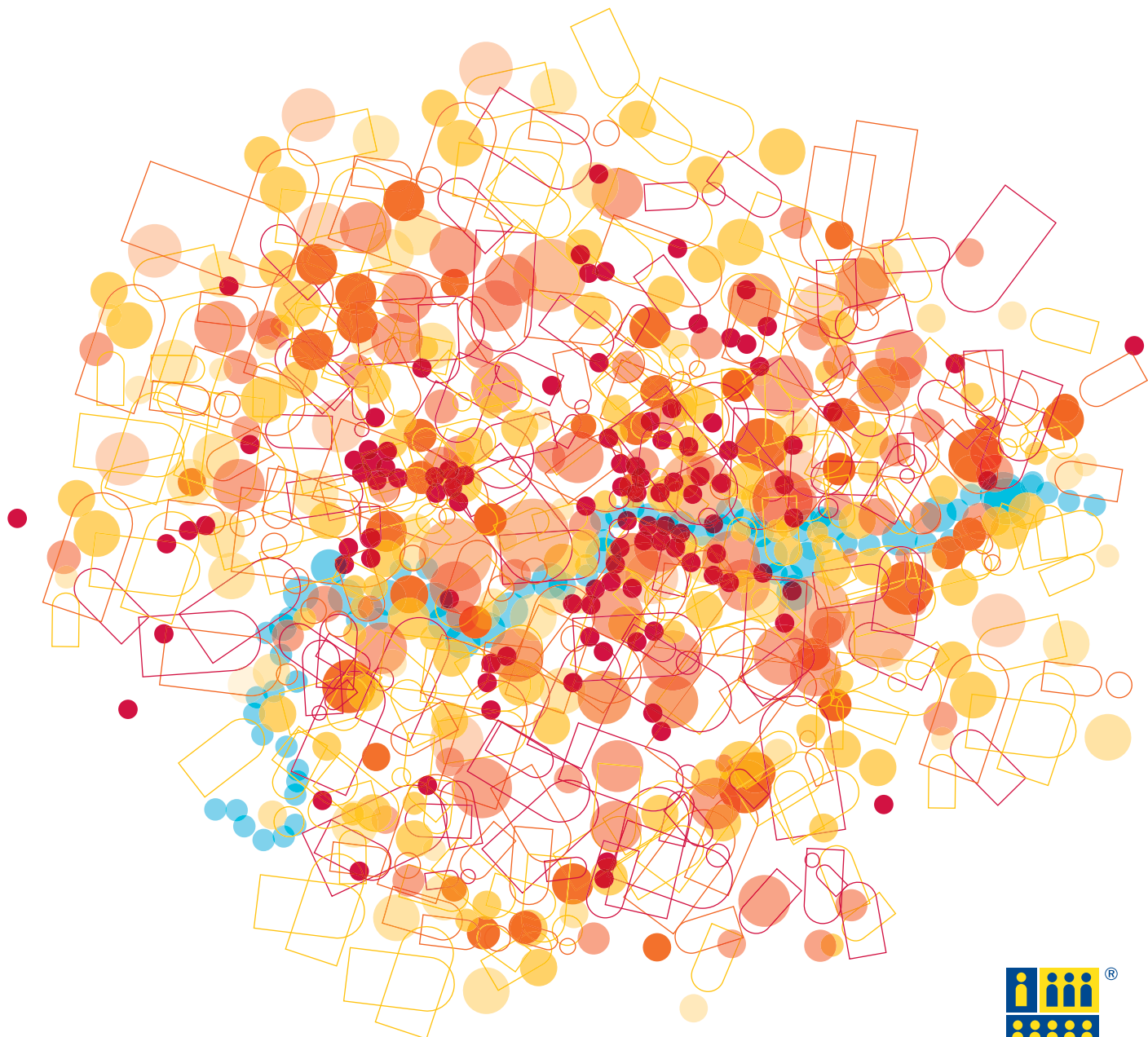


REGENERATING LONDON

Workspace Group PLC
Quarterly Report
For the three months ended
30 June 2007



Workspace Group

Highlights

- Total rent roll £48.2m, up 18.0% over the last twelve months
- Continued high level of customer lettings and occupancy
- Valuation surplus in the quarter of £21.0m (2006: £34.7m)
- Net asset value per share £3.54 up 4.1% in the quarter

Operating and Financial Review

Chief Executive's Statement

The London SME market is vibrant which is resulting in a high level of demand for our workspace. This demand plays to the fundamentals of our business with rents growing strongly.

Regeneration activities have progressed well with two major refurbishments completed in the quarter, one planning consent granted on appeal and two planning applications submitted for sites in our Workspace Glebe joint venture.

We continue to monitor acquisition opportunities across London and will buy where we see value although no properties were purchased during the first quarter.

Rents

Rent roll as at 30 June 2007 is £48.2m, up 2.3% on 31 March 2007 and up 18.0% or £7.3m on 30 June 2006, £2.7m of this annual increase relates to completed refurbishment properties and £2.1m to acquisitions net of disposals.

The like for like annual rental increase at existing properties was 6.1%, improving from growth of 4.2% at March 2007. We are seeing market rents rising across London although the rate of increase varies across the portfolio by estate type and location.

Customer Activity

We continue to see strong levels of enquiries and lettings with improved occupancy levels reflecting the strong demand from SME customers in London for the product we can provide.

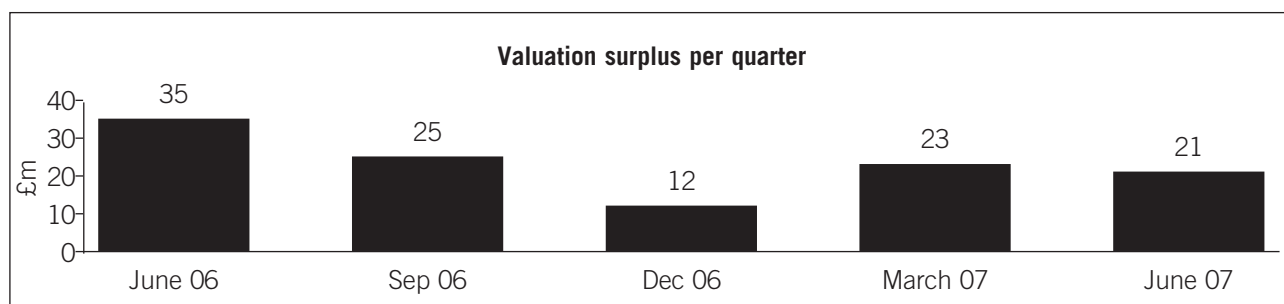
We target 90% occupancy at sites not subject to refurbishment or regeneration and the number of properties running at this level increased by 9 in the quarter. Of our more recently refurbished properties, Clerkenwell Workshops and Enterprise House which were completed in June 2006 now have occupancy levels of 95% and 91% respectively.

Occupancy Level	June 2006	March 2007	June 2007
Sites greater than 90%	46	49	58
Sites 80%-90%	27	28	19
Sites less than 80%	23	24	24
Average Occupancy	81.8%	84.8%	85.8%

Properties with lower occupancy primarily represent recent acquisitions, where our intensive management and property improvement programmes are underway, or properties where occupancy has been deliberately managed to lower levels to progress refurbishment or added value programmes.

Valuation

The surplus for the quarter was £21.0m, equivalent to 12.1p per share. Our directly owned portfolio was valued at £1,028m as at 30 June 2007. The largest valuation increases in the first quarter have been at The Leathermarket £2.5m, Clerkenwell £2.1m and Barley Mow £1.6m.



Operating and Financial Review

continued

We have highlighted previously that we expected valuation growth to increasingly come from higher rental values. In 2006/7 we saw 70% of our valuation growth come from rent increases and 30% from yield shift. This quarter's valuation has seen reversionary yields remain stable at 6.5% with the overall valuation increase in line with the higher rental values being achieved.

We believe the combination of our capital value per square foot of £210 and average rental income of £11.47 for a portfolio of 4.9 million square feet, 98% of which is within the boundary of London's M25 motorway, provides a substantial opportunity for us to add value going forward.

Property Acquisitions and Disposals

During the first quarter there were no completed acquisitions or disposals. Following the quarter end, we have purchased Ewer Street, SE1 a vacant office site for £4.7m.

We continue to seek properties that offer the opportunity of delivering superior rental growth through application of Workspace's operational capabilities, are in improving areas or where intensification of use opportunities exist. Our REIT status will provide us with additional opportunities for investment.

Regeneration Update

Refurbishment at both Greville Street and Lombard House was completed on time in June 2007 and both properties are starting to let. Planning consent was granted on appeal in May at Aberdeen Centre (Highbury) for a mixed use commercial and residential scheme of 133,000 sq.ft. In the Workspace Glebe joint venture planning applications have now been submitted for mixed-use commercial and residential schemes at both Grand Union Centre and Wandsworth Business Village.

Management

Graham Clemett, Finance Director and Angus Boag, Development Director, have recently joined the Workspace Executive Team. Chris Pieroni will be joining in October as Operations Director. This gives us the capability for the next stage of growth of the Group.

Financial Review

The first quarter has seen good income growth with net rental income of £11.8m up 7.3% on the quarter to June 2006 (up 8.8% on a like for like basis).

Trading profit for the quarter is £3.0m (2006: £2.7m) with the growth in rental income reduced by higher finance costs reflecting the impact of the increases in base rate on our floating rate borrowings.

Profit before tax of £24.9m includes the revaluation gain of £21.0m which compares to a revaluation gain of £34.7m in the quarter to June 2006 and £95.3m in the full year 2006/7.

The tax charge for the quarter is nil (2006: £12.8m) following the conversion to a REIT on 1 January 2007.

£19.5m of debenture stock (with an average interest cost of 11.3% pa) was repaid in June 2007. A new revolving facility of £75m has been secured to ensure we have sufficient funds for ongoing investment. At the end of June the Group had available borrowing facilities of £118.1m with gearing of 63% (2006: 77%).

Net asset value per share at £3.54 is up 4.1% in the quarter and 38.3% on 30 June 2006. The significant increase over the last year reflects both the increase in the portfolio valuation and the release of deferred tax provisions following conversion to a REIT.

Prospects

The future for the Group is promising. Our core market in London is vibrant and the sentiment of our customers in their businesses is positive.

With a strong demand for space, growing rental values and good progress on our improvement and regeneration plans, we are confident that we can continue to deliver attractive capital and income growth returns for our shareholders.

Whilst yields in the property market as a whole may be under pressure, we consider the low capital value per square foot of our portfolio and concentration in London are robust characteristics. Further, our decision to significantly reduce gearing in the last year has given us greater flexibility to exploit acquisition opportunities within this environment.

Operating and Financial Review

continued

Key Statistics

	Quarter ending 30 June 2007	Quarter ending 31 March 2007	Quarter ending 31 December 2006	Quarter ending 30 September 2006	Quarter ending 30 June 2006
Workspace Group portfolio					
Number of estates	101	101	99	99	96
Lettable floorspace (million sq.ft)†	4.9	4.9	4.8	5.0	4.9
Number of lettable units	4,394	4,304	4,233	4,215	4,286
Net annual rent roll of occupied units	£48.22m	£47.15m	£43.69m	£43.01m	£40.88m
Average rent per sq ft	£11.47	£11.34	£10.85	£10.56	£10.22
Overall occupancy	85.8%	84.8%	83.9%	81.7%	81.8%
Workspace Glebe joint venture portfolio					
Number of estates	15	15	14	14	14
Lettable floorspace (million sq.ft)†	1.2	1.2	1.2	1.2	1.1
Number of lettable units	813	813	811	810	806
Net annual rent roll of occupied units	£7.90m	£8.12m	£8.08m	£7.76m	£7.50m
Average rent per sq ft	£7.77	£7.81	£7.84	£7.39	£7.13
Overall occupancy	87.7%	89.7%	89.9%	91.6%	92.5%
Financial Performance (£m)					
Revenue	16.1	16.8*	14.6	14.4	15.2
Net rental income	11.8	12.0	9.6	10.1	11.0
Trading profit before taxation	3.0	3.8	1.3	2.4	2.7
Profit before taxation	24.9	27.3	15.8	26.3	43.1
Investment portfolio valuation	1,028.1	1,001.6	940.1	930.4	881.0
Net assets	607.8	582.6	550.1	437.4	420.9
Net asset value per share (£)	£3.54	£3.40	£3.23	£2.58	£2.56
Diluted adjusted net assets per share (£)	£3.49	£3.36	£3.32	£3.34	£3.21
Trading interest cover	1.45x	1.44x	1.39x	1.46x	1.45x
Gearing %	63%	65%	62%	80%	77%
Available borrowing facilities	118.1	65.4	99.2	93.9	145.7

*Includes £1.1m option fees received for the potential sale of Thurston Road.

†Excludes storage space.

Acquisitions and Disposals – 1 April 2007 to date

Name of Property	Description	Acquisition Date	Price £m	Income £000	Market rent at purchase £000
Acquisitions					
Ewer St, London, SE1	14,000 sq. ft vacant office building	23 July	4.70m	Nil	217

Consolidated Income Statement

Audited Year ended 31 March 2007 £m	Notes	Unaudited 3 months ended 30 June 2007			Unaudited 3 months ended 30 June 2006 (restated†) £m	
		Trading Operations £m	Other Items* £m	Total £m		
61.0	Revenue	1	16.1	–	16.1	15.2
(18.3)	Direct costs	1	(4.3)	–	(4.3)	(4.2)
42.7	Net rental income	1	11.8	–	11.8	11.0
(10.0)	Administrative expenses		(2.1)	(0.3)	(2.4)	(2.4)
95.3	Gain from change in fair value of investment property		–	21.0	21.0	34.7
0.7	Other income	2a	–	–	–	0.9
4.4	Profit on disposal of investment properties	2b	–	–	–	4.5
133.1	Operating profit		9.7	20.7	30.4	48.7
0.1	Finance income – interest receivable		–	–	–	–
(23.3)	Finance costs – interest payable	3	(6.7)	–	(6.7)	(6.0)
109.9			3.0	20.7	23.7	42.7
0.9	Change in fair value of derivative financial instruments		–	0.2	0.2	0.4
1.7	Share of joint venture post tax profit	12	–	1.0	1.0	–
112.5	Profit before tax		3.0	21.9	24.9	43.1
80.9	Taxation		–	–	–	(12.8)
193.4	Profit for the period after tax and attributable to equity shareholders		3.0	21.9	24.9	30.3
115.1p	Basic earnings per share	4	1.7p	12.8p	14.5p	18.4p
112.5p	Diluted earnings per share	4	1.7p	12.6p	14.3p	17.6p

*Other Items – the definition of other items is consistent with that noted in previous quarters.

†Refer to note 6

Consolidated Statement of Recognised Income and Expense (SORIE)

Audited Year ended 31 March 2007 £m		Unaudited 3 months ended 30 June 2007 £m	Unaudited 3 months ended 30 June 2006 £m
193.4	Profit for the financial period	24.9	30.3
193.4	Total recognised income and expense for the period	24.9	30.3

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 2007 £m		Notes	Unaudited 30 June 2007 £m	Unaudited 30 June 2006 £m
Non-current assets				
1,001.6	Investment properties	6	1,028.1	881.0
0.3	Intangible assets		0.3	0.2
3.3	Property, plant and equipment		3.3	3.5
18.5	Investment in joint venture	12	19.5	17.7
1,023.7			1,051.2	902.4
Current assets				
8.8	Trade and other receivables		11.0	8.2
0.1	Financial assets – derivative financial instruments		0.4	0.1
2.4	Cash and cash equivalents		2.5	1.8
11.3			13.9	10.1
Current liabilities				
(20.4)	Financial liabilities – borrowings	8	(5.9)	(3.3)
(0.3)	Financial liabilities – derivative financial instruments		(0.4)	(0.8)
(32.3)	Trade and other payables		(34.8)	(29.4)
(17.6)	Current tax liabilities	7	(17.1)	(3.2)
(70.6)			(58.2)	(36.7)
(59.3)	Net current liabilities		(44.3)	(26.6)
Non-current liabilities				
(360.7)	Financial liabilities – borrowings	8	(378.0)	(321.5)
(0.2)	Deferred tax liabilities		(0.2)	(133.4)
(20.9)	Provisions	10	(20.9)	–
(381.8)			(399.1)	(454.9)
582.6	Net assets		607.8	420.9
Shareholders' equity				
17.4	Ordinary shares	11	17.4	16.9
30.7	Share premium	11	30.7	28.7
(2.8)	Investment in own shares	11	(2.7)	(5.1)
1.3	Other reserves		1.5	1.1
536.0	Retained earnings	11	560.9	379.3
582.6	Total shareholders' equity	11	607.8	420.9
£3.40	Net asset value per share (basic)	5	£3.54	£2.56
£3.36	Diluted adjusted net asset value per share	5	£3.49	£3.21

Consolidated Cash Flow Statement

Audited Year ended 31 March 2007 £m		Notes	Unaudited 3 months ended 30 June 2007 £m	Unaudited 3 months ended 30 June 2006 £m
Cash flows from operating activities				
37.1	Cash generated from operations	9a	9.8	11.2
0.1	Interest received		–	–
(23.0)	Interest paid		(6.8)	(7.3)
0.1	Tax (paid)/refunded		(0.2)	(0.2)
14.3	Net cash from operating activities		2.8	3.7
Cash flows from investing activities				
(74.6)	Purchase of investment properties		–	(21.6)
(20.3)	Capital expenditure on investment properties		(5.7)	(4.7)
160.3	Net proceeds from disposal of investment properties		–	148.4
(4.8)	Tax paid on disposal of investment properties		(0.4)	(1.1)
(0.2)	Purchase of intangible assets		–	–
(0.3)	Purchase of property, plant and equipment		(0.2)	(0.1)
(19.5)	Investment and loan to joint venture		–	(19.5)
40.6	Net cash from investing activities		(6.3)	101.4
Cash flows from financing activities				
0.3	Net proceeds from issue of ordinary share capital		–	–
(47.0)	Net repayment of bank borrowings		(0.9)	(104.7)
1.7	ESOT shares released		0.8	–
(0.1)	Finance lease principal payments		–	–
(6.4)	Dividends paid to shareholders		–	–
(51.5)	Net cash from financing activities		(0.1)	(104.7)
3.4	Net (decrease)/increase in cash and cash equivalents		(3.6)	0.4
(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	(2.1)	(1.5)

Notes to the Quarterly Report

For the 3 months ended 30 June 2007

1. Analysis of net rental income

Year ended 31 March 2007				3 months ended 30 June 2007			3 months ended 30 June 2006		
Revenue	Direct	Net		Revenue	Direct	Net	Revenue	Direct	Net
£m	Costs	Rental		£m	Costs	Income	£m	Costs	Income
	£m	Income			£m	£m		£m	£m
45.6	(0.2)	45.4	Rental income*	12.5	(0.1)	12.4	11.7	(0.1)	11.6
12.3	(17.1)	(4.8)	Service charges and other recoveries	3.2	(4.0)	(0.8)	3.1	(4.0)	(0.9)
3.1	(1.0)	2.1	Services, fees, commissions and sundry income†	0.4	(0.2)	0.2	0.4	(0.1)	0.3
61.0	(18.3)	42.7		16.1	(4.3)	11.8	15.2	(4.2)	11.0

*Rental income includes lease surrender premia of £0.2m (31 March 2007: £0.3m, 30 June 2006: £0.1m).

†Sundry income includes £nil (31 March 2007 : £1.1m, 30 June 2006 : £nil) option fees received from the potential sale of Thurston Road.

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

2(a). Other income

Amounts last year represent insurance proceeds received net of diminution in value at Westwood Business Centre. Following a fire that destroyed part of the property, it was decided that the damaged part would not be replaced.

2(b). Profit on disposal of investment properties

Year ended 31 March 2007 £m		3 months ended 30 June 2007 £m	3 months ended 30 June 2006 £m
168.3	Gross proceeds from sale of investment properties	–	156.2
(161.2)	Book value at time of sale plus sale costs	–	(149.1)
7.1		–	7.1
(2.7)	Unrealised profits on sale of properties to joint venture	–	(2.6)
4.4	Pre tax profit on sale	–	4.5

Notes to the Quarterly Report

continued

3. Finance costs

Year ended		3 months ended	3 months ended
31 March		30 June	30 June
2007		2007	2006
£m		£m	£m
20.9	Interest payable on bank loans and overdrafts	6.1	5.4
0.5	Amortisation of issue costs of bank loans	0.1	0.1
0.1	Interest payable on finance leases	0.1	–
1.4	Interest payable on 11.125% First Mortgage Debenture Stock 2007	0.4	0.4
0.8	Interest payable on 11.625% First Mortgage Debenture Stock 2007	0.2	0.2
0.1	Interest payable on 11% Convertible Loan Stock 2011	–	0.1
(0.5)	Interest capitalised on property refurbishments	(0.2)	(0.2)
23.3		6.7	6.0

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	Earnings		Earnings used for calculation of earnings per share	Profit		Earnings per share	
	Profit	per share		3 months ended	3 months ended	3 months ended	3 months ended
31 March	Year ended	Year ended		30 June	30 June	30 June	30 June
2007	2007	2007		2007	2006	2007	2006
£m	£m	pence		£m	£m	pence	pence
193.4	115.1		Earnings used for basic earnings per share	24.9	30.3	14.5	18.4
			Interest saving net of taxation on 11%				
0.1	(1.1)		Convertible Loan Stock dilution	–	0.1	–	(0.4)
–	(1.5)		Share option scheme dilution	–	–	(0.2)	(0.4)
193.5	112.5		Total diluted earnings	24.9	30.4	14.3	17.6
(182.7)	(106.2)		Less non trading items	(21.9)	(28.4)	(12.6)	(16.5)
10.8	6.3		Trading diluted earnings	3.0	2.0	1.7	1.1

Year ended		3 months ended	3 months ended
31 March		30 June	30 June
2007		2007	2006
Number	Weighted average number of shares used for calculating earnings per share	Number	Number
168,083,460	Weighted average number of shares (excluding shares held in the ESOT)	171,548,826	164,573,545
2,179,100	Dilution due to Share Option Schemes	2,567,960	3,566,635
1,651,507	Dilution due to Convertible Loan Stock	–	4,400,000
171,914,067	Used for calculating diluted earnings per share	174,116,786	172,540,180

Notes to the Quarterly Report

continued

5. Net assets per share

31 March 2007		30 June 2007	30 June 2006
£m	Net assets used for calculation of net assets per share	£m	£m
582.6	Net assets at end of period (basic)	607.8	420.9
–	Dilution due to Convertible Loan Stock	–	2.2
582.6	Diluted net assets	607.8	423.1
0.2	Derivative financial instruments at fair value	–	0.7
–	Deferred tax on accelerated tax depreciation	–	8.6
–	Deferred tax on fair value change of investment properties	–	122.9
–	Deferred tax on derivative financial instruments	–	(0.3)
582.8	Diluted adjusted net assets	607.8	555.0
582.8	Adjusted net assets (basic)	607.8	552.8

31 March 2007		30 June 2007	30 June 2006
Number	Number of shares used for calculating net assets per share	Number	Number
174,221,087	Shares in issue at period end	174,221,087	169,509,640
(2,738,360)	Less ESOT shares	(2,628,360)	(4,823,410)
171,482,727	Number of shares for calculating basic net assets per share	171,592,727	164,686,230
2,179,100	Dilution due to Share Option Schemes	2,567,960	3,566,635
–	Dilution due to Convertible Loan Stock	–	4,400,000
173,661,827	Number of shares for calculating diluted net assets per share	174,160,687	172,652,865

6 Investment properties

31 March 2007		30 June 2007	30 June 2006
£m		£m	(restated)† £m
954.0	Balance at beginning of period	1,001.6	954.0
102.1	Additions during the period	5.3	30.5
0.5	Capitalised interest on refurbishments	0.2	0.2
(149.5)	Disposals during the period	–	(137.7)
(0.8)	Diminution in value due to fire loss†	–	(0.7)
95.3	Net gain from fair value adjustments on investment property	21.0	34.7
1,001.6	Balance at end of period	1,028.1	881.0

† June 2006 comparatives have been restated to be consistent with the 2007 year end presentation of diminution in value of the Westwood Business Centre.

Valuation

The Group's investment properties were revalued at 30 June 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

continued

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		30 June 2007 £m	30 June 2006 £m
1,000.9	Total per CB Richard Ellis valuation report	1,027.6	883.1
(2.5)	Owner occupied property	(2.7)	(2.4)
3.6	Head leases treated as finance leases under IAS 17	3.6	0.7
(0.4)	Short leases valued as head leases	(0.4)	(0.4)
1,001.6	Total per balance sheet	1,028.1	881.0

7. Current tax liabilities

31 March 2007 £m		30 June 2007 £m	30 June 2006 £m
17.6	Current tax liabilities	17.1	3.2

The liability at 30 June 2007 and 31 March 2007 includes the REIT conversion charge of £18.8m which was paid on 14 July 2007. The balance represents an overpayment of tax in prior years which is considered recoverable.

8. Financial liabilities – borrowings

31 March 2007 £m		30 June 2007 £m	30 June 2006 £m
20.4	Current liabilities	5.9	3.3
360.7	Non-current liabilities	378.0	321.5
381.1		383.9	324.8

Maturity:

31 March 2007 £m		30 June 2007 £m	30 June 2006 £m
	Secured (excluding finance leases)		
20.4	Repayable in less than one year	5.9	3.3
–	– Repayable between one year and two years	–	19.5
132.7	Repayable between two years and three years	150.0	–
225.0	Repayable between three years and four years	225.0	100.0
–	– Repayable between four years and five years	–	200.0
378.1		380.9	322.8
(0.6)	Less cost of raising finance	(0.6)	(0.9)
377.5		380.3	321.9
	Unsecured		
–	– Repayable in five years or more	–	2.2
	Finance leases (part secured)		
3.6	Repayable in five years or more	3.6	0.7
381.1		383.9	324.8

Notes to the Quarterly Report

continued

9. Notes to cash flow statement

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

Year ended 31 March 2007 £m	3 months ended 30 June 2007 £m	3 months ended 30 June 2006 (restated†) £m
193.4 Profit for the period	24.9	30.3
(80.9) Tax	–	12.8
0.6 Depreciation	0.2	0.2
0.1 Amortisation of intangibles	–	–
(4.4) Profit on disposal of investment properties	–	(4.5)
(95.3) Net gain from fair value adjustments on investment property	(21.0)	(34.7)
0.8 Diminution in value due to fire loss	–	0.7
(0.9) Fair value gains on financial instruments	(0.2)	(0.4)
(0.1) Interest income	–	–
23.3 Interest expense	6.7	6.0
(1.7) Share in joint venture post tax profit	(1.0)	–
Changes in working capital:		
(1.1) Increase in trade and other receivables	(2.7)	(1.3)
3.3 Increase in trade and other payables	2.9	2.1
37.1 Cash generated from operations	9.8	11.2

†Refer to note 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 2007 £m	30 June 2007 £m	30 June 2006 £m
– Cash at bank and in hand	–	–
2.4 Restricted cash – tenants' deposit deeds	2.5	1.8
(0.9) Bank overdrafts	(4.6)	(3.3)
1.5	(2.1)	(1.5)

10. Provisions

31 March 2007 £m	30 June 2007 £m	30 June 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

continued

11. Statement of changes in shareholders' equity

31 March 2007		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	30 June 2007 Total equity £m	30 June 2006 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	–	–	–	–	–	–	–
2.3	ESOT shares released	–	–	0.1	–	–	0.1	–
(6.4)	Dividends paid	–	–	–	–	–	–	–
2.0	Loan stock conversion	–	–	–	–	–	–	–
0.7	Value of employee services	–	–	–	0.2	–	0.2	0.3
193.4	Profit for the period	–	–	–	–	24.9	24.9	30.3
582.6	Balance at end of period	17.4	30.7	(2.7)	1.5	560.9	607.8	420.9

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:

Balance Sheet:

31 March 2007 £m		30 June 2007 £m	30 June 2006 £m
78.8	Investment properties	79.2	76.0
2.2	Current assets	4.3	1.7
81.0	Total assets	83.5	77.7
(1.8)	Current liabilities	(2.2)	(1.5)
(60.7)	Non-current liabilities	(61.8)	(58.5)
(62.5)	Total liabilities	(64.0)	(60.0)
18.5	Group share of joint venture net assets	19.5	17.7

Income Statement:

Year ended 31 March 2007 £m		3 months ended 30 June 2007 £m	3 months ended 30 June 2006 £m
4.2	Revenue	1.3	0.3
(1.1)	Direct costs	(0.3)	(0.1)
3.1	Net rental income	1.0	0.2
(0.1)	Administrative expenses	–	–
1.4	Change in fair value of investment property	(0.1)	–
(3.1)	Finance costs – interest payable	(1.0)	(0.2)
1.2	Change in fair value of derivative financial instruments	1.5	–
2.5	Profit before tax	1.4	–
(0.8)	Taxation	(0.4)	–
1.7	Profit after tax	1.0	–

Notes to the Quarterly Report

continued

13. Post balance sheet events

On 23 July 2007 the Group acquired St Ives House, Ewer Street, London, SE1, a 14,500 sq.ft. vacant office building for a cash consideration of £4.7m.

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 17 August 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 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 20 August 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.

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.