

# Resilient. Relevant. Ready.

Workspace Group PLC  
Half Year Report for the six months  
ended 30 September 2009



Workspace Group



## Performance Highlights

Highlights for the six months ended 30 September 2009

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- **Good demand for space with the monthly level of enquiries at 936 per month (Full year 2008/9: 876) and average lettings of 103 per month (Full year 2008/9: 86).**
- **Like-for-like occupancy up 0.8% to 84.0%. Overall occupancy up 1.6% to 81.9%.**
- **Cash rent roll £46.9m, down 5.3% (£2.5m) in the first six months excluding disposals. Contracted rent roll £3.5m higher at £50.4m and stable over the last quarter.**
- **Trading profit after interest £5.0m (September 2008: £5.4m).**
- **Loss before tax £39.3m (September 2008: £128.5m loss) as a result of a 7.0% reduction in the property valuation in the six months to £604.7m.**
- **Six property disposals completed in the first half for £14m, with a further £26.5m of disposals exchanged and expected to complete by end of December.**
- **Capital value now at £125 per square foot and like-for-like existing use income yield of 8.5%.**
- **Diluted Net Asset Value per share 22p (March 2009: 27p).**
- **Interim Dividend maintained at last year's level (0.25p per share).**
- **Discussions with HBoS on the restructuring of the Workspace Glebe joint venture progressing well.**

**Workspace has continued to perform well during what has become the worst recession in modern times. Customer enquiries, lettings and occupancy have all improved in the six months.**

The performance is underpinned by the appeal of our flexible leasing product to our target market of small and medium sized enterprises (SMEs) and the strength of our brand. It was better to reduce pricing in this difficult market rather than see significant voids arise. The consequence has been some decline in our cash rent roll but we have been successful in structuring our up-front pricing incentives to limit the longer term impact.

The property valuation has fallen by 7% over the last six months, with the rate of decline slowing in the last three months to under 3%. The like-for-like existing use income yield on our portfolio is stable at 8.5% and the capital value is now £125 per square foot compared to a replacement cost for the buildings alone of £150 per square foot. This provides considerable support to the valuation of this London based property portfolio.

Cash generation remains a key focus and we have continued to reduce costs and made good progress on property disposals. Cash collection rates from our customers remain strong with insignificant levels of bad debts.

There are increasing signs of stability with occupancy levels improving, valuation declines slowing and increasing market evidence from property transactions. Though still cautious we are maintaining the interim dividend at last year's level (0.25p per share).

We had three key objectives for the first half of 2009/10 alongside reducing our cost base:

1. To maintain and over time recover our occupancy levels through active day-to-day asset management.
  - Occupancy levels have improved. Through the last 12 months occupancy has never been below 83% on a like-for-like basis or 80% on an overall basis (which includes recently refurbished properties and properties held for redevelopment). Our flexible leases and active lettings model means our rents are current – we do not tie our customers into long leases and customers are generally able to break their leases at three months notice. As a result, our cash rent roll has reduced in the short term, although the contracted rent roll has been stable over the last quarter.
2. To deliver £40m of disposals by December 2009, a target we set in November 2008.
  - We will have exceeded our disposal target by the end of the year.

3. To resolve the situation at our joint venture with Glebe where the non-recourse bank facility had breached its covenants.

- We are in active negotiation with HBoS on the restructuring of the Glebe JV and will provide a fuller update in due course when these discussions are concluded.

Looking forward into 2010, we will build on the progress we have made. As the prospects for the London economy improve we intend to work our existing portfolio hard:

- Driving further improvements in like-for-like occupancy towards the target of 90% and increasing the cash rent roll.
- Efficiently recycling capital, in particular adding value from planning initiatives/ alternative use potential at our properties.

Encouragingly, we are now seeing a better occupational market which has allowed us to reduce the level of incentives required to achieve new lettings, and there has also been more interest in some of our sites with alternative use potential.

### Enquiries and lettings

We are maintaining a good level of demand for space with enquiries up 7% on the prior year. We are now receiving over 900 enquiries per month and completing some 25 deals per week.

Average number per month	Quarter to September 2009	Quarter to June 2009	Six months to March 2009	Six months to September 2008
Enquiries per month	<b>941</b>	931	886	878
Lettings per month	<b>101</b>	105	91	82

### Occupancy

Occupancy levels have continued to improve in the second quarter with like-for-like occupancy up by 0.8% in the six months to 84.0%.

Occupancy	Number of Properties	September 2009	June 2009	March 2009
Like-for-like properties	90	<b>84.0%</b>	83.4%	83.2%
Refurbished properties	5	<b>76.6%</b>	74.1%	69.6%
Held for redevelopment	5	<b>59.3%</b>	58.0%	54.6%
Total (excluding disposals)	100	<b>81.9%</b>	81.0%	80.1%
Completed disposals	6	–	–	89.7%
<b>Total</b>	–	<b>81.9%</b>	81.0%	80.3%

Occupancy at the five recently refurbished properties has improved strongly in the first half. In particular, there has been a good demand for space at our Kennington Park estate with the Canterbury Court Business Centre (refurbished and opened in January 2008) now at an occupancy level of 93%.

### Rent roll

Total cash rent roll is £46.9m, with a fall (excluding disposals) of £1.4m (2.9%) in the first quarter and £1.1m (2.3%) in the second quarter. Rent per square foot at £11.83 is down 6% over the first six months.

In this environment customers taking up new leases have generally benefited from incentives in the first year, and are tied in for a period beyond this (typically 2 or 3 years), with uplifts on rent after a year. Customers continue to have the flexibility to move within our stock during this period. Our business model of flexible and affordable leases is serving us well and, in a difficult environment, is attractive to SMEs. Encouragingly, recent enquiries suggest a firmer market which has allowed us to reduce the level of incentives to achieve new lettings.

Contracted rent roll, which includes rent free periods (£0.5m), stepped rents (£2.3m) and discounts to existing customers (£0.7m), is £50.4m at September 2009, a similar level to June 2009. The majority of these contractual increases in rent should convert to cash rent roll over the next 12 months.

Rent roll	Number of Properties	September 2009	June 2009	March 2009
Like-for-like properties	90	<b>£41.0m</b>	£42.2m	£43.7m
Refurbished properties	5	<b>£5.3m</b>	£5.2m	£4.8m
Held for redevelopment	5	<b>£0.6m</b>	£0.6m	£0.9m
Total (excluding disposals)	100	<b>£46.9m</b>	£48.0m	£49.4m
Completed disposals	6	–	–	£1.4m
Total Rent Roll	–	<b>£46.9m</b>	£48.0m	£50.8m
Rent per square foot	–	<b>£11.83</b>	£12.17	£12.64

### Valuation

The property valuation is £604.7m with a fall of 2.6% in the second quarter of 2009/10 after a fall of 4.6% in the first quarter. The capital value is now £125 per sq. ft (March 2009: £132 per sq. ft) compared to a replacement cost for the buildings alone of some £150 per sq. ft. The value of the portfolio excluding the impact of acquisitions, disposals and capital expenditure has reduced by approximately 42% from the peak in June 2007.

Portfolio valuation	No of properties	Value £m	Income Yield	Equivalent Yield at 90% occupancy
Like for like properties:				
Existing use value	90	£484.5m	8.5%	9.7%
Added value (14 properties)		£26.9m		
Refurbishment properties	5	£69.9m	7.6%	9.2%
Held for redevelopment	5	£23.4m	2.5%	7.2%
<b>Total</b>	<b>100</b>	<b>£604.7m</b>	<b>7.8%</b>	<b>9.1%</b>

The pricing of new lettings has impacted on the estimated rental value (ERV) of the portfolio which is now £61.4m, a decline of 11% over the first six months (excluding disposals). At a 90% occupancy level this reversionary rental income of £55.3m is £4.9m higher than the contracted rent roll.

The existing use income yield of the like-for-like properties is 8.5%, the same level as it was at March 2009 with the underlying equivalent yield at 9.7% compared to a yield of 10.1% at March 2009. The initial yield of the overall portfolio as calculated by CBRE is 7.5%, and the CBRE equivalent yield is 9.3%.

## Trading Performance

£m	30 September 2009	30 September 2008
Net rental income (excluding disposals)	<b>21.9</b>	23.2
Net rental income (disposals)	<b>0.1</b>	1.0
Cash/equity settled share-based costs	<b>(0.4)</b>	0.2
Other administrative costs	<b>(4.1)</b>	(4.8)
Trading profit	<b>17.5</b>	19.6
Interest	<b>(12.5)</b>	(14.2)
Trading profit after interest	<b>5.0</b>	5.4
Other income/expenses	<b>(0.5)</b>	0.8
Share of joint venture trading loss after interest	<b>(0.5)</b>	(0.5)
Changes in fair value and other movements	<b>(43.0)</b>	(138.6)
(Loss)/profit on disposal of properties	<b>(0.3)</b>	4.4
Loss before tax as reported	<b>(39.3)</b>	(128.5)

- Net rental income has fallen by £1.3m or 5.6%, excluding disposals, reflecting the churn of our customer base and the pricing of new lettings. We have worked hard to minimise the impact of empty rates and have benefited in the current year from the relief for smaller sized units. Total empty rates costs in the first half were £0.9m (September 2008: £0.8m).
- We have made reductions in headcount and cut discretionary spend reducing underlying administration costs by £0.7m to £4.1m in the first half.
- Average interest cost for the six months was 7.1% (September 2008: 6.4%). The overall level of debt has reduced significantly over the last year but there has been an increase in debt margins following the refinancing of the Group's bank facilities. A higher proportion of this reduced level of debt is now hedged under fixed rate interest rate swaps (72% at an average rate of 5.3%).
- Changes in fair value comprise a reduction in the valuation of the Group's investment property portfolio by £45.4m (2008: £131.2m) and movements in the fair value of derivative financial instruments.

## Disposals and Redevelopment Activity

We set a target in November 2008 to achieve £40m of disposals by December 2009. An update on progress is set out below.

- In the period to March 2009 we completed on two disposals for £14.1m.
- In the six months to September 2009 we completed on six disposals for £14.3m in line with the March 2009 valuation.
- We have exchanged on a further 5 properties since September for £17.9m which will complete in November 2009.
- At Canalot Studios, W10 planning consent has now been granted for a student housing development (280 units) on part of the site with disposal for £6.1m anticipated in December 2009 (following the judicial review period).
- Planning consent has been granted for the construction of a 75,000 sq. ft self-storage unit on part of the Bounds Green, N11 site, the disposal of which is expected to complete in December 2009 for £2.5m.
- We have exchanged an option agreement to sell Thurston Road for a mixed-use development at a value of £9m (with £6.6m cash received on completion). The option requires the purchaser to exchange by 30 November 2009 with completion expected in December.

Good progress has been made on other redevelopment activity with planning consents obtained for 60,000 sq. ft of light industrial units at Westwood Business Centre, NW10 and 30,000 sq. ft of offices at the Barley Mow Centre, W4. Contracts have also been exchanged for the sale of Surrey and St Ives House, SE1 for £4.65m subject to planning consent for a hotel.

The refurbishment of the east wing of the Barley Mow Centre will complete in November 2009 at a cost of £1.3m. This will provide 20,000 sq. ft of new business space in self-contained office units ranging from 500 – 1200 sq. ft.

**Glebe Joint Venture**

This joint venture was established in 2006 to promote the intensification and change of use at 18 estates across London, comprising some 1.1m square feet of lettable space. Trading has been similar to that of the main Group. Occupancy has increased by 2.9% to 73.6% and cash rent roll has decreased by £1.0m to £6.0m (14%). The fall in rent roll reflects pricing pressures on new lettings but in addition includes the unwinding of certain leases to provide development break options which accounts for around half of the overall rent roll decline.

Mixed use planning consents have already been achieved at Wandsworth Business Village, SW18 and Grand Union, Kensington W10. Progress on other planning applications has been delayed while we resolve the funding of the joint venture.

The financing of the joint venture is ring-fenced from that of the main Group. At March 2009 the loan to value covenants on the joint venture's bank facilities were breached and discussions were initiated with both our joint venture partner Glebe Two and the debt providers led by HBoS to resolve the funding of the joint venture. At that stage we fully provided against our investment in the joint venture and associated potential liabilities.

Glebe Two's shareholders announced on 16 September 2009 that they had placed Glebe Two into voluntary liquidation. We have subsequently continued our discussions with the liquidators of Glebe Two and HBoS which are progressing well and will provide a fuller update in due course.

**Net Assets and Financing**

Net assets are £208m (March 2009: £252m), the decrease is largely as a result of the reduction in the property valuation. EPRA net assets per share are 22p (March 2009: 27p).

Borrowings are £346m (March 2009: £355m) with total term facilities of £364m provided by GE Real Estate and RBS, both of which mature in November 2012. The borrowings are hedged by £250m of interest rate swaps at an average rate of 5.3% to November 2012 and a £67.5m interest rate cap and collar (at rates of 2.99% and 7.0% respectively) to October 2010.

Covenants on our bank facilities are tested on a quarterly basis and the results of our tests at September 2009 and the indicative headroom based on September income run rates and values are as follows:

	At 30 September 2009	Indicative Headroom
<b>Interest Cover Covenant</b>		
RBS asset pool	<b>1.6</b>	Income to fall by 20%
GE asset pool	<b>2.1</b>	Income to fall by 37%
Group asset pool	<b>1.9</b>	Income to fall by 23%
<b>Loan to Value</b>		
RBS asset pool	<b>59%</b>	Valuation to fall by 21%
GE asset pool	<b>66%</b>	Valuation to fall by 12%

We have good interest cover on our facilities. A 20% fall in the overall income equates to a drop in the rent roll of some £10m. The interest cover headroom could be further improved by unlocking some of the existing fixed rate interest hedges.

The overall loan to value (LTV) ratio for the Group is 57% (March 2009: 54%). This includes £55m of uncharged assets that could be used to improve the LTV headroom on the facilities if required.

As a REIT we are required to distribute the majority of our trading profits as dividends. To improve the headroom on our bank facilities we will continue to exploit the alternative use potential of our London portfolio to generate added value disposals.

Cash collection from our customers has shown no signs of deterioration with 97% of customers continuing to pay within 30 days. The bad debt charge in the first half year was £0.17m (September 2008: £0.24m).

	Quarter ending 30 Sept 2009	Quarter ending 30 June 2009	Quarter ending 31 March 2009	Quarter ending 31 Dec 2008	Quarter ending 30 Sept 2008
<b>Core Portfolio</b>					
Number of estates	100	100	106	107	107
Lettable floorspace (million sq. ft) <sup>†</sup>	4.8	4.9	5.0	5.1	5.1
Number of lettable units	4,591	4,618	4,546	4,688	4,628
ERV	£61.4m	£64.6m	£70.5m	£76.6m	£77.5m
Reversionary Yield*	10.1%	10.4%	10.6%	10.3%	8.9%
Net annual rent roll of occupied units	£46.9m	£48.0m	£50.8m	£52.5m	£53.1m
Average annual rent per sq. ft	£11.83	£12.17	£12.64	£12.58	£12.43
Overall occupancy	81.9%	81.0%	80.3%	81.3%	84.1%
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	£41.0m	£42.2m	£43.7m	£44.8m	£45.5m
Like-for-like average annual rent per sq. ft	£12.05	£12.46	£12.80	£12.82	£12.73
Like-for-like occupancy	84.0%	83.4%	83.2%	85.0%	87.5%
Property valuation	605	619	662	740	871
Loan to value	57%	56%	54%	60%	51%
Available borrowing facilities	£18m	£18m	£34m	£53m	£50m
<b>Joint venture portfolio</b>					
Number of estates	18	18	18	18	18
Lettable floorspace (million sq. ft) <sup>†</sup>	1.1	1.1	1.2	1.2	1.2
Number of lettable units	765	761	860	869	868
Net annual rent roll of occupied units	£6.0m	£6.8m	£7.0m	£6.9m	£7.1m
Average annual rent per sq. ft	£7.55	£8.31	£8.61	£8.54	£8.10
Overall occupancy	73.6%	75.3%	70.7%	69.4%	75.7%

† 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 2009 £m		Notes	Unaudited 6 months ended 30 September 2009 £m	Unaudited 6 months ended 30 September 2008 £m
69.8	Revenue	2	<b>32.5</b>	35.0
(22.4)	Direct costs	2	<b>(10.5)</b>	(10.8)
47.4	<b>Net rental income</b>	2	<b>22.0</b>	24.2
(9.0)	Administrative expenses		<b>(4.5)</b>	(4.6)
38.4	<b>Trading profit</b>		<b>17.5</b>	19.6
(325.3)	Change in fair value of investment property	10	<b>(45.4)</b>	(131.2)
1.0	Other income	3	<b>0.1</b>	0.8
–	Other expenses	3	<b>(0.6)</b>	–
9.8	(Loss)/profit on disposal of investment properties	4	<b>(0.3)</b>	4.4
(276.1)	<b>Operating loss</b>		<b>(28.7)</b>	(106.4)
0.4	Finance income – interest receivable	5	<b>0.1</b>	0.4
(34.7)	Finance costs – interest payable	5	<b>(12.6)</b>	(14.6)
(26.1)	Change in fair value of derivative financial instruments	5	<b>2.3</b>	0.1
(23.9)	Share of joint venture post tax loss	15	<b>(0.4)</b>	(8.0)
(360.4)	<b>Loss before tax</b>		<b>(39.3)</b>	(128.5)
–	Taxation	6	<b>–</b>	–
(360.4)	<b>Loss for the period after tax and attributable to equity shareholders</b>		<b>(39.3)</b>	(128.5)
(134.6)p	Basic earnings per share (pence) <sup>†</sup>	8	<b>(3.7)p</b>	(56.5)p
(134.6)p	Diluted earnings per share (pence) <sup>†</sup>	8	<b>(3.7)p</b>	(56.5)p

† Comparative figures have been restated to reflect the bonus element of the Rights Issue as described in note 8.

## Consolidated Statement of Comprehensive Income

Audited Year ended 31 March 2009 £m		Unaudited 6 months ended 30 September 2009 £m	Unaudited 6 months ended 30 September 2008 £m
(360.4)	Loss for the financial period	<b>(39.3)</b>	(128.5)
1.1	Fair value movement on derivatives*	<b>–</b>	1.2
(359.3)	<b>Total recognised income and expense for the period</b>	<b>(39.3)</b>	(127.3)

\* Comparative figures have been restated for consistency with Statement of Changes in Equity.

## Consolidated Balance Sheet

Audited 31 March 2009 £m		Notes	Unaudited 30 September 2009 £m	Unaudited 30 September 2008 £m
	<b>Non-current assets</b>			
664.1	Investment properties	10	<b>606.7</b>	872.2
0.3	Intangible assets		<b>0.3</b>	0.3
3.1	Property, plant and equipment		<b>3.0</b>	3.0
–	Investment in joint venture	15	<b>–</b>	9.1
667.5			<b>610.0</b>	884.6
	<b>Current assets</b>			
9.1	Trade and other receivables		<b>9.7</b>	13.9
3.7	Cash and cash equivalents	13	<b>2.0</b>	2.5
12.8			<b>11.7</b>	16.4
	<b>Current liabilities</b>			
–	Short term borrowings and overdraft	11	<b>(1.3)</b>	(55.4)
(26.2)	Derivative financial instruments		<b>(22.1)</b>	(1.8)
(32.3)	Trade and other payables		<b>(31.4)</b>	(31.2)
(0.9)	Current tax liabilities	6	<b>(0.9)</b>	(0.7)
(59.4)			<b>(55.7)</b>	(89.1)
(46.6)	<b>Net current liabilities</b>		<b>(44.0)</b>	(72.7)
	<b>Non-current liabilities</b>			
(359.4)	Borrowings	11	<b>(349.0)</b>	(393.2)
(0.1)	Deferred tax liabilities		<b>(0.2)</b>	(0.2)
(9.5)	Provisions	14	<b>(9.1)</b>	(15.2)
(369.0)			<b>(358.3)</b>	(408.6)
251.9	<b>Net assets</b>		<b>207.7</b>	403.3
	<b>Shareholders' equity</b>			
104.6	Ordinary shares		<b>104.6</b>	17.4
24.6	Share premium		<b>24.6</b>	30.8
(5.7)	Investment in own shares		<b>(5.7)</b>	(5.7)
2.6	Other reserves		<b>2.9</b>	0.5
125.8	Retained earnings		<b>81.3</b>	360.3
251.9	<b>Total shareholders' equity</b>		<b>207.7</b>	403.3
27p	EPRA Net asset value per share <sup>†</sup>	9	<b>22p</b>	174p

† Comparative figure has been restated to reflect the bonus element of the Rights Issue as described in note 9.

## Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total equity £m
<b>Unaudited 6 months ended 30 September 2009</b>						
Balance at 1 April 2009	104.6	24.6	(5.7)	2.6	125.8	251.9
Loss for the period	-	-	-	-	(39.3)	(39.3)
Total comprehensive income for the period ended 30 September 2009	-	-	-	-	(39.3)	(39.3)
Transactions with owners:						
Dividends paid	-	-	-	-	(5.2)	(5.2)
Value of employee services	-	-	-	0.3	-	0.3
<b>Balance at 30 September 2009</b>	<b>104.6</b>	<b>24.6</b>	<b>(5.7)</b>	<b>2.9</b>	<b>81.3</b>	<b>207.7</b>
<b>Unaudited 6 months ended 30 September 2008</b>						
Balance at 1 April 2008	17.4	30.8	(4.5)	(0.9)	494.0	536.8
Loss for the period	-	-	-	-	(128.5)	(128.5)
Other comprehensive income:						
Fair value movement on derivatives	-	-	-	1.2	-	1.2
Total comprehensive income for the period ended 30 September 2008	-	-	-	1.2	(128.5)	(127.3)
Transactions with owners:						
ESOT shares net purchase	-	-	(1.2)	-	-	(1.2)
Dividends paid	-	-	-	-	(5.2)	(5.2)
Value of employee services	-	-	-	0.2	-	0.2
Balance at 30 September 2008	17.4	30.8	(5.7)	0.5	360.3	403.3
<b>Audited 12 months ended 31 March 2009</b>						
Balance at 1 April 2008	17.4	30.8	(4.5)	(0.9)	494.0	536.8
Loss for the year	-	-	-	-	(360.4)	(360.4)
Other comprehensive income:						
Fair value movement on derivatives	-	-	-	1.1	-	1.1
Hedge reserve recycled to Income Statement	-	-	-	1.8	-	1.8
Total comprehensive income for the year ended 31 March 2009	-	-	-	2.9	(360.4)	(357.5)
Transactions with owners:						
Share issues	87.2	(6.2)	-	-	-	81.0
ESOT shares net purchase	-	-	(1.2)	-	-	(1.2)
Dividends paid	-	-	-	-	(7.8)	(7.8)
Value of employee services	-	-	-	0.6	-	0.6
Balance at 31 March 2009	104.6	24.6	(5.7)	2.6	125.8	251.9

## Consolidated Statement of Cash Flows

Audited Year ended 31 March 2009 £m		Notes	Unaudited 6 months ended 30 September 2009 £m	Unaudited 6 months ended 30 September 2008 £m
	<b>Cash flows from operating activities</b>			
40.6	Cash generated from operations	12	<b>16.4</b>	19.8
0.4	Interest received		<b>0.1</b>	0.4
(29.4)	Interest paid		<b>(12.8)</b>	(16.7)
4.9	Tax refunded		<b>-</b>	4.7
16.5	Net cash from operating activities		<b>3.7</b>	8.2
	<b>Cash flows from investing activities</b>			
(4.2)	Purchase of investment properties		<b>-</b>	(4.2)
(9.2)	Capital expenditure on investment properties		<b>(2.4)</b>	(5.2)
11.4	Net proceeds from disposal of investment properties		<b>15.6</b>	0.5
(0.1)	Purchase of intangible assets		<b>(0.1)</b>	(0.1)
(0.4)	Purchase of property, plant and equipment		<b>(0.1)</b>	(0.1)
(3.8)	Loan to joint venture		<b>(0.8)</b>	(1.5)
2.4	Movement in short-term funding balances with joint venture		<b>1.2</b>	1.9
(3.9)	Net cash from investing activities		<b>13.4</b>	(8.7)
	<b>Cash flows from financing activities</b>			
83.6	Proceeds from issue of ordinary share capital less fees*		<b>(2.6)</b>	-
(3.4)	Finance costs to amend existing borrowing facilities*		<b>(1.8)</b>	-
(78.8)	Net repayment of bank borrowings		<b>(10.4)</b>	-
-	Net proceeds from issue of bank borrowings		<b>-</b>	10.2
(1.2)	ESOT shares net purchase		<b>-</b>	(1.2)
(0.2)	Finance lease principal payments		<b>(0.1)</b>	(0.1)
(7.8)	Dividends paid to shareholders	7	<b>(5.2)</b>	(5.2)
(7.8)	Net cash from financing activities		<b>(20.1)</b>	3.7
4.8	<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3.0)</b>	3.2
(1.1)	Cash and cash equivalents at start of period	13	<b>3.7</b>	(1.1)
3.7	<b>Cash and cash equivalents at end of period</b>	13	<b>0.7</b>	2.1

\* Cash paid in period for fees and costs accrued last year

### 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 2009, 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 2009, as described in those annual financial statements, except as described below.

The condensed financial statements in the half year report are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year to 31 March 2009, 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.

The directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason the half year report is prepared on a going concern basis.

The following new standards, amendments and interpretations are mandatory for the first time for years beginning after 1 January 2009 and have been adopted by the Group. With the exception of IAS 1 (revised) these new pronouncements have had no material impact on the financial statements.

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements; an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

IASB's Annual Improvements to IFRS (May 2008);  
IAS 23 (revised) 'Borrowing Costs';  
IAS 32 (amendment) 'Financial Instruments: Presentation';  
IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement';  
IAS 40 (amendment) 'Investment Property';  
IAS 16 (amendment) 'Property, Plant and Equipment';  
IFRS 2 (amendment) 'Share-based payment';  
IFRS 8 'Operating Segments';  
IFRIC 15 'Agreement for the construction of real estate'.

Standards, amendments and interpretations relevant to the Group that were in issue at the date of approval of the half year report but not yet effective for the current accounting period were:

IFRS 3 (amendment) 'Business Combinations', and IFRS 5 (amendment) 'Non Current Assets held for sale and discontinued operations', both effective for annual periods beginning on or after 1 July 2009.

These pronouncements, when applied, are not expected to have a material impact on the financial statements.

This report was approved by the Board on 13 November 2009.

## 2. Analysis of net rental income

Year ended 31 March 2009			6 months ended 30 September 2009			6 months ended 30 September 2008		
Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m
54.2	(0.2)	54.0	24.6	(0.1)	24.5	27.3	(0.2)	27.1
13.3	(19.1)	(5.8)	6.8	(8.8)	(2.0)	6.9	(9.5)	(2.6)
–	(1.8)	(1.8)	–	(0.9)	(0.9)	–	(0.8)	(0.8)
2.3	(1.3)	1.0	1.1	(0.7)	0.4	0.8	(0.3)	0.5
69.8	(22.4)	47.4	32.5	(10.5)	22.0	35.0	(10.8)	24.2

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

## 3. Other income and expenses

Year ended 31 March 2009 £m		6 months ended 30 September 2009 £m	6 months ended 30 September 2008 £m
1.0	Non-refundable option fees for potential sale of property	–	0.8
–	Right of light compensation	0.1	–
1.0	<b>Other income</b>	0.1	0.8
–	Legal fees relating to construction contract litigation	(0.6)	–
–	<b>Other expenses</b>	(0.6)	–
1.0		(0.5)	0.8

## 4. (Loss)/profit on disposal of investment properties

Year ended 31 March 2009 £m		6 months ended 30 September 2009 £m	6 months ended 30 September 2008 £m
13.0	Gross proceeds from sale of investment properties	14.3	0.5
(17.6)	Book value at time of sale plus sale costs	(14.6)	(0.4)
(4.6)		(0.3)	0.1
14.4	Movement in provision for tax indemnity (see note 14)	–	4.3
9.8	Pre-tax (loss)/profit on sale	(0.3)	4.4

## Notes to the Half Year Report

continued

### 5. Finance income and costs

Year ended 31 March 2009 £m		6 months ended 30 September 2009 £m	6 months ended 30 September 2008 £m
-	Interest income on bank and other deposits	0.1	-
0.4	Other interest	-	0.4
0.4	<b>Finance income</b>	<b>0.1</b>	0.4
(28.0)	Interest payable on bank loans and overdrafts	(12.4)	(14.2)
(0.7)	Amortisation of issue costs of bank loans	(0.1)	(0.4)
(0.2)	Interest payable on finance leases	(0.1)	(0.1)
0.1	Interest capitalised on property refurbishments	-	0.1
(5.9)	Exceptional finance costs*	-	-
(34.7)	<b>Finance costs</b>	<b>(12.6)</b>	(14.6)
(26.1)	Change in fair value of financial instruments through the income statement	2.3	0.1
(60.4)	<b>Net finance costs</b>	<b>(10.2)</b>	(14.1)

\* The exceptional finance costs incurred in 2009 relate to the cost associated with amendments to existing borrowing facilities.

### 6. Taxation

The Group is a Real Estate Investment Trust (REIT). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Glebe joint venture does not form part of the REIT. The Group's 'residual' business (subject to tax) is small and consists mainly of ancillary services and commissions.

Current tax liabilities of £0.9m relate mainly to the provision made in 2008/09 of a REIT penalty tax charge. Confirmation is being sought from HM Revenue and Customs that the penalty tax charge will be waived in accordance with provisions introduced in the Finance Act 2009.

### 7. Dividends paid

#### Ordinary dividends paid

	Payment Date	Per share	2009 £m	2008 £m
For the year ended 31 March 2008 Final dividend	August 2008	3.04p	-	5.2
For the year ended 31 March 2009 Interim dividend	February 2009	1.52p	-	2.6
Final dividend	August 2009	0.50p	5.2	-
Dividends paid			5.2	7.8

Dividends per share prior to March 2009 have not been adjusted to reflect the bonus factor inherent in the Rights Issue.

The directors are proposing an interim dividend in respect of the financial year ended 31 March 2010 of 0.25p per Ordinary Share which will absorb an estimated £2.6m of shareholders' funds. It will be paid on 11 February 2010 to shareholders who are on the register of members on 15 January 2010. It is intended that the full amount of this dividend will be paid as a REIT Property Income Distribution (PID) net of withholding tax where appropriate.

## 8. Earnings per share

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

31 March 2009 £m	(Loss)/earnings used for calculation of earnings per share	30 September 2009 £m	30 September 2008 £m
(360.4)	Loss used for basic and diluted earnings	<b>(39.3)</b>	(128.5)
325.3	Change in fair value of investment property	<b>45.4</b>	131.2
(9.8)	Loss/(profit) on disposal of investment properties	<b>0.3</b>	(4.4)
26.1	Movement in fair value of derivative financial instruments	<b>(2.3)</b>	(0.1)
22.7	Group's share of EPRA adjustments of joint venture	<b>(0.1)</b>	10.4
3.9	EPRA adjusted earnings	<b>4.0</b>	8.6
5.9	Add back exceptional finance costs	–	–
9.8	Adjusted underlying earnings	<b>4.0</b>	8.6

  

31 March 2009 Number	Weighted average number of shares used for calculation of earnings per share	30 September 2009 Number	30 September 2008 Number restated
267,733,813	Weighted average number of shares (excluding shares held in the ESOT)	<b>1,042,481,723</b>	227,510,047
2,173,993	Dilution due to Share Option Schemes	<b>7,089,273</b>	2,149,796
269,907,806	Shares for diluted earnings per share	<b>1,049,570,996</b>	229,659,843

The number of shares have been adjusted for all periods in accordance with IAS 33 "Earnings Per Share" to reflect the Rights Issue which the Group undertook on 13 March 2009.

The weighted average number of shares has been calculated to increase the number of shares in issue after the Rights Issue and the bonus element for periods prior to the Rights Issue closing date. The factor used was 1.3308.

In accordance with IAS 33 "Earnings Per Share" no calculation of dilution is made where it would have an anti-dilutive effect of decreasing the loss per share.

31 March 2009	In pence:	30 September 2009	30 September 2008 restated
(134.6)p	Basic earnings per share	<b>(3.7)p</b>	(56.5)p
(134.6)p	Diluted earnings per share	<b>(3.7)p</b>	(56.5)p
1.4p	EPRA earnings per share	<b>0.4p</b>	3.7p
3.6p	Underlying earnings per share	<b>0.4p</b>	3.7p

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in November 2006, which gives guidelines for performance measures. The adjustments to earnings made above are in accordance with this guidance.

Underlying earnings consists of the EPRA earnings measure, with additional company adjustments.

## Notes to the Half Year Report

continued

### 9. Net assets per share

31 March 2009 £m		30 September 2009 £m	30 September 2008 £m
	Net assets used for calculation of net assets per share		
251.9	Net assets at end of period (basic)	207.7	403.3
26.2	Derivative financial instruments at fair value*	22.1	1.5
-	Deferred tax on fair value change of investment properties*	-	(3.2)
-	Deferred tax on derivative financial instruments*	-	0.1
278.1	EPRA net assets	229.8	401.7

\* Includes Group share of joint venture where applicable.

31 March 2009 Number		30 September 2009 Number	30 September 2008 Number restated
	Number of shares used for calculating net assets per share		
1,046,116,842	Shares in issue at period-end	1,046,116,842	174,352,807
-	Bonus share element of Rights Issue	-	57,665,325
(3,635,119)	Less ESOT shares	(3,635,119)	(3,638,237)
1,042,481,723	Number of shares for calculating basic net assets per share	1,042,481,723	228,379,895
1,618,267	Dilution due to Share Option Schemes	13,235,023	2,839,609
1,044,099,990	Number of shares for calculating diluted adjusted net assets per share	1,055,716,746	231,219,504

Net assets have been adjusted and calculated on a diluted basis to derive a net asset measure as defined by the European Public Real Estate Association (EPRA).

### 10. Investment properties

31 March 2009 £m		30 September 2009 £m	30 September 2008 £m
994.3	Balance at beginning of period	664.1	994.3
4.6	Property acquisitions	-	4.6
8.0	Capital expenditure	2.4	4.8
0.1	Capitalised interest on refurbishments	-	0.1
(17.4)	Disposals during the period	(14.4)	(0.4)
(0.2)	Depreciation on finance leases	-	-
(325.3)	Change in fair value of investment property	(45.4)	(131.2)
664.1	Balance at end of period	606.7	872.2

#### Valuation

The Group's investment properties were revalued at 30 September 2009 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 knowledgeably, 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 2009 £m		30 September 2009 £m	30 September 2008 £m
662.2	Total per CB Richard Ellis valuation report	604.7	870.9
(1.8)	Owner occupied property	(1.8)	(2.4)
3.9	Head leases treated as finance leases under IAS 17	3.9	4.0
(0.2)	Short leases valued as head leases	(0.1)	(0.3)
664.1	Total per balance sheet	606.7	872.2

## 11. Financial liabilities – borrowings

### a) Balances

31 March 2009 £m		30 September 2009 £m	30 September 2008 £m
	<b>Current</b>		
–	Bank loans and overdraft due within one year or on demand (secured)	1.3	55.4
		1.3	55.4
	<b>Non-current</b>		
355.5	Bank loans (secured)	345.1	389.2
3.9	Finance lease obligations (part secured)	3.9	4.0
359.4		349.0	393.2
359.4		350.3	448.6

### b) Maturity

31 March 2009 £m		30 September 2009 £m	30 September 2008 £m
	<b>Secured (excluding finance leases)</b>		
–	Repayable in less than one year	1.3	55.4
–	Repayable between one year and two years	–	240.0
–	Repayable between two years and three years	–	–
356.0	Repayable between three years and four years <sup>(1)</sup>	345.5	–
–	Repayable between four years and five years	–	150.0
356.0		346.8	445.4
(0.5)	Less cost of raising finance	(0.4)	(0.8)
355.5		346.4	444.6
	<b>Finance leases (part secured)</b>		
3.9	Repayable in five years or more	3.9	4.0
359.4		350.3	448.6

(1) The GE Real Estate finance facility is extendable to November 2012 at the Group's option upon payment of an extension fee in August 2010 and December 2011.

## Notes to the Half Year Report

continued

### 12. Notes to cash flow statement

Reconciliation of loss for the period to cash generated from operations:

Year ended 31 March 2009 £m		6 months ended 30 September 2009 £m	6 months ended 30 September 2008 £m
(360.4)	Loss for the period	(39.3)	(128.5)
0.7	Depreciation	0.2	0.3
0.1	Amortisation of intangibles	0.1	0.1
(9.8)	Loss/(profit) on disposal of investment properties	0.3	(4.4)
325.3	Change in fair value of investment property	45.4	131.2
0.6	Share based payments	0.4	0.1
26.1	Fair value changes on financial instruments	(2.3)	(0.1)
(0.4)	Interest income	(0.1)	(0.4)
34.7	Interest expense	12.6	14.6
23.9	Share in joint venture post tax loss	0.4	8.0
	Changes in working capital:		
2.4	(Increase)/decrease in trade and other receivables	(3.0)	(2.5)
(2.6)	Increase/(decrease) in trade and other payables	1.7	1.4
40.6	Cash generated from operations	16.4	19.8

### 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 2009 £m		30 September 2009 £m	30 September 2008 £m
1.3	Cash at bank and in hand	-	-
2.4	Restricted cash – tenants' deposit deeds	2.0	2.5
-	Bank overdrafts	(1.3)	(0.4)
3.7		0.7	2.1

### 14. Provisions

31 March 2009 £m		30 September 2009 £m	30 September 2008 £m
	Provision for tax indemnity <sup>(1)</sup>		
19.5	Balance at start of period	5.1	19.5
(14.4)	Credit to income statement	-	(4.3)
5.1	Balance at end of period	5.1	15.2
	Provision for interest shortfall in joint venture <sup>(2)</sup>		
-	Balance at start of period	4.4	-
4.4	(Credit)/charge to income statement	(0.4)	-
4.4	Balance at end of period	4.0	-
9.5	Provisions at end of period	9.1	15.2

(1) Provision for tax indemnity

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. The maximum liability should property values increase is currently estimated to be £21.1m.

(2) Provision for interest shortfall in joint venture

The Group has guaranteed interest shortfalls on the joint venture bank loan, up to a maximum amount. At the balance sheet date the maximum liability under the guarantee was £4.0m.

## 15. 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 2009 £m		30 September 2009 £m	30 September 2008 £m
62.1	Investment properties	43.8	74.7
1.2	Current assets	1.7	4.4
63.3	Total assets	45.5	79.1
(7.2)	Current liabilities	(7.3)	(3.5)
(67.2)	Non-current liabilities	(66.9)	(66.5)
(74.4)	Total liabilities	(74.2)	(70.0)
11.1	Adjustment due to net liabilities	28.7	–
–	Group share of joint venture net assets	–	9.1

Investment properties have been valued by the directors at 30 September 2009 based on information received from CB Richard Ellis.

### Income and expenses:

Year ended 31 March 2009 £m		6 months ended 30 September 2009 £m	6 months ended 30 September 2008 £m
4.6	Revenue	2.2	2.3
(1.4)	Direct costs	(0.8)	(0.7)
3.2	Net rental income	1.4	1.6
(0.1)	Administrative expenses	(0.1)	–
(24.8)	Change in fair value of investment property	(18.7)	(10.8)
(4.1)	Finance costs – interest payable	(1.8)	(2.1)
(4.5)	Change in fair value of derivative financial instruments	0.8	0.4
(30.3)	(Loss) before tax	(18.4)	(10.9)
(0.3)	Taxation	–	2.9
(30.6)	(Loss) after tax	(18.4)	(8.0)
11.1	Adjustment due to net liabilities	17.6	–
(19.5)	Adjusted loss	(0.8)	(8.0)
(4.4)	Provision for interest shortfall in joint venture (note 14)	0.4	–
(23.9)	Share of joint venture loss after tax taken to income statement	(0.4)	(8.0)

## 16. Related Party Transactions

Other than the transactions described in note 15 there have been no material changes in the related party transactions described in the last Annual Report.

## 17. Post balance sheet events

In October 2009 the Group purchased the second phase of Q West, Brentford (contracts originally exchanged in June 2007) for £3.9m. In November the Group exchanged on the disposal of Seax Industrial Estate, Basildon, Essex for £5.3m, Quadrangle, London SW6 for £3.1m and National Works, London TW4 and Glenville Mews, London SW18 for a combined consideration of £9.3m. The Group has also completed on a part disposal of 2 Cullen Way, Park Royal for £0.2m.

## Notes to the Half Year Report

continued

### 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 changed from those set in the Group's 2009 Annual Report. These are reproduced below:

Risk description	Mitigation
<b>Operational</b> Falling occupancy levels and dependency on the SME sector	<ul style="list-style-type: none"><li>• Weekly monitoring of occupancy levels and update of pricing at each estate.</li><li>• Quarterly customer satisfaction surveys.</li><li>• Weekly monitoring of reasons for customers vacating and exit interviews conducted.</li><li>• On-site staff maintain regular contact with customers and local monitoring of competitors offering space.</li><li>• Extensive marketing using the 'Workspace' brand.</li><li>• Flexibility offered on deals by dedicated in-house marketing and letting teams.</li><li>• External research conducted on the SME sector to understand trends in demand.</li></ul>
<b>Property valuation and transactional</b> Economic and market factors adversely impact on valuation	<ul style="list-style-type: none"><li>• Independent valuations conducted quarterly by CB Richard Ellis.</li><li>• Alternative use opportunities pursued across the portfolio and planning consent progressed.</li><li>• Market yields and pricing of property transactions monitored closely across the London market.</li></ul>
Disposals do not achieve fair value	<ul style="list-style-type: none"><li>• Independent valuations conducted quarterly by CB Richard Ellis.</li><li>• Market yields and pricing of property transactions monitored closely across the London market.</li><li>• Marketing by external agents as appropriate.</li><li>• Tendering for competitive bids as appropriate.</li></ul>
Properties acquired do not meet performance expectations	<ul style="list-style-type: none"><li>• Thorough due diligence conducted ahead of any property acquisitions.</li><li>• Regular monitoring of acquisition performance against target returns.</li></ul>
<b>Property development</b> Changes to policy and/or procedures increase time to get planning consent	<ul style="list-style-type: none"><li>• Regular monitoring of government announcements and active involvement on industry responses.</li><li>• Good working relationships developed with the Mayor of London and local London authorities.</li><li>• Alignment of our regeneration proposals with the London Plan and local strategic plans.</li></ul>
Changes in economic environment impacts the viability or returns from planned developments	<ul style="list-style-type: none"><li>• Timing of actual developments can be deferred with properties retained for existing rental use.</li><li>• Vacant possession not obtained until exchange achieved for properties being sold for alternative use.</li></ul>
<b>Treasury</b> Breach of borrowing covenants triggering default	<ul style="list-style-type: none"><li>• Financial ratios and covenant headroom monitored and regularly reported to the Board.</li><li>• Working capital forecasts stress tested and regularly reported to the Board.</li></ul>
Insufficient liquidity to progress business plans	<ul style="list-style-type: none"><li>• Funding requirements for business plans regularly reviewed.</li><li>• Regular dialogue with main lenders.</li><li>• Options for alternative sources of funding monitored.</li></ul>
<b>Regulations</b> Non compliance with REIT legislation resulting in loss of REIT status or tax penalties incurred	<ul style="list-style-type: none"><li>• REIT conditions monitored and tested on a regular basis and reported to the Board.</li><li>• Eligibility of shareholders to receive PIDs clarified prior to payment.</li><li>• Close working relationship maintained with HMRC and all relevant issues openly disclosed.</li></ul>
<b>Business Continuity</b> Failure to recruit and retain key staff with appropriate skills	<ul style="list-style-type: none"><li>• Succession plans for key positions.</li></ul>
Business interruption including no access to Head Office	<ul style="list-style-type: none"><li>• Business Continuity plan in place.</li><li>• Back-up systems at remote locations.</li><li>• Remote working capabilities.</li></ul>

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### **19. Half Year Report**

Copies of this statement will be dispatched to shareholders on 18 November 2009 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](http://www.workspacegroup.co.uk) from 10.00am on 16 November 2009.

### **20. Glossary of Terms**

A full glossary of terms used within this report is included in the Group's Annual Report and Accounts 2009, available on the Group's website [www.workspacegroup.co.uk](http://www.workspacegroup.co.uk).

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 2009. A list of current directors is maintained on the Workspace Group website: [www.workspacegroup.co.uk](http://www.workspacegroup.co.uk).

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**H Platt**

Chief Executive  
13 November 2009

**G Clemett**

Finance Director  
13 November 2009

### Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2009, which comprises the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and related notes. We have read the other information contained in the half-yearly financial 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-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial 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-yearly financial 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-yearly financial 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-yearly financial report for the six months ended 30 September 2009 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  
13 November 2009







## Workspace Group

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