupancy)
- Diluted net asset value per share at 313p, down 8.7% in the quarter and 6.8% in the nine months

Redevelopment

- Major refurbishment of Canterbury Court, Kennington Park completed on schedule with significant lettings already achieved
- Planning consents at Thurston Road, Linton House, Parmiter and Grand Union providing a total of 711 residential and student units and 209,000 sq.ft of new commercial and office space

Financial

- Net cash from operations up 21% to £31.4m
- Pre-tax profits on trading operations up 42% to £9.1m
- Total pre-tax loss of £33.0m reflecting valuation reductions

Operating and Financial Review

Chairman's Statement

This is a good trading performance despite the uncertainties in the financial markets. As the leading supplier of space to small and medium sized enterprises (SMEs) across London, we are successfully growing rents, maintaining high occupancy levels and capturing redevelopment potential. These are the fundamentals that create long-term value.

This quarter has seen a significant softening in yields across the property sector. While we are not immune to this, the strong growth in rents and rental values achieved has reduced the impact with a net reduction of 4.8% in our overall property valuation in the quarter and a 1.5% reduction over the last year. This compares favourably with the reductions reported by IPD (Investment Property Databank) for the UK property sector as a whole of 8.7% in the last 3 months and a reduction of 8.6% over the last year, highlighting the resilience of our customer base and the diversity of our property portfolio across London.

Strong operating cashflow, sound financing and a position as a trusted partner in mixed use development leave us well placed to take advantage of the opportunities that we expect to arise over the coming year.

Chief Executive's Statement

Trading Performance

Our key performance indicators of rent roll and occupancy are both positive reflecting strong demand for space from SME customers across London.

Rent roll has grown consistently quarter by quarter over the last year reaching £51.1m at December with average rent per square foot increasing by 2.3% in the quarter to £11.80.

	3 months	9 months	12 months
Rent Roll – total	+3.3%	+8.4%	+17.0%
– like-for-like	+1.2%	+5.5%	+7.6%

Occupancy levels have been broadly maintained over the quarter with our like-for-like occupancy level at 88.8%. At these levels we see the best overall rental growth, capturing rental increases from customer churn whilst still retaining a strong underlying rental income base. An analysis of trends in occupancy is set out below:

	December 2007	September 2007	March 2007
Sites with greater than 90% occupancy	64	62	49
Sites with 80% – 90% occupancy	19	17	28
Sites with less than 80% occupancy	23	25	24
Headline average occupancy	86.2%	86.4%	84.8%
Like-for-like estates	91	91	91
Like-for-like occupancy	88.8%	89.2%	87.6%

Operating and Financial Review

continued

The good progress we are making at sites recently refurbished, not yet included in our like-for-like statistics, is set out below:

		December 2007 Occupancy	September 2007 Occupancy	March 2007 Occupancy
	Completion Date			
Enterprise House	May 2006	97%	98%	89%
Clerkenwell	June 2006	94%	95%	89%
The Light Box	November 2006	84%	85%	81%
Greville Street	June 2007	66%	42%	Nil
Lombard House	June 2007	41%	33%	23%

The first phase of the redevelopment of Kennington Park, which was purchased for £56m in 2005, has now been completed. Canterbury Court, the largest building at the complex, has been repositioned as a business centre with the works completed on schedule at a cost of £12m. The refurbished element comprises 102,000 sq.ft. of lettable space (75 business and studio units) with a new open plan atrium incorporating reception and cafe areas. It is now available to let and we have already agreed lettings for 30% of the available space.

Valuation

The property portfolio valuation undertaken independently by our valuers CB Richard Ellis reduced overall by £33m in the quarter with acquisitions and capital expenditure of £18m offset by a revaluation reduction of £51m. This comprised growth of 4.0% in estimated rental value (ERV) offset by a 50 bps softening in reversionary yields.

	December 2007	September 2007	March 2007
Valuation (£m)	1,002	1,035	1,001
ERV (£m)	72.1	69.3	65.3
Reversionary Yield	7.20%	6.70%	6.52%

Our continued success in growing rents from new lettings is reflected in reported ERVs which have grown consistently on both a total and like-for-like basis over the last year.

	3 months	9 months	12 months
ERV – total	+4.0%	+10.3%	+19.6%
– like-for-like	+2.6%	+7.5%	+8.5%

A summary of the movements in the portfolio valuation over the nine months may be analysed as follows:

	£m
Valuation at 31 March 2007	1,001
Acquisitions (including costs)	23
Other expenditure on properties	17
Valuation surplus – quarter to 30 June 2007	21
– quarter to 30 September 2007	(9)
– quarter to 31 December 2007	(51)
Valuation at 31 December 2007	1,002

Operating and Financial Review

continued

The majority of our properties are valued on a current use basis. Only a small number have either planning approval or future development potential for change of use reflected in their current valuations, as detailed below:

	December 2007	September 2007
Current use valuation		
– Number of properties	97	96
– Valuation	£876m	£927m
– Capital Value	£200/sq.ft.	£207/sq.ft.
– Reversionary Yield	7.5%	6.9%
With planning/redevelopment value		
– Number of properties	9	8
– Valuation	£126m	£108m
– Capital Value	£196/sq.ft.	£217/sq.ft.
– Reversionary Yield	4.7%	4.3%

We see significant potential for intensification and change of use at more than half of our properties over the next 10 years. However, our valuation only reflects this potential at 9 sites where development plans are well advanced or planning consent obtained.

For the properties valued on a current use basis, the equivalent yield at our targeted 90% occupancy level is now 6.75%. The current yield on these properties is 5.0%, providing £16m of reversionary income that we would target to capture over the next four years, underpinning our income growth.

The current use valuation can also be analysed between:

- Business centres providing office space for small businesses, with some 70% (by value) located in our Southbank, West London and Clerkenwell property clusters.
- Industrial centres supporting a broad range of light industrial customers in locations across London.

	Business Centres	Industrial
Number of properties	61	36
Valuation	£671m	£205m
Capital Value	£260/sq.ft.	£113/sq.ft.
Average rent	£14.52/sq.ft.	£7.23/sq.ft.
Reversionary Yield	7.6%	7.5%

This portfolio of business and industrial centres with low capital cost and rental per sq.ft. represents a continuing strength for the Group. On a number of these sites we also have plans for intensification or change of use. The phasing of our redevelopment plans for these properties are as follows:

	Number	Current Valuation
Planning expected to be achieved in next 18 months	10	£108m
Redevelopment completed in next 5 years	15	£163m

Operating and Financial Review

continued

Redevelopment Update

We are making good progress on planning and received a revised planning consent in November at Thurston Road, Lewisham for 406 residential units (up from 270 initially) and 40,000 sq.ft. of ground floor retail space and 4,000 sq.ft. of live-work accommodation. This scheme replaces 46,000 sq.ft. of existing industrial space.

In January we received planning consent at our Parmiter estate, Bethnal Green for 106 apartments, 54 student studios and 27,000 sq.ft. of commercial space replacing 35,000 sq.ft. of existing industrial space. Contracts have been exchanged to sell this site in February for its book value of £11m.

At Linton House, Southwark we have received planning consent for a two floor extension providing an additional 17,000 sq. ft. of office space.

Good progress has continued in our Glebe joint venture in line with the original business plan. In addition to the planning consent we received at Wandsworth Business Village last quarter, we obtained outline planning consent in December at Grand Union, North Kensington for 110,000 sq.ft. of new office space, 11,000 sq.ft. of retail space and 145 residential units replacing the existing 51,000 sq.ft. of commercial space.

Acquisitions and Disposals

In the current market there is limited stock available that meets our investment criteria. Only two acquisitions were made in the quarter and no disposals.

Name of Property	Description	Acquisition Date	Price £m	Income £000	Market Rent £000
Neil House, London E1	45,000 sq. ft retail and offices	16 October	10.8	415	879
Quicksilver Place, London N22	28,000 sq. ft single industrial unit	29 October	2.0	102	136
Total			12.8	517	1,015
Yield				4.0%	7.9%

- Neil House, on the edge of Brick Lane, is a site near to our existing Whitechapel Technology Centre. We have been monitoring this property for many years. Local demand offers good opportunity for upgrading and repositioning as a business centre to significantly improve both occupancy and rents.
- The acquisition of Quicksilver Place in Wood Green complements our existing cluster of properties in this regeneration area adjacent to The Chocolate Factory.

We expect to see more property become available on financially attractive terms for the Group, sourcing many of these directly from our extensive property database.

Operating and Financial Review

continued

Financial Review

A summary of performance in the nine months is set out below:

	Nine months ended 31 December	
	2007	2006
	£m	£m
Trading – net rental income	35.0	30.7
Trading – operating profit	30.4	23.3
Interest costs	(21.1)	(16.8)
Trading – profit	9.1	6.4
Revaluation (loss)/gain	(38.6)	72.3
Joint venture (loss)/profit	(3.1)	0.2
Other (loss)/profits	(0.4)	6.3
Total (loss)/profit before tax	(33.0)	85.2
Cash generated from operations	31.4	25.9

The first nine months has seen a strong growth in net rental income up 14.0% on last year. This increase combined with the £2m non-refundable option fee received in September and flat administrative costs has resulted in an increase of 30.5% in trading operating profits.

Operating profit has translated into strong growth for operating cashflow which is up 21.2% year on year. There has been no discernible deterioration in the credit quality of our customer base and bad debts continue to run at less than 0.5% of rental income, in line with the long term trend.

Interest costs have risen year on year with debt at December £93m higher than in 2006 and interest rates averaging 6.9% in the current year compared to 6.1% last year. The interest rate cost moderated somewhat in the third quarter at 6.8% compared to 7.0% in the first half reflecting a reduction in libor rates and the £150m fixed rate hedge taken out in November at an all-in cost of 6.4%.

The joint venture loss includes a revaluation reduction of £4.3m in the last quarter (£3.4m reduction in the year to date), with ERV growth of 2.9% offset by a softening in reversionary yield of 40 bps from 6.2% to 6.6%.

Trading profits have grown strongly to £9.1m, up £2.7m (42%) on last year. At a total PBT level, the revaluation reduction on both the Workspace and Joint Venture portfolios results in a net loss in the nine months of £33.0m.

Net assets at £542m are down £55m in the quarter and £9m on last year as a result of the revaluation reductions seen in the last quarter. On a diluted net asset value per share basis this equates to 313p at December compared to 343p in September, a reduction of 8.7%.

Total bank debt at December is £437m. This is supported by banking facilities of £499m, £270m falling due in August 2010, £150m due in November 2012 with the remaining £79m of facilities rolling on a yearly basis. Interest cover based on trading profits in the nine months is 1.44 and loan to value is 44%. As at December the Group had £62m of available facilities together with £133m of uncharged assets.

Operating and Financial Review

continued

Prospects

The fundamental dynamics of London as a global city underpin our business model, comprising:

- an increasing population which is younger, more diverse and more entrepreneurial;
- a concentration of successful and fast growing businesses growing in number;
- an ever increasing demand on finite land in London; and
- continuing rejuvenation and regeneration.

The trading performance and valuation highlight the resilience of this model. Strong operating cashflows generated by the business and a sound capital base provide a platform for both investment and dividend growth.

We and our customers cannot be immune to the effects of the current uncertainties in the financial markets.

However, we have every reason to expect our track record of out-performance through economic cycles to continue.

Our knowledge of the London property market, the location of our properties, our skills in managing our portfolio and our position as a trusted partner for mixed-use developments, make us well placed to exploit acquisition and redevelopment opportunities that will arise over the coming years.

Your Board remains positive on the prospects for the Group.

Operating and Financial Review

continued

Key Statistics

	Quarter ending 31/12/2007	Quarter ending 30/09/2007	Quarter ending 30/06/2007	Quarter ending 31/03/2007	Quarter ending 31/12/2006
Workspace Group directly owned portfolio					
Number of estates	106	104	101	101	99
Lettable floorspace (million sq ft)†	5.0	5.0	4.9	4.9	4.8
Number of lettable units	4,522	4,441	4,394	4,304	4,233
ERV	£72.1m	£69.3m	£66.5m	£65.3m	£60.3m
Reversionary Yield*	7.2%	6.7%	6.5%	6.5%	6.4%
Net annual rent roll of occupied units	£51.1m	£49.5m	£48.2m	£47.2m	£43.7m
Average rent per sq ft	£11.80	£11.54	£11.47	£11.34	£10.85
Overall occupancy	86.2%	86.4%	85.8%	84.8%	83.9%
Like-for-like lettable floor space (million sq ft)	4.1	4.1	4.1	4.1	4.1
Like-for-like net annual rent roll	£40.4m	£39.9m	£39.1m	£38.2m	£37.5m
Like-for-like average rent (£ per sq ft)	£11.05	£10.85	£10.74	£10.61	£10.37
Like-for-like occupancy	88.8%	89.2%	88.5%	87.6%	87.7%
Workspace Glebe joint venture portfolio					
Number of estates	17	16	15	15	14
Lettable floorspace (million sq ft)†	1.2	1.2	1.2	1.2	1.2
Number of lettable units	866	823	813	813	811
ERV	£10.7m	£10.4m	£10.3m	£10.3m	£10.2m
Reversionary Yield*	6.6%	6.2%	6.3%	6.3%	6.5%
Net annual rent roll of occupied units	£7.2m	£7.8m	£7.9m	£8.1m	£8.1m
Average rent per sq ft	£7.64	£7.87	£7.77	£7.81	£7.84
Overall occupancy	81.7%	85.3%	87.7%	89.7%	89.9%
Financial Performance (£m)					
Net rental income	11.8	11.4	11.8	10.9	9.6
Trading profit before interest	9.7	11.0	9.7	10.2	6.9
Revaluation (reduction)/surplus	(50.8)	(8.8)	21.0	23.0	12.6
(Loss)/profit before taxation	(52.9)	(5.0)	24.9	27.3	15.8
Investment property valuation	1,003	1,035	1,028	1,002	940
Net assets	542	597	608	583	550
Net asset value per share (£)	£3.16	£3.48	£3.54	£3.40	£3.23
Diluted adjusted net asset value per share (£)	£3.13	£3.43	£3.49	£3.36	£3.32
Trading interest cover (cumulative)	1.44x	1.52x	1.45x	1.44x	1.39x
Gearing (%)	81%	71%	63%	65%	62%
Loan to value (%)	44%	41%	39%	38%	37%
Available borrowing facilities (£m)	62	79	118	65	99

†Excludes storage space

* Based on ERV divided by valuation

The like-for-like portfolio is defined as properties that have been held throughout a 12 month period and have not been subject to a refurbishment programme in the last 24 months.

Consolidated Income Statement

Audited Year ended 31 March 2007 (restated†) £m	Notes	Unaudited 9 months ended 31 December 2007			Unaudited 9 months ended 31 December 2006 (restated†) £m	
		Trading Operations £m	Other Items* £m	Total £m		
59.9	Revenue	1	49.4	–	49.4	44.2
(18.3)	Direct costs	1	(14.4)	–	(14.4)	(13.5)
41.6	Net rental income	1	35.0	–	35.0	30.7
(10.0)	Administrative expenses		(6.8)	(0.1)	(6.9)	(7.2)
95.3	Change in fair value of investment property		–	(38.6)	(38.6)	72.3
1.8	Other income	2a	2.2	–	2.2	0.9
4.4	Profit on disposal of investment properties	2b	–	–	–	4.5
133.1	Operating profit		30.4	(38.7)	(8.3)	101.2
0.1	Finance income – interest receivable		0.1	–	0.1	0.1
(23.3)	Finance costs – interest payable	3	(21.2)	–	(21.2)	(16.9)
109.9			9.3	(38.7)	(29.4)	84.4
0.9	Change in fair value of derivative financial instruments		–	(0.3)	(0.3)	0.6
1.7	Share of joint venture post tax (loss)/profit	12	(0.2)	(3.1)	(3.3)	0.2
112.5	(Loss)/profit before tax		9.1	(42.1)	(33.0)	85.2
80.9	Taxation		(0.2)	(0.1)	(0.3)	75.0
193.4	(Loss)/profit for the period after tax and attributable to equity shareholders		8.9	(42.2)	(33.3)	160.2
115.1p	Basic earnings per share	4	5.2p	(24.6)p	(19.4)p	95.8p
112.5p	Diluted earnings per share	4	5.1p	(24.3)p	(19.2)p	93.0p

*Other items – the definition of other items is consistent with that noted in the Annual Report and Accounts 2007 and in previous quarters.

†Refer to note 2(a)

Consolidated Statement of Recognised Income and Expense (SORIE)

Audited Year ended 31 March 2007 £m		Unaudited 9 months ended 31 December 2007 £m	Unaudited 9 months ended 31 December 2006 £m
193.4	(Loss)/profit for the financial period	(33.3)	160.2
–	Fair value movement on derivatives	(1.9)	–
193.4	Total recognised income and expense for the period	(35.2)	160.2

Consolidated Balance Sheet

Audited 31 March 2007 £m		Notes	Unaudited 31 December 2007 £m	Unaudited 31 December 2006 £m
Non-current assets				
1,001.6	Investment properties	6	1,003.2	940.1
0.3	Intangible assets		0.4	0.2
3.3	Property, plant and equipment		3.1	3.4
18.5	Investment in joint venture	12	15.1	17.8
1,023.7			1,021.8	961.5
Current assets				
8.8	Trade and other receivables		10.9	9.6
0.1	Financial assets – derivative financial instruments		–	0.1
2.4	Cash and cash equivalents		2.7	2.1
11.3			13.6	11.8
Current liabilities				
(20.4)	Financial liabilities – borrowings	8	(62.0)	(21.2)
(0.3)	Financial liabilities – derivative financial instruments		(2.4)	(0.6)
(32.3)	Trade and other payables		(30.5)	(30.9)
(17.6)	Current tax liabilities	7	–	(21.8)
(70.6)			(94.9)	(74.5)
(59.3)	Net current liabilities		(81.3)	(62.7)
Non-current liabilities				
(360.7)	Financial liabilities – borrowings	8	(377.9)	(323.2)
(0.2)	Deferred tax liabilities		(0.2)	(25.5)
(20.9)	Provisions	10	(20.9)	–
(381.8)			(399.0)	(348.7)
582.6	Net assets		541.5	550.1
Shareholders' equity				
17.4	Ordinary shares	11	17.4	17.4
30.7	Share premium	11	30.8	30.6
(2.8)	Investment in own shares	11	(4.5)	(3.8)
1.3	Other reserves	11	(0.2)	0.8
536.0	Retained earnings	11	498.0	505.1
582.6	Total shareholders' equity	11	541.5	550.1
£3.40	Net asset value per share (basic)	5	£3.16	£3.23
£3.36	Diluted adjusted net asset value per share	5	£3.13	£3.32

Consolidated Cash Flow Statement

Audited Year ended 31 March 2007 £m	Notes	Unaudited 9 months ended 31 December 2007 £m	Unaudited 9 months ended 31 December 2006 £m	
Cash flows from operating activities				
37.1	Cash generated from operations	9a	31.4	25.9
0.1	Interest received		0.1	0.1
(23.0)	Interest paid		(25.6)	(16.7)
0.1	Tax (paid)/refunded		(18.9)	–
14.3	Net cash from operating activities		(13.0)	9.3
Cash flows from investing activities				
(74.6)	Purchase of investment properties		(23.8)	(44.9)
(20.3)	Capital expenditure on investment properties		(15.3)	(14.8)
160.3	Net proceeds from disposal of investment properties		–	159.9
(4.8)	Tax paid on disposal of investment properties		(0.4)	(2.7)
(0.2)	Purchase of intangible assets		(0.2)	(0.1)
(0.3)	Purchase of property, plant and equipment		(0.4)	(0.3)
(19.5)	Investment and loan to joint venture		–	(19.5)
40.6	Net cash from investing activities		(40.1)	77.6
Cash flows from financing activities				
0.3	Net proceeds from issue of ordinary share capital		0.1	0.2
–	Net proceeds from issue of bank borrowings		57.6	–
(47.0)	Net repayment of bank borrowings		–	(81.6)
1.7	ESOT shares net (purchase)/release		(0.8)	0.9
(0.1)	Finance lease principal payments		(0.1)	–
(6.4)	Dividends paid to shareholders		(4.7)	(4.1)
(51.5)	Net cash from financing activities		52.1	(84.6)
3.4	Net (decrease)/increase in cash and cash equivalents		(1.0)	2.3
(1.9)	Cash and cash equivalents at start of period	9b	1.5	(1.9)
1.5	Cash and cash equivalents at end of period	9b	0.5	0.4

Notes to the Quarterly Report

For the 9 months ended 31 December 2007

1. Analysis of net rental income

Year ended 31 March 2007 (restated†)				9 months ended 31 December 2007			9 months ended 31 December 2006		
Revenue	Direct	Net		Revenue	Direct	Net	Revenue	Direct	Net
£m	Costs	Income		£m	Costs	Income	£m	Costs	Income
£m	£m	£m		£m	£m	£m	£m	£m	£m
45.6	(0.2)	45.4	Rental income	37.9	(0.3)	37.6	33.6	(0.2)	33.4
12.3	(17.1)	(4.8)	Service charges and other recoveries	10.1	(13.3)	(3.2)	9.2	(12.5)	(3.3)
			Services, fees, commissions and						
2.0	(1.0)	1.0	sundry income	1.4	(0.8)	0.6	1.4	(0.8)	0.6
59.9	(18.3)	41.6		49.4	(14.4)	35.0	44.2	(13.5)	30.7

† Refer to note 2(a)

The Group operates a single business segment, providing business accommodation for rent in London, which is continuing.

2(a). Other income

Year ended 31 March 2007 (restated†) £m			9 months ended 31 December 2007 £m	9 months ended 31 December 2006 (restated†) £m
1.1	Non-refundable option fees for potential sale of property		2.2	–
0.7	Insurance proceeds less diminution in value at Westwood Business Centre		–	0.9
1.8			2.2	0.9

†Prior period comparatives have been restated for the following: i) the March 2007 comparatives have been restated to include £1.1m non refundable option fees, these fees were formerly disclosed in Revenue-services, fees, commissions and sundry income in previous periods, ii) the December 2006 comparatives have been restated with regard to the accounting for the fire at Westwood Business Centre to be consistent with the presentation in the 2007 Annual Report and Accounts.

2(b). Profit on disposal of investment properties

Year ended 31 March 2007 £m			9 months ended 31 December 2007 £m	9 months ended 31 December 2006 £m
168.3	Gross proceeds from sale of investment properties		–	168.3
(161.2)	Book value at time of sale plus sale costs		–	(161.1)
7.1			–	7.2
(2.7)	Unrealised profits on sale of properties to joint venture		–	(2.7)
4.4	Pre tax profit on sale		–	4.5

Notes to the Quarterly Report

continued

3. Finance costs

Year ended 31 March 2007 £m		9 months ended 31 December 2007 £m	9 months ended 31 December 2006 £m
20.9	Interest payable on bank loans and overdrafts	20.8	15.2
0.5	Amortisation of issue costs of bank loans	0.3	0.4
0.1	Interest payable on finance leases	0.1	–
2.2	Interest payable on 11.125% and 11.625% Debenture Stock 2007	0.6	1.6
0.1	Interest payable on 11% Convertible Loan Stock 2011	–	0.1
(0.5)	Interest capitalised on property refurbishments	(0.6)	(0.4)
23.3		21.2	16.9

4. 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 in 2006 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:

Year ended 31 March 2007 £m	Earnings		Earnings used for calculation of earnings per share	Profit		Earnings per share	
	Profit per share Year ended 31 March 2007 pence	Year ended 31 March 2007 pence		9 months ended 31 December 2007 £m	9 months ended 31 December 2006 £m	9 months ended 31 December 2007 pence	9 months ended 31 December 2006 pence
193.4	115.1		Earnings used for basic earnings per share	(33.3)	160.2	(19.4)	95.8
			Interest saving net of taxation on 11%				
0.1	(1.1)		Convertible Loan Stock dilution	–	0.1	–	(1.2)
–	(1.5)		Share option scheme dilution	–	–	0.2	(1.6)
193.5	112.5		Total diluted earnings	(33.3)	160.3	(19.2)	93.0
(182.7)	(106.2)		Less non trading items	42.2	(154.8)	24.3	(89.8)
10.8	6.3		Trading diluted earnings	8.9	5.5	5.1	3.2

Year ended 31 March 2007 Number	Weighted average number of shares used for calculating earnings per share	9 months ended 31 December 2007 Number	9 months ended 31 December 2006 Number
168,083,460	Weighted average number of shares (excluding shares held in the ESOT)	171,406,733	167,203,011
2,179,100	Dilution due to Share Option Schemes	2,469,892	2,947,264
1,651,507	Dilution due to Convertible Loan Stock	–	2,192,000
171,914,067	Used for calculating diluted earnings per share	173,876,625	172,342,275

Notes to the Quarterly Report

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5. Net assets per share

31 March 2007		31 December 2007	31 December 2006
£m	Net assets used for calculation of net assets per share	£m	£m
582.6	Net assets at end of period (basic)	541.5	550.1
(0.9)	Derivative financial instruments at fair value*	2.4	–
–	Deferred tax on accelerated tax depreciation	–	0.2
0.4	Deferred tax on fair value change of investment properties*	(0.6)	25.3
0.3	Deferred tax on derivative financial instruments*	–	–
582.4	Adjusted net assets	543.3	575.6

*including share of joint venture (comparatives have been restated).

31 March 2007		31 December 2007	31 December 2006
Number	Number of shares used for calculating net assets per share	Number	Number
174,221,087	Shares in issue at period end	174,311,997	174,080,087
(2,738,360)	Less ESOT shares	(2,941,069)	(3,718,410)
171,482,727	Number of shares for calculating basic net assets per share	171,370,928	170,361,677
2,179,100	Dilution due to Share Option Schemes	2,262,545	2,947,264
173,661,827	Number of shares for calculating diluted adjusted net assets per share	173,633,473	173,308,941

6. Investment properties

31 March 2007		31 December 2007	31 December 2006
£m		£m	(restated†) £m
954.0	Balance at beginning of period	1,001.6	954.0
102.1	Additions during the period	39.6	63.6
0.5	Capitalised interest on refurbishments	0.6	0.4
(149.5)	Disposals during the period	–	(149.5)
(0.8)	Diminution in value due to fire loss†	–	(0.7)
95.3	Change in fair value of investment property†	(38.6)	72.3
1,001.6	Balance at end of period	1,003.2	940.1

†Refer to note 2(a)

Valuation

The Group's investment properties were revalued at 31 December 2007 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.

Notes to the Quarterly Report

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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 2007 £m		31 December 2007 £m	31 December 2006 £m
1,000.9	Total per CB Richard Ellis valuation report	1,002.2	942.2
(2.5)	Owner occupied property	(2.8)	(2.4)
3.6	Head leases treated as finance leases under IAS 17	4.1	0.7
(0.4)	Short leases valued as head leases	(0.3)	(0.4)
1,001.6	Total per balance sheet	1,003.2	940.1

7. Current tax liabilities

31 March 2007 £m		31 December 2007 £m	31 December 2006 £m
17.6	Current tax liabilities	–	21.8

The liability at 31 December 2006 and 31 March 2007 included the REIT conversion charge of £18.8m which was paid on 14 July 2007. The Group currently has a tax debtor of £1.4m which represents an overpayment of tax in prior years and which is considered recoverable. This is included under trade and other receivables on the balance sheet.

8. Financial liabilities – borrowings

31 March 2007 £m		31 December 2007 £m	31 December 2006 £m
20.4	Current liabilities	62.0	21.2
360.7	Non-current liabilities	377.9	323.2
381.1		439.9	344.4

Maturity:

31 March 2007 £m		31 December 2007 £m	31 December 2006 £m
Secured (excluding finance leases)			
20.4	Repayable in less than one year	62.0	21.2
–	Repayable between one year and two years	–	–
132.7	Repayable between two years and three years	225.0	123.1
225.0	Repayable between three years and four years	–	200.0
–	Repayable between four years and five years	150.0	–
378.1		437.0	344.3
(0.6)	Less cost of raising finance	(1.2)	(0.6)
377.5		435.8	343.7
Finance leases (part secured)			
3.6	Repayable in five years or more	4.1	0.7
381.1		439.9	344.4

Notes to the Quarterly Report

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9. Notes to cash flow statement

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

Year ended 31 March 2007 £m	9 months ended 31 December 2007 £m	9 months ended 31 December 2006 (restated†) £m
193.4 (Loss)/profit for the period	(33.3)	160.2
(80.9) Tax	0.3	(75.0)
0.6 Depreciation	0.5	0.5
0.1 Amortisation of intangibles	0.1	0.1
(4.4) Profit on disposal of investment properties	–	(4.5)
(95.3) Change in fair value of investment property	38.6	(72.3)
0.8 Diminution in value due to fire loss	–	0.7
(0.9) Fair value changes on financial instruments	0.3	(0.6)
(0.1) Interest income	(0.1)	(0.1)
23.3 Interest expense	21.2	16.9
(1.7) Share in joint venture post tax loss/(profit)	3.3	(0.2)
Changes in working capital:		
(1.1) Increase in trade and other receivables	(0.8)	(2.3)
3.3 Increase in trade and other payables	1.3	2.5
37.1 Cash generated from operations	31.4	25.9

†Refer to note 2(a)

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 2007 £m	31 December 2007 £m	31 December 2006 £m
– Cash at bank and in hand	–	–
2.4 Restricted cash – tenants' deposit deeds	2.7	2.1
(0.9) Bank overdrafts	(2.2)	(1.7)
1.5	0.5	0.4

10. Provisions

31 March 2007 £m	31 December 2007 £m	31 December 2006 £m
– Balance at start of period	20.9	–
20.9 Provision for tax indemnity	–	–
20.9 Balance at end of period	20.9	–

On the formation of the joint venture with Glebe (which was created by a merger and so triggered no tax liabilities) the Group gave an indemnity that should a tax liability arise in the future on the disposal of any of the properties that have been transferred, then the Group would pay to the joint venture a proportion of the liability based on the pre-merger gain. An appropriate provision under current tax law has been made for this liability.

Notes to the Quarterly Report

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11. Statement of changes in shareholders' equity

31 March 2007							31 December 2007	31 December 2006
Total equity £m		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total equity £m	Total equity £m
390.3	Balance at start of period	17.4	30.7	(2.8)	1.3	536.0	582.6	390.3
0.3	Share issues ESOT shares net	–	0.1	–	–	–	0.1	0.2
2.3	(purchase)/release	–	–	(1.7)	–	–	(1.7)	1.3
(6.4)	Dividends paid	–	–	–	–	(4.7)	(4.7)	(4.1)
2.0	Loan stock conversion	–	–	–	–	–	–	2.0
0.7	Value of employee services	–	–	–	0.4	–	0.4	0.2
–	Fair value movement on derivatives	–	–	–	(1.9)	–	(1.9)	–
193.4	(Loss)/profit for the period	–	–	–	–	(33.3)	(33.3)	160.2
582.6	Balance at end of period	17.4	30.8	(4.5)	(0.2)	498.0	541.5	550.1

On 18 July 2007 the Employee Share Ownership Trust (ESOT) purchased 500,000 shares in the Company for a cash consideration of £1.9m.

12. Joint Venture

Workspace Group PLC holds 50% of the ordinary share capital of a joint venture company, Workspace Glebe Limited. Its interest in this joint venture has been equity accounted.

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:

Assets and liabilities:

31 March 2007				31 December 2007	31 December 2006
Total				£m	£m
78.8	Investment properties			78.7	76.7
2.2	Current assets			1.6	2.1
81.0	Total assets			80.3	78.8
(1.8)	Current liabilities			(2.4)	(1.7)
(60.7)	Non-current liabilities			(62.8)	(59.3)
(62.5)	Total liabilities			(65.2)	(61.0)
18.5	Group share of joint venture net assets			15.1	17.8

Notes to the Quarterly Report

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Income and expenses:		9 months ended 31 December 2007 £m	9 months ended 31 December 2006 £m
Year ended 31 March 2007 £m			
4.2	Revenue	3.8	2.9
(1.1)	Direct costs	(1.0)	(0.8)
3.1	Net rental income	2.8	2.1
(0.1)	Administrative expenses	–	–
1.4	Change in fair value of investment property	(3.4)	(0.1)
(3.1)	Finance costs – interest payable	(2.9)	(2.2)
1.2	Change in fair value of derivative financial instruments	(1.1)	0.5
2.5	(Loss)/profit before tax	(4.6)	0.3
(0.8)	Taxation	1.3	(0.1)
1.7	(Loss)/profit after tax	(3.3)	0.2

13. Post balance sheet events

A sales contract was exchanged in March 2007 for the sale of Parmiter Industrial Estate a 35,000 sq ft industrial estate in London, E2 dependent on planning consent. After the period end planning consent was granted for a mixed use development and the sale of the asset is now expected to complete in February 2008.

14. 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 2007 and have been applied in preparing the financial information contained in this report.

This report was approved by the Board on 8 February 2008.

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 2007, 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.

15. Quarterly Report

Copies of this statement will be dispatched to shareholders on 11 February 2008 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.

16. Glossary of Terms

A full glossary of terms used within this report is included in the Group's Annual Report and Accounts 2007, available on the Group's website www.workspacegroup.co.uk.

