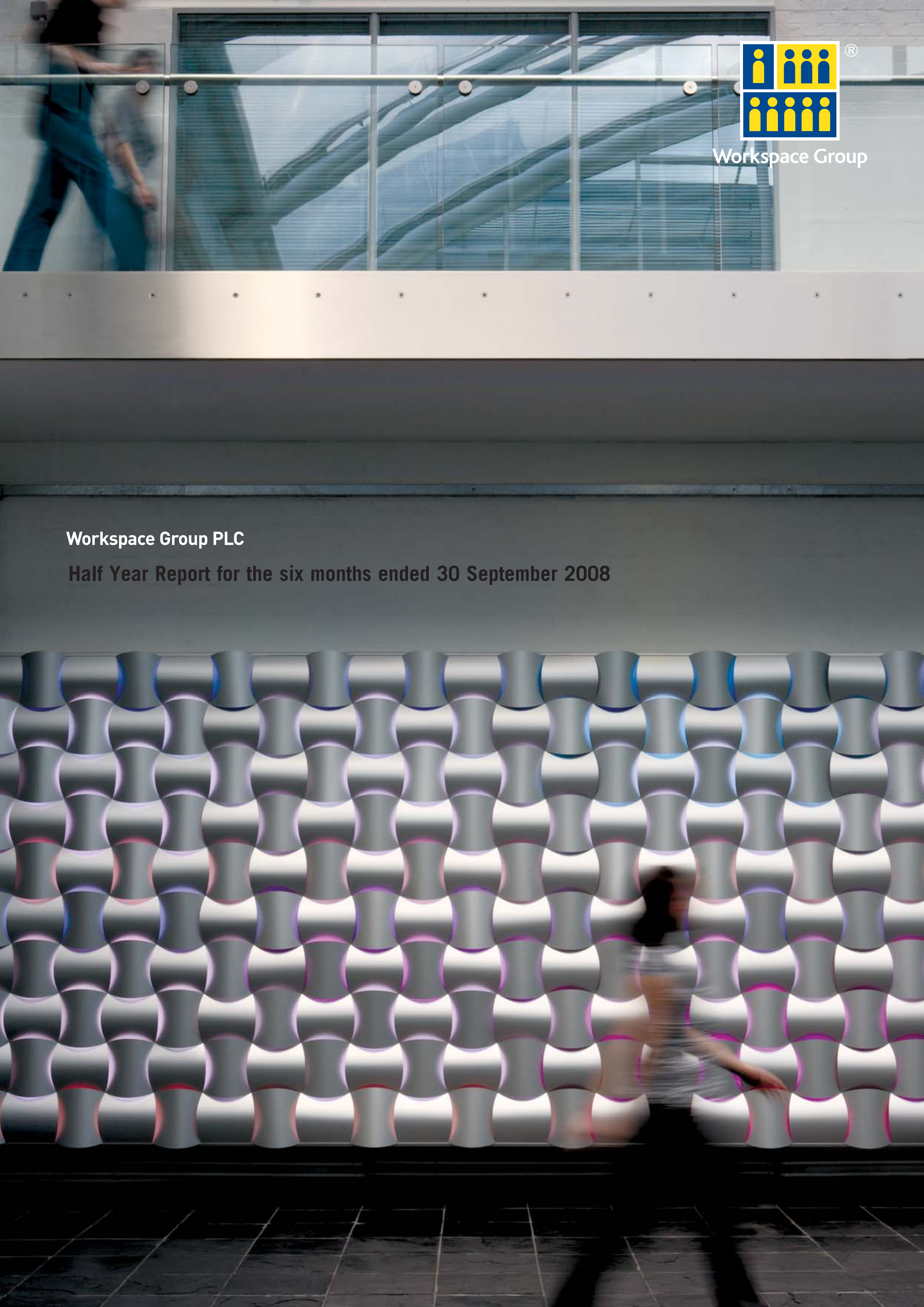

Workspace Group

Workspace Group PLC

Half Year Report for the six months ended 30 September 2008

Performance Highlights

Interim results for the six months ended 30 September 2008

- Occupancy maintained in the quarter at 84.1% overall and 87.6% on a like-for-like basis
- Total rent roll £53.1m up 7.1% (£3.6m) on prior year and up 1.7% (£0.9m) in the quarter
- Enquiry levels continue at 800 per month
- Good growth in revenue over the six months up 8.0% (£2.6m) on prior year
- Trading profit before interest over the six months £19.6m (2007: £18.7m) after increase in empty rates charge of £0.7m
- Contracts exchanged for the disposal of £29m of properties
- Property valuation £870.9m, down 12.3% in the half year with diluted adjusted net asset value £2.32 per share (March 2008: £3.11)
- Underlying income yield now 6.5% with equivalent yield 8.0%
- Total loss before tax over the six months £128.5m (2007: Profit £19.9m) after reduction in valuation
- Interim dividend held at 1.52 pence per share

Operating and Financial Review

Chairman's Statement

We are showing a good set of operational performance indicators when you take into account the first time effect of empty rates, with net rental income up 7.3% and trading profit up 8.5%. Net cash from trading after a significant reduction in capital expenditure is up 50% to £13.8m.

We are working closely with both existing and prospective customers and are actively marketing the attractions of our flexible and affordable space. The high level of enquiries and conversions confirm the appeal of our product to small and medium sized enterprises (SMEs) and indeed the continuing level of business activity in our sector, despite the general economic downturn.

In this difficult environment, we have taken action to reduce our cost base, and reduced the level of capital expenditure on all but essential projects, focusing on cash generation and debt reduction.

We have seen a 12% reduction in the property valuation over the six months. This reflects the wider deterioration in property values across the UK, over which we have no control. With the equivalent yield for our portfolio now at 8% and UK base rates continuing to fall, we expect to see our property portfolio look increasingly attractive, particularly given its location with:

- 80% of the portfolio within 6 miles of the centre of London,
- the shortage of supply of space available for small businesses in London,
- its significant alternative use potential, and
- low capital value, some £172 per sq. ft

Looking to the near term, I have no doubt that the market will continue to be challenging. However, Workspace has an excellent business model with a very good brand profile in London. Our product offering of well located, affordable and flexible space is, I believe, right for the foreseeable future. Indeed, we should benefit from the caution which many SMEs will adopt towards their occupational requirements. We also have a first class management team which has the experience of managing the business through difficult times.

Finally, in this environment we consider it prudent to preserve our cash resources and are therefore declaring an interim dividend held at last year's level, despite the good trading performance of the Group over the six months.

Chief Executive's Statement

The success of our business depends upon being close to our customers. We need to understand and respond to their needs. These are times when our business model of providing flexible, affordable space to SMEs in London is especially relevant and when what we do as a management team can be seen to have a direct impact on our results.

This is what we are doing:

- Enquiries: Our targeted marketing efforts continue to generate 800 enquiries per month capturing a higher proportion of the total enquiries for space in our sector.
- Converting Enquiries: Over the six month period we have secured over 500 lettings for customers who want the flexibility that our offer gives them, and have seen customers from higher priced accommodation in London move to our affordable space. Whilst doing this, overall we have been able to maintain rental levels.
- Occupancy has been maintained despite some increase in leavers. Indeed, the actual rent roll has grown in the quarter, assisted by newly refurbished lettable space that has come on stream from initiatives in previous years.
- Bad debt remains firmly under control at £0.2m in the first six months.
- We have reduced our overhead costs and cut back on certain expenditure where we were previously investing for the future. We are targeting over £1m of overhead savings in 2009/10.
- Capital expenditure has been halved this year and going into 2009/10 we are targeting further reductions. We believe such reductions will not affect immediate income growth prospects but will improve further the cash generation from our portfolio. In times like these, cash generation is what we focus on.

Operating and Financial Review
continued

- We have exchanged on £12m of disposals so far this financial year that will complete over the next 2 months at an income yield of 5.8%. From our added value activities we have exchanged on a further £17m of disposals at or ahead of current valuations that, subject to planning consent, we expect to receive in 2009.
- Meanwhile, on the treasury side we are targeting a reduction in the level of debt and the cost of debt is now at the same level as the underlying income yield on our portfolio.

Overall in a busy and challenging environment we believe that we have achieved a considerable amount.

Enquiries and Conversions
We continue to see a high level of enquiries and are converting some 20 deals per week at price levels in line with the estimated rental values. In the current economic climate, evidence suggests that SMEs are being more rigorous in their approach to costs and are attracted by our ability to offer flexible affordable accommodation to meet their needs.

Average Number per month	Last 3 Months	Last 6 Months	Prior Year
Enquiries	880	878	794
Lettings	88	82	84

Occupancy and Rent Roll
Occupancy levels have been maintained over the last quarter. An analysis between like-for-like properties and other properties is set out below:

Occupancy	No of Properties	September 2008	June 2008	March 2008
Like-for-like properties	94	87.6%	87.6%	89.6%
Other properties	13	69.5%	69.1%	69.5%
Total	107	84.1%	84.1%	85.8%

We continue to see good overall growth in rent roll up 1.7% (£0.9m) in the quarter and 7.1% (£3.6m) over the last 12 months. Rent roll at our like-for-like properties has been steady over the last three months but we have been able to achieve good increases at a number of our newly refurbished properties.

Rent Roll	September 2008	3 Months Change	12 Months Change
Like-for-like properties	£46.0m	+0.2%	+4.5%
Other properties	£7.1m	+12.7%	+28.8%
Total	£53.1m	+1.7%	+7.1%

Operating and Financial Review
continued

The 13 other properties comprise of a range of assets at different stages in their lifecycle.

	Number of Properties	Lettable Area	Current Occupancy	Rent Roll
Acquired/refurbished assets now running at high occupancy	2	105,000 sq.ft.	90%	£1.1m
Refurbished properties currently being let up	4	486,000 sq.ft.	70%	£4.7m
Refurbished properties opening in September/October 2008	2	45,000 sq. ft.	9%	£0.1m
Targeted disposals where occupancy is being run-down	3	223,000 sq.ft.	60%	£0.9m
Estates requiring investment currently on hold	2	150,000 sq.ft.	65%	£0.3m

The six recently refurbished properties provide potential for good rental growth and cashflow as we bring them up to the targeted 90% occupancy level with no further capital expenditure required. The additional reversionary income on these six properties alone at 90% occupancy is £5.6m.

Trading Performance

An analysis of trading and cashflow performance for the six months to 30 September 2008, split between like-for-like and other properties is set out below.

Income Statement (£m)	Like-for-Like	Other	2008 Total	2007 Total
Net rental income (excl. empty rates)	**22.3**	**2.7**	**25.0**	**23.3**
Empty rates	(0.5)	(0.3)	(0.8)	(0.1)
Administrative costs	(4.1)	(0.5)	(4.6)	(4.5)
Trading profit	**17.7**	**1.9**	**19.6**	**18.7**
Interest	(11.5)	(2.7)	(14.2)	(13.6)
Trading profit after interest	6.2	(0.8)	5.4	5.1
Other income			0.8	2.0
Share of joint venture loss			(0.5)	(0.1)
Changes in fair value (including share of joint venture)			(138.6)	12.9
Profit on disposal of property			4.4	–
(Loss)/profit before tax			**(128.5)**	**19.9**

- Net rental income excluding empty rates at £25.0m is up 7.3% (£1.7m) on prior year. There has been a £0.7m cost increase from the change in empty rates legislation.
- Administrative costs include a £0.4m write-back on the national insurance provision for share based payments (2007: £0.5m write-back).
- Other income in the six months represents a further non-refundable option fee received on a redevelopment scheme at Thurston Road, SE13 for which planning has already been obtained. Discussions on the disposal of this site are in legal hands. In the prior year we received a £2m option fee in relation to the potential sale of N17 Studios, London, N17.
- Average interest cost in the half year was 6.4% (2007: 7.0%) on borrowings of £445.4m at 30 September 2008 (2007: £420.0m).

Operating and Financial Review
continued

Cashflow Statement (£m)	Like-for-Like	Other	2008 Total	2007 Total
Cash from trading (excl empty rates)	17.6	2.2	19.8	20.1
Empty rates	(0.5)	(0.3)	(0.8)	(0.1)
Capital expenditure	(1.5)	(3.7)	(5.2)	(10.8)
Net cash from trading	**15.6**	**(1.8)**	**13.8**	**9.2**

- Net cash from trading is up 50% with the level of capital expenditure significantly reduced. A number of larger refurbishments are either completed or nearing completion and no significant new refurbishments are currently planned.
- Bad debt charge remains low at £0.2m (2007: £0.1m).

Valuation
A property portfolio valuation is undertaken quarterly by our valuers CB Richard Ellis. A summary of the valuation at 30 September is set out below.

	30 September 2008	31 March 2008
Valuation	£871m	£993m
Estimated rental values (ERVs)	£77.5m	£76.1m
Equivalent yield (at 90% occupancy)	8.0%	6.9%
Reversionary yield	8.9%	7.7%
Underlying income yield (like-for-like properties)	6.5%	5.8%

We have seen a reduction in the valuation over the first six months of the year with ERVs up 1.9% but yields softening significantly with a greater focus by the valuers on initial yields. A summary of the movement in valuation by quarter is set out below:

	£m
Valuation at 31 March 2008	993
Capital expenditure	9
Valuation reduction – quarter to 30 June 2008	(46)
– quarter to 30 September 2008	(85)
Valuation at 30 September 2008	871

The risks around the valuation in the current volatile environment are set out in note 18 to the interim statement.

The portfolio of 147 acres is valued largely on a current use basis at a capital value of £172 per sq. ft. with only £15m included for alternative use potential at 8 estates. Longer term we expect at least half of our properties (of which 80% are located within 6 miles of Central London) to have redevelopment potential.

Operating and Financial Review
continued

Redevelopment Update
We continue to progress with planning options for change of use and refurbishment opportunities across our portfolio, aiming to minimise up-front expenditure. We are focusing our efforts where added value activity can generate early cash disposals. Subject to receiving planning consent and obtaining vacant possession we would expect to receive up to £17m from alternative use developments in 2009. During the first half of the year we have:

- Exchanged contracts for the sale of part of the site at Canalot Studios, W10 to a student housing operator for £6.25m.
- Exchanged contracts for the sale of part of a car park area at Bounds Green, N11 to a self-storage operator for £2.55m.
- Lodged an appeal against a refusal of planning consent for a student housing development on part of the site at Greenheath, E2. We have exchanged contracts with another student housing provider at this site for £6.0m. The planning inquiry is scheduled for November 2008 with a decision expected in March 2009.
- Agreed a sale of Alscot Road, SE1 to a student housing provider for £2.4m subject to planning consent.
- Received planning consent for a 17,000 sq. ft extension to our existing 76,000 sq. ft business centre at The Lightbox, W4.
- Received planning consent for the construction of 67,000 sq.ft of new industrial units at Leyton Industrial Village, E10 which is located 2 miles north of the Olympic development area.

Acquisitions and Disposals
The first phase of the acquisition of International House, Brentford (rebranded as Q West) was acquired on 30 June 2008 for £4m and has just opened. The contracts for the purchase of this new 49,000 sq. ft business centre were exchanged in June 2007 following agreement some 12 months earlier. The first phase represents the release of 21,000 sq. ft of space with the second phase expected to complete in the second half of 2009. This attractive asset is well located adjacent to the Great West Road (A4) in West London.

Following the disposal in 2006 of Wharf Road, N1 for a mixed use development we received back as part of the terms of the sale in October 2008 a new 30,000 sq. ft business centre which is now open and available for letting (14% let in November 2008).

Subsequent to the half year we have exchanged contracts for:

- Sale of N17 Studios, London, N17 for a total cash consideration of £12m with completion in January 2009. £2m was received as an option fee in 2007, £8.5m will be received on completion with the balance of £1.5m plus interest to be received in August 2009. This estate, acquired in July 1999, was sold at an exit yield of 5.7% and has delivered an internal rate of return of 16% over our period of ownership.
- Sale of Lewis House, NW10 for £2.1m with completion in December 2008 at an exit yield of 6.4%.

Net Assets and Financing
Net assets have fallen to £403m at 30 September 2008 largely as a result of the reduction in the property valuation with the net asset value per share reducing to £2.36 (March 2008: £3.13). The diluted adjusted net asset value per share (which excludes the impact of the fair valuing of financial instruments and deferred tax) is £2.32.

The Group's borrowing facilities (excluding the overdraft facility) at 30 September 2008 were £495m. Since this time we have reduced the level of our short-term facility from £75m to £50m as the higher level of facility is not required. At the appropriate time we will look to extend out the short-term facility, repayable in June 2009, for a further period.

Operating and Financial Review
continued

In light of the decline in property values we believe it is prudent to target a reduction in the level of our debt to around £400m. This is expected to be achieved from our improved operational cashflow, already contracted disposals of £12m, alternative use disposals of up to £17m where we have already exchanged contracts (subject to planning and vacant possession) and some further selective property disposals.

Details of current facilities and forecast utilisation at the end of November 2008 (excluding the overdraft facility of £4m) are set out below:

£m	Current Facilities	Forecast Utilisation	Target Debt Level
Repayable November 2012	150	150	
Repayable August 2010	270	270	
Repayable June 2009	50	20	
	470	440	400

The Group's borrowings are hedged by £250m of fixed rate swaps at an average rate of 5.3% which represents 57% of the current interest rate exposure. The remaining interest exposure is hedged by way of interest rate caps and collars and will benefit from falls in LIBOR rates.

At 30 September 2008 the Group was within all its banking covenants. Indicative headroom on our main covenants based on the utilisation of existing uncharged assets (September 2008: £126m) is detailed below:

- A breach of the interest cover covenant would require a fall in rental income of 18%. This equates at a Group level to a fall in the actual rent roll of some £10m which would require a sustained, high level of net vacations. For example with net vacations per month of £(500)k it would take 21 months. In the first six months of the current financial year we had net positive sales per month of some £100,000 per month.
- We have targeted a reduction in the level of debt to £400m to be able to withstand a 20% reduction from the September valuation without breaching our covenants. At this debt level a breach of the Loan to Value covenant would require a decline of around 25% and a breach of the net worth and gearing covenants would require a decline of around 20%.

Workspace Glebe JV (50% holding)

The joint venture with Glebe was established to promote the intensification and change of use at 18 estates comprising some 1.2m sq ft. This is a non-recourse vehicle with debt funding provided by HBOS, who are also 30% shareholders in Glebe.

We continue to make good progress and will be applying for planning consent for 3 schemes in the second half of the year, to supplement the mixed use consents we have already achieved at Wandsworth Business Village and Grand Union, Kensington.

In the current economic climate we are not intending to immediately make progress on site with any of the developments and we continue to focus on maintaining existing rental income. At Wandsworth where we obtained vacant possession earlier in the year we are recommencing the letting out of space for an interim period. Occupancy at 30 September 2008 in the JV was 75.7%, down from 79.8% at March 2008, with rent roll down by 1.4% to £7.1m over the six months. Excluding the vacant site at Wandsworth occupancy was 82%.

Workspace Glebe has a £130m facility for property acquisitions and capital expenditure which is fully drawn and a £14m development facility (£4m drawn at September 2008). The JV partners are required to cover any shortfall of rent against interest on the core property facility and asset management capital expenditure. In the first six months of the year Workspace provided equity of £1.5m for these purposes.

Covenants on these facilities are tested once a year based on the year end property valuation, with the next testing at March 2009. The tests are based on Loan to Value of 85.0% on total facilities and 82.5% for the core property facility.

Operating and Financial Review
continued

Interim Dividend
We are declaring an interim dividend of 1.52p per share which will be paid on 6 February 2009 to shareholders on the register on 9 January 2009. The full amount of the interim dividend will be in the form of a Property Income Distribution (PID) which will be subject to 20% withholding tax unless exemptions apply.

Outlook
Our product is attractive in the current environment and we are seeing a healthy level of enquiries and conversions. We are working closely with our customers and monitoring their demand for space, responding quickly where necessary to ensure that we maintain high occupancy levels and good operational cashflows.

The general expectation is that property yields will soften further. However, the increasing income yield on our portfolio, its latent potential and falling interest rates will make it look increasingly attractive. Ours is a recognised brand with a unique portfolio and operating model servicing the space needs of the SME community in London. The portfolio has been grown organically over time and cannot be easily replicated.

The prospects for London and the SME community that we support continue to offer potential for our business. The turbulence in the property sector will also provide attractive opportunities for acquisitions over the forthcoming years.

In the short term we are taking appropriate actions to deal with the instability in the property sector and the wider economy. Longer term, we continue to believe that servicing London's small business community by providing affordable, flexible space, will offer significant opportunity.

Operating and Financial Review

continued

Key Statistics

	Quarter ending 30/09/2008	Quarter ending 30/06/2008	Quarter ending 31/03/2008	Quarter ending 31/12/2007	Quarter ending 30/09/2007
Workspace Group directly owned portfolio					
Number of estates	**107**	107	106	106	104
Lettable floorspace (million sq ft)†	**5.1**	5.2	5.2	5.0	5.0
Number of lettable units	**4,628**	4,642	4,611	4,522	4,441
ERV	**£77.5m**	£77.3m	£76.1m	£72.1m	£69.3m
Income Yield**	**6.1%**	5.5%	5.3%	5.1%	4.8%
Reversionary Yield*	**8.9%**	8.1%	7.7%	7.2%	6.7%
Net annual rent roll of occupied units	**£53.1m**	£52.2m	£52.6m	£51.1m	£49.5m
Average annual rent per sq ft	**£12.43**	£12.03	£11.88	£11.80	£11.54
Overall occupancy	**84.1%**	84.1%	85.8%	86.2%	86.4%
Like-for-like lettable floor space (million sq ft)	**4.1**	4.2	4.2	4.2	4.2
Like-for-like net annual rent roll	**£46.0m**	£45.9m	£46.0m	£44.9m	£44.1m
Like-for-like average annual rent per sq ft	**£12.82**	£12.54	£12.25	£11.91	£11.61
Like-for-like occupancy	**87.6%**	87.6%	89.6%	89.8%	90.4%
Workspace Glebe joint venture portfolio					
Number of estates	**18**	18	18	17	16
Lettable floorspace (million sq ft)†	**1.2**	1.2	1.2	1.2	1.2
Number of lettable units†	**868**	867	866	866	823
ERV	**£11.4m**	£11.3m	£11.2m	£10.7m	£10.4m
Reversionary Yield*	**7.3%**	7.0%	6.6%	6.6%	6.2%
Net annual rent roll of occupied units	**£7.1m**	£7.4m	£7.2m	£7.2m	£7.8m
Average annual rent per sq ft†	**£8.10**	£8.03	£7.80	£7.64	£7.87
Overall occupancy†	**75.7%**	80.0%	79.8%	81.7%	85.3%
Financial Performance (£m)					
Net rental income	**12.1**	12.1	12.1	11.8	11.4
Trading profit	**10.1**	9.5	8.9	9.4	9.3
Revaluation (reduction)/surplus	**(85.1)**	(46.1)	(8.9)	(50.8)	(8.8)
(Loss)/profit before taxation	**(83.5)**	(45.0)	(1.7)	(52.9)	(5.0)
Property valuation	**871**	954	993	1,002	1,035
Net assets	**403**	497	537	542	597
Net asset value per share (£)	**£2.36**	£2.91	£3.13	£3.16	£3.48
Diluted adjusted net asset value per share (£)	**£2.32**	£2.85	£3.11	£3.13	£3.43
Net rental income interest cover (cumulative)	**1.70x**	1.70x	1.68x	1.66x	1.71x
Trading interest cover (cumulative)	**1.38x**	1.34x	1.33x	1.34x	1.38x
Gearing (%)	**111%**	90%	82%	81%	71%
Loan to value (%)	**51%**	47%	44%	44%	41%
Available borrowing facilities (£m)	**54**	53	61	62	79

† Excludes storage space
* Based on ERV divided by valuation
** Based on Rent Roll 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 2008 £m		Notes	Unaudited 6 months ended 30 September 2008 £m	Unaudited 6 months ended 30 September 2007 £m
66.9	Revenue	2	**35.0**	32.4
(19.8)	Direct costs	2	**(10.8)**	(9.2)
47.1	**Net rental income**	2	**24.2**	23.2
(10.1)	Administrative expenses		**(4.6)**	(4.5)
37.0	**Trading profit**		**19.6**	18.7
(47.5)	Change in fair value of investment property	9	**(131.2)**	12.2
2.2	Other income	3	**0.8**	2.0
2.2	Profit on disposal of investment properties	4	**4.4**	–
0.1	Finance income – interest receivable	5	**0.4**	0.1
(28.2)	Finance costs – interest payable	5	**(14.6)**	(13.7)
–	Change in fair value of derivative financial instruments	5	**0.1**	–
(2.8)	Share of joint venture post tax (loss)/profit	16	**(8.0)**	0.6
(37.0)	**(Loss)/profit before tax**		**(128.5)**	19.9
2.3	Taxation		**–**	(0.3)
(34.7)	**(Loss)/profit for the period after tax and attributable to equity shareholders**		**(128.5)**	19.6
(20.2)p	Basic (loss)/earnings per share	7	**(75.2)p**	11.5p
(20.2)p	Diluted (loss)/earnings per share	7	**(75.2)p**	11.3p

Consolidated Statement of Recognised Income and Expense (SORIE)

Audited Year ended 31 March 2008 £m		Unaudited 6 months ended 30 September 2008 £m	Unaudited 6 months ended 30 September 2007 £m
(34.7)	(Loss)/profit for the financial period	**(128.5)**	19.6
(2.9)	Fair value movement on derivatives	**(1.7)**	–
(37.6)	Total recognised income and expense for the period	**(130.2)**	19.6

Consolidated Balance Sheet

Audited 31 March 2008 £m		Notes	Unaudited 30 September 2008 £m	Unaudited 30 September 2007† £m
	Non-current assets			
994.3	Investment properties	9	**872.2**	1,035.1
0.3	Intangible assets		**0.3**	0.3
3.2	Property, plant and equipment		**3.0**	3.3
15.7	Investment in joint venture	16	**9.1**	19.1
1,013.5			**884.6**	1,057.8
	Current assets			
12.5	Trade and other receivables		**13.9**	12.3
–	Financial assets – derivative financial instruments		**–**	0.2
4.0	Current tax assets	11	**–**	1.3
2.5	Cash and cash equivalents	13	**2.5**	3.6
19.0			**16.4**	17.4
	Current liabilities			
(63.4)	Financial liabilities – borrowings	10	**(55.4)**	(45.0)
(3.1)	Financial liabilities – derivative financial instruments		**(1.8)**	(0.4)
(31.5)	Trade and other payables		**(31.2)**	(33.9)
–	Current tax liabilities	11	**(0.7)**	–
(98.0)			**(89.1)**	(79.3)
(79.0)	**Net current liabilities**		**(72.7)**	(61.9)
	Non-current liabilities			
(378.0)	Financial liabilities – borrowings	10	**(393.2)**	(378.2)
(0.2)	Deferred tax liabilities		**(0.2)**	(0.3)
(19.5)	Provisions	14	**(15.2)**	(20.9)
(397.7)			**(408.6)**	(399.4)
536.8	**Net assets**		**403.3**	596.5
	Shareholders' equity			
17.4	Ordinary shares	15	**17.4**	17.4
30.8	Share premium	15	**30.8**	30.8
(4.5)	Investment in own shares	15	**(5.7)**	(4.3)
(0.9)	Other reserves	15	**0.5**	1.7
494.0	Retained earnings	15	**360.3**	550.9
536.8	**Total shareholders' equity**	15	**403.3**	596.5

† September 2007 comparatives restated due to reclassification of current tax assets and current borrowings.

£3.13	Net asset value per share (basic)	8	**£2.36**	£3.48
£3.11	Diluted adjusted net asset value per share	8	**£2.32**	£3.43

Consolidated Cash Flow Statement

Audited Year ended 31 March 2008 £m		Notes	Unaudited 6 months ended 30 September 2008 £m	Unaudited 6 months ended 30 September 2007 £m
	Cash flows from operating activities			
41.6	Cash generated from operations†	12	**19.8**	22.0
0.1	Interest received		**0.4**	0.1
(30.2)	Interest paid		**(16.7)**	(13.8)
(18.9)	Tax refunded/(paid)		**4.7**	(18.7)
(7.4)	Net cash from operating activities		**8.2**	(10.4)
	Cash flows from investing activities			
(31.3)	Purchase of investment properties		**(4.2)**	(12.3)
(18.7)	Capital expenditure on investment properties		**(5.2)**	(10.8)
10.4	Net proceeds from disposal of investment properties		**0.5**	–
(0.4)	Tax paid on disposal of investment properties		**–**	(0.4)
(0.2)	Purchase of intangible assets		**(0.1)**	(0.1)
(0.5)	Purchase of property, plant and equipment		**(0.1)**	(0.4)
–	Loan to joint venture		**(1.5)**	–
(4.0)	Movement in short-term funding balances with joint venture†		**1.9**	(0.4)
(44.7)	Net cash from investing activities		**(8.7)**	(24.4)
	Cash flows from financing activities			
0.1	Net proceeds from issue of ordinary share capital		**–**	0.1
57.6	Net proceeds from issue of bank borrowings		**10.2**	42.8
(0.8)	ESOT shares net purchase	15	**(1.2)**	(1.2)
(0.1)	Finance lease principal payments		**(0.1)**	(0.1)
(7.3)	Dividends paid to shareholders	6	**(5.2)**	(4.7)
49.5	Net cash from financing activities		**3.7**	36.9
(2.6)	**Net increase/(decrease) in cash and cash equivalents**		**3.2**	2.1
1.5	Cash and cash equivalents at start of period	13	**(1.1)**	1.5
(1.1)	**Cash and cash equivalents at end of period**	13	**2.1**	3.6

† Movement in joint venture funding now shown under investing activities. September 2007 comparatives amended to accord with this treatment.

Notes to the Half Year Report

For the 6 months ended 30 September 2008

1. Basis of preparation and accounting policies

The half year report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS34 'Interim Financial Reporting' as adopted by the European Union. The half year report should be read in conjunction with the annual financial statements for the year ended 31 March 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008, as described in those annual financial statements.

This half year report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year to 31 March 2008, which were prepared under IFRS have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not contain a statement made under Section 237(2) or Section 237(3) of the Companies Act 1985.

The Group's financial performance does not suffer materially from seasonal fluctuations. There have been no changes in estimates of amounts reported in prior periods which have a material impact on the current half year period.

This report was approved by the Board on 14 November 2008.

2. Analysis of net rental income

Year ended 31 March 2008 Revenue £m	Year ended 31 March 2008 Direct Costs £m	Year ended 31 March 2008 Net Rental Income £m		6 months ended 30 September 2008 Revenue £m	6 months ended 30 September 2008 Direct Costs £m	6 months ended 30 September 2008 Net Rental Income £m	6 months ended 30 September 2007 Revenue £m	6 months ended 30 September 2007 Direct Costs £m	6 months ended 30 September 2007 Net Rental Income £m
51.4	(0.5)	50.9	Rental income	**27.3**	**(0.2)**	**27.1**	25.0	(0.1)	24.9
13.5	(18.0)	(4.5)	Service charges and other recoveries	**6.9**	**(9.5)**	**(2.6)**	6.6	(8.5)	(1.9)
–	(0.2)	(0.2)	Empty rates	**–**	**(0.8)**	**(0.8)**	–	(0.1)	(0.1)
2.0	(1.1)	0.9	Services, fees, commissions and sundry income	**0.8**	**(0.3)**	**0.5**	0.8	(0.5)	0.3
66.9	(19.8)	47.1		**35.0**	**(10.8)**	**24.2**	32.4	(9.2)	23.2

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

3. Other income

Year ended 31 March 2008 £m		6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m
2.2	Non-refundable option fees for potential sale of property	**0.8**	2.0
2.2		**0.8**	2.0

Notes to the Half Year Report
continued

4. Profit on disposal of investment properties

Year ended 31 March 2008 £m		6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m
11.0	Gross proceeds from sale of investment properties	**0.5**	–
(10.2)	Book value at time of sale plus sale costs	**(0.4)**	–
0.8		**0.1**	–
1.4	Movement in provision for tax indemnity (see note 14)	**4.3**	–
2.2	Pre-tax profit on sale	**4.4**	–

5. Finance income and costs

Year ended 31 March 2008 £m		6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m
0.1	Interest income on bank deposits	**–**	0.1
–	Other interest	**0.4**	–
0.1	Finance income	**0.4**	0.1
(27.9)	Interest payable on bank loans and overdrafts	**(14.2)**	(13.2)
(0.5)	Amortisation of issue costs of bank loans	**(0.4)**	(0.2)
(0.1)	Interest payable on finance leases	**(0.1)**	(0.1)
(0.5)	Interest payable on 11.125% and 11.625% Debenture Stock 2007	**–**	(0.6)
0.8	Interest capitalised on property refurbishments	**0.1**	0.4
(28.2)	Finance expense	**(14.6)**	(13.7)
–	Change in fair value of financial instruments through the income statement	**0.1**	–
(28.1)	Net finance costs	**(14.1)**	(13.6)

6. Dividends paid

Year ended 31 March 2008 £m		6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m
–	Final dividend 2007/8 – 3.04p per ordinary share	**5.2**	–
2.6	Interim dividend 2007/8 – 1.52p per ordinary share	**–**	–
4.7	Final dividend 2006/7 – 2.76p per ordinary share	**–**	4.7
7.3		**5.2**	4.7

In addition the directors have declared an interim dividend in respect of the financial year ending 31 March 2009 of 1.52p per ordinary share which will absorb an estimated £2.6m of shareholders' funds. It will be paid on 6 February 2009 to shareholders who are on the register of members on 9 January 2009. The full amount of this dividend will be in the form of a Property Income Distribution (PID) which will be subject to a 20% withholding tax unless tax exemptions apply.

Notes to the Half Year Report
continued

7. (Loss)/earnings per share
Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

Year ended 31 March 2008 £m	(Loss)/earnings used for calculation of earnings per share	6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m
(34.7)	(Loss)/profit for the period after tax	**(128.5)**	19.6
–	Share schemes dilution	**–**	–
(34.7)	Total diluted earnings	**(128.5)**	19.6

Number	Weighted average number of shares used for calculating earnings per share	Number	Number
171,397,941	Weighted average number of shares (excluding shares held in the ESOT)	**170,965,152**	171,394,733
2,318,044	Dilution due to share schemes	**1,615,490**	2,667,978
173,715,985	Used for calculating diluted earnings per share	**172,580,642**	174,062,711

Pence		Pence	Pence
(20.2)	Basic (loss)/earnings per share	**(75.2)**	11.5
(20.2)	Diluted (loss)/earnings per share	**(75.2)**	11.3

In accordance with IAS 33 'Earnings per share' no calculation of dilution is made where it would have an anti-dilutive effect.

8. Net assets per share

31 March 2008 £m	Net assets used for calculation of net assets per share	30 September 2008 £m	30 September 2007 £m
536.8	Net assets at end of period (basic)	**403.3**	596.5
3.3	Derivative financial instruments at fair value	**1.5**	(1.0)
(0.2)	Deferred tax on fair value change of investment properties	**(3.2)**	0.7
(0.1)	Deferred tax on derivative financial instruments	**0.1**	0.4
539.8	Adjusted net assets	**401.7**	596.6

Adjustments include Group's share of joint venture where applicable.

Notes to the Half Year Report
continued

31 March 2008 Number	Number of shares used for calculating net assets per share	30 September 2008 Number	30 September 2007 Number
174,313,887	Shares in issue at period end	**174,352,807**	174,311,997
(2,937,951)	Less ESOT shares	**(3,638,237)**	(2,867,860)
171,375,936	Number of shares for calculating basic net assets per share	**170,714,570**	171,444,137
2,161,114	Dilution due to share schemes	**2,133,858**	2,439,898
173,537,050	Number of shares for calculating diluted adjusted net assets per share	**172,848,428**	173,884,035

£		£	£
3.13	Net asset value per share (basic)	**2.36**	3.48
3.11	Diluted adjusted net asset value per share	**2.32**	3.43

9. Investment properties

31 March 2008 £m		30 September 2008 £m	30 September 2007 £m
1,001.6	Balance at beginning of period	**994.3**	1,001.6
49.6	Additions during the period	**9.4**	20.9
0.8	Capitalised interest on refurbishments	**0.1**	0.4
(10.2)	Disposals during the period	**(0.4)**	–
(47.5)	Change in fair value of investment property	**(131.2)**	12.2
994.3	Balance at end of period	**872.2**	1,035.1

Valuation

The Group's investment properties were revalued at 30 September 2008 by CB Richard Ellis Ltd, Chartered Surveyors, a firm of independent qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) 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 after proper marketing wherein the parties had both acted knowledgably, prudently and without compulsion.

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 2008 £m		30 September 2008 £m	30 September 2007 £m
993.2	Total per CB Richard Ellis valuation report	**870.9**	1,034.5
(2.7)	Owner occupied property	**(2.4)**	(2.8)
4.1	Head leases treated as finance leases under IAS 17	**4.0**	3.8
(0.3)	Short leases valued as head leases	**(0.3)**	(0.4)
994.3	Total per balance sheet	**872.2**	1,035.1

Notes to the Half Year Report
continued

10. Financial liabilities – borrowings
a) Balances:

31 March 2008 £m		30 September 2008 £m	30 September 2007 £m
	Current		
63.4	Bank loan and overdraft due within one year or on demand (secured)	**55.4**	45.0
63.4		**55.4**	45.0
	Non-current		
373.9	Other loans (secured)	**389.2**	374.4
4.1	Finance lease obligations (part secured)	**4.0**	3.8
378.0		**393.2**	378.2
441.4		**448.6**	423.2

b) Maturity:

31 March 2008 £m		30 September 2008 £m	30 September 2007 £m
	Secured (excluding finance leases)		
63.4	Repayable in less than one year	**55.4**	45.0
–	Repayable between one year and two years	**240.0**	150.0
225.0	Repayable between two years and three years	**–**	225.0
–	Repayable between three years and four years	**–**	–
150.0	Repayable between four years and five years	**150.0**	–
438.4		**445.4**	420.0
(1.1)	Less cost of raising finance	**(0.8)**	(0.6)
437.3		**444.6**	419.4
	Finance leases (part secured)		
4.1	Repayable in five years or more	**4.0**	3.8
441.4		**448.6**	423.2

11. Current taxes

31 March 2008 £m		30 September 2008 £m	30 September 2007 £m
4.0	Current tax assets	**–**	1.3
–	Current tax liabilities	**(0.7)**	–

Notes to the Half Year Report
continued

12. Notes to cash flow statement
Reconciliation of (loss)/profit for the period to cash generated from operations:

Year ended 31 March 2008 £m		6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m
(34.7)	(Loss)/profit for the period	**(128.5)**	19.6
(2.3)	Tax	**–**	0.3
0.6	Depreciation	**0.3**	0.4
0.1	Amortisation of intangibles	**0.1**	0.1
(2.2)	Profit on disposal of investment properties	**(4.4)**	–
47.5	Change in fair value of investment property	**131.2**	(12.2)
0.4	Share based payments	**0.1**	–
–	Fair value changes on financial instruments	**(0.1)**	–
(0.1)	Interest income	**(0.4)**	(0.1)
28.2	Interest expense	**14.6**	13.7
2.8	Share in joint venture post tax loss/(profit)	**8.0**	(0.6)
	Changes in working capital:		
(0.5)	Increase in trade and other receivables	**(2.5)**	(1.1)
1.8	Increase in trade and other payables	**1.4**	1.9
41.6	Cash generated from operations	**19.8**	22.0

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

31 March 2008 £m		30 September 2008 £m	30 September 2007 £m
–	Cash at bank and in hand	**–**	1.1
2.5	Restricted cash – tenants' deposit deeds	**2.5**	2.5
(3.6)	Bank overdrafts	**(0.4)**	–
(1.1)		**2.1**	3.6

14. Provisions

31 March 2008 £m		30 September 2008 £m	30 September 2007 £m
20.9	Balance at start of period	**19.5**	20.9
(1.4)	Reduction in provision for tax indemnity	**(4.3)**	–
19.5	Balance at end of period	**15.2**	20.9

On the formation of the joint venture in 2006 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.

The reduction in the period reflects a reduction in potential tax payable due to the decrease in property values.

Notes to the Half Year Report
continued

15. Statement of changes in shareholders' equity

31 March 2008 Total equity £m		Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	30 September 2008 Total equity £m	30 September 2007 Total equity £m
582.6	Balance at start of period	17.4	30.8	(4.5)	(0.9)	494.0	**536.8**	582.6
0.1	Share issues	–	–	–	–	–	**–**	0.1
(1.7)	ESOT shares net purchase	–	–	(1.2)	–	–	**(1.2)**	(1.5)
(7.3)	Dividends paid	–	–	–	–	(5.2)	**(5.2)**	(4.7)
0.7	Value of employee services	–	–	–	0.2	–	**0.2**	0.4
(2.9)	Fair value movement on derivatives	–	–	–	1.2	–	**1.2**	–
(34.7)	(Loss)/profit for the period	–	–	–	–	(128.5)	**(128.5)**	19.6
536.8	Balance at end of period	17.4	30.8	(5.7)	0.5	360.3	**403.3**	596.5

On 13 June 2008 the Employee Share Ownership Trust (ESOT) made a market purchase of 697,168 shares in the Company for a cash consideration of £1.2m.

16. 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 2008 £m		30 September 2008 £m	30 September 2007 £m
81.9	Investment properties	**74.7**	81.2
1.3	Current assets	**4.4**	2.1
83.2	Total assets	**79.1**	83.3
(2.7)	Current liabilities	**(3.5)**	(1.7)
(64.8)	Non-current liabilities	**(66.5)**	(62.5)
(67.5)	Total liabilities	**(70.0)**	(64.2)
15.7	Group share of joint venture net assets	**9.1**	19.1

Notes to the Half Year Report
continued

Income and expenses:

Year ended 31 March 2008 £m		6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m
5.0	Revenue	**2.3**	2.6
(1.3)	Direct costs	**(0.7)**	(0.7)
3.7	Net rental income	**1.6**	1.9
(0.1)	Administrative expenses	**–**	–
(2.0)	Change in fair value of investment property	**(10.8)**	0.9
(3.9)	Finance costs – interest payable	**(2.1)**	(2.0)
(1.5)	Change in fair value of derivative financial instruments	**0.4**	0.1
(3.8)	(Loss)/profit before tax	**(10.9)**	0.9
1.0	Taxation	**2.9**	(0.3)
(2.8)	(Loss)/profit after tax	**(8.0)**	0.6

17. Post balance sheet events

Contracts were exchanged in October for the sale of N17 Studios, London, N17 for a cash consideration of £10m with completion in January 2009 and the sale of Lewis House, London, NW10 for a consideration of £2.1m with completion in December 2008.

18. Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance, and the factors which mitigate these risks, have not substantially changed from those set out on page 25 of the Group's 2008 Annual Report, a copy of which is available on the Group's website www.workspacegroup.co.uk. However, in the current economic environment, the following are a particular focus of management attention over the next six months:

Risk	Mitigation
Property Valuation The current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets, causing rapid changes in real estate valuations.	● Valuations are performed quarterly. ● Marketing advice obtained in advance of any planned disposals.
Treasury Breach of borrowing covenants or insufficient liquidity.	● Close focus on level of current and prospective headroom and impact of valuation reductions. ● Reduction in debt level to increase covenant headroom. ● Reduction in level of capital expenditure. ● Contracted disposals. ● Further selective asset disposals.
Operational Fall in occupancy levels.	● Targeted marketing initiatives to maintain high enquiry levels. ● Close monitoring of reasons for customers vacating. ● Weekly monitoring of pricing and demand levels across all estates. ● Regular contact with customers.

Notes to the Half Year Report
continued

19. Half Year Report
Copies of this statement will be dispatched to shareholders on 19 November 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.

20. Glossary of Terms
A full glossary of terms used within this report is included in the Group's Annual Report and Accounts 2008, available on the Group's website www.workspacegroup.co.uk.

Statement of directors' "Interim Financial Reporting" responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Services Authority namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Workspace Group are listed in the Workspace Group Annual Report for 31 March 2008. A list of current directors is maintained on the Workspace Group website: www.workspacegroup.co.uk.

By order of the Board

H Platt
Chief Executive
14 November 2008

G Clemett
Finance Director
14 November 2008

Independent review report to Workspace Group PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half year report for the six months ended 30 September 2008, which comprises the income statement, balance sheet, statement of recognised income and expense, cash flow statement and related notes. We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half year report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half year report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
14 November 2008

Notes:

(a) The maintenance and integrity of the Workspace Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half year report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Produced by Stephen Duke Limited 020 7422 0040 (11633)

Workspace Group PLC
Magenta House
85 Whitechapel Road
London E1 1DU

T 020 7247 7614
F 020 7247 0157
W workspacegroup.co.uk
E info@workspacegroup.co.uk

If you require information regarding business space in London, call 020 7369 2389 or visit workspacegroup.co.uk

Workspace Group