

Half Yearly Report

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Workspace Group PLC
13 November 2012

WORKSPACE MOMENTUM MAINTAINED

Workspace Group PLC ("Workspace"), London's leading provider of space to new and growing companies, announces its results for the six months ended 30 September 2012.

Highlights

Strong Financial Performance

- Trading profit after interest (adjusted) up 13% to £8.8m (September 2011: £7.8m)
- Profit before tax up 46% at £24.6m for the half year (September 2011: £16.9m)
- EPRA earnings per share stable at 5.9p (September 2011: 5.9p)
- Interim dividend per share increased by 10% to 3.22p (September 2011 2.93p)

Robust Demand

- Enquiries for space averaged 1,038 per month in the first half (September 2011: 955 per month)
- Like-for-like occupancy improved to 88.8% (March 2012: 87.7%)
- Like-for-like rent roll up 3.1% to £43.6m and rent per sq. ft up 1.7% to £12.99 since March 2012

Property Portfolio

- Underlying property valuation up 2.2% (£17m) to £781m since March 2012
- EPRA net asset value per share up by 3.6% to £3.19 since March 2012
- £9m of property disposals, realising a £0.5m surplus to March 2012 valuation

Good progress on Refurbishment and Redevelopment Pipeline

- Two refurbishments completed in the period to October 2012 with a further six underway
- Agreements exchanged in October 2012 for mixed use redevelopments at Grand Union, W10 and Bow Enterprise, E3

Sound Financial Base

- Average debt maturity 2.7 years with no debt falling due in next 2 years
- Loan to value steady at 41% (March 2012: 41%)
- Average cost of debt of 5.0% down from 5.2% in previous financial year
- £74m of undrawn facilities and cash
- Seven year unsecured 6.0% Retail Bond successfully completed in October 2012 raising £57.5m (gross), extending overall debt maturity profile by eight months

Acquisition Activity

- Five properties acquired for £29m in BlackRock joint venture in period to October 2012
- BlackRock joint venture investment of £100m now complete

Commenting on the results, Jamie Hopkins, Chief Executive said:

"Workspace has had an active and productive first half of the year reflected by the growth of both our core operational income as well as the capital value of our assets. During the period our marketing efforts have continued to drive occupancy and rent roll and we have pushed forward with various repositioning, refurbishment and redevelopment initiatives. Our property valuation has increased without any material benefit from yield movement, which I believe endorses how focused asset management and a clear understanding of our customers can deliver real value to shareholders"

Date: 13th November 2012
For further information contact

Workspace Group PLC
Jamie Hopkins, Chief Executive Officer
Graham Clemett, Chief Financial Officer

Tel: 020 7138 3300

Web: www.workspacegroupplc.co.uk

City Profile
Simon Courtenay
Abigail Genis

Tel: 020 7448 3244

There will be a results presentation to analysts and investors hosted by the Workspace Management Team at 0930 on Tuesday 13 November. The venue for the presentation is the Ironmongers Hall, Shaftesbury Place, Barbican, EC2Y 8AA. There is also a conference call facility in conjunction with the presentation. The telephone number to use to join the conference call is 020 3140 0668, the participant PIN Code is 131416#.

Operating Performance

We continue to see strong levels of enquiries from customers, with only a modest adverse impact from the Olympics in August. Excluding August, average monthly enquiries in the second quarter were 1,092.

Average number per month:	Quarter to September 2012	Quarter to June 2012	Quarter to March 2012	Quarter to December 2011
Enquiries	1,026	1,050	1,231	892
Lettings	70	84	84	78

The like-for-like property portfolio, which excludes properties undergoing refurbishment or redevelopment, continues to see growth in occupancy, rent and rental pricing.

Like-for-Like	September 2012	March 2012	September 2011
Occupancy	88.8%	87.7%	87.2%
Rent roll	£43.6m	£42.3m	£41.6m
Rent per sq. ft.	£12.99	£12.77	£12.60

Like-for-like rent roll has increased by £1.3m (3.1%) in the six months to September 2012. Around 40% of this increase in rent has come from higher occupancy with 60% from the increase in rent per sq. ft. Rental growth will increasingly be driven by improvements in pricing as we reach high levels of occupancy and demand, particularly at our business centres.

Since March 2012, three properties have been transferred out of the like-for-like portfolio. At Exmouth House, EC1 we have now commenced the refurbishment of the property including the addition of an extra floor, and at Marshgate, E15 and Creekside, SE8 we are now progressing with our planning applications for redevelopment.

Overall occupancy at September 2012 was 84.6%, down 0.7% since March 2012 due to the reduction in occupancy at properties being refurbished (down 9.6%) and redeveloped (down 7.6%) and two property disposals. A summary of the movement in cash rent roll over the six months is set out below:

Total Rent Roll	£m
At March 2012	50.2
Like-for-like growth	1.3
Refurbishment properties	(0.4)
Redevelopment properties	(0.1)
Property disposals	(0.5)
At September 2012	<u>50.5</u>

Contracted rent roll, which includes stepped rates and rent free periods, was £2.5m higher than the cash rent roll at £53.0m at September 2012 of which £1.1m should convert to cash by March 2013.

Profit Performance

Trading Profit after interest was £8.8m in the six months to September 2012 up 12.8% on the prior year period.

£m	30 September 2012	30 September 2011
Net rental income		
- underlying	23.1	22.3
- disposals	0.1	0.3
	23.2	22.6
Joint venture income	0.4	0.2
Administrative expenses	(5.5)	(5.2)
Net finance costs	(9.3)	(9.8)
Trading Profit after Interest (adjusted)	8.8	7.8

Underlying net rental income is up 4% (£0.8m) with growth at like-for-like properties of 6% (£1.1m) offset by the income attrition of £0.3m at properties being refurbished and redeveloped.

Rental income from the BlackRock joint venture is increasing as we progress our investment programme.

Administrative expenses are up 6% (£0.3m) as a result of inflationary costs, salary increases and higher management incentive plan costs.

Net finance costs have reduced by 5% (£0.5m). The average level of borrowings over the six months was £13m lower than in the prior year, primarily due to the proceeds of the rights issue in July 2011 and a reduction in the average interest cost from 5.2% to 5.0%. We received interest at 1.3% on our cash deposits.

Overall profit before tax was up 46% on the same period in the prior year at £24.6m.

£m	30 September 2012	30 September 2011
Trading Profit after Interest (adjusted)	8.8	7.8
Change in fair value of investment properties	16.0	16.2
Other Items	(0.2)	(7.1)
Profit before Tax	24.6	16.9

Other items in the prior year included a £6.9m adverse movement on the mark to market valuation of interest rate hedges reflecting the significant reduction in the outlook for medium-term interest rates in that period. There has been no significant movement in rates during the current year.

EPRA earnings per share were stable at 5.9p (September 2011: 5.9p) with the improvement in trading profit offset by the impact of the 25% increase in the number of shares (14% on a weighted basis) following the rights issue in July 2011.

Valuation

At 30 September 2012 the wholly owned portfolio was independently valued by CBRE at £781m and the underlying valuation, excluding the impact of capital expenditure and disposals, was up by 2.2% (£17m) in the six months. A summary of the movements is set out below:

Valuation	£m
At 31 March 2012	760
Property disposals	(9)
Capital expenditure	13
Revaluation surpluses:	
3 months to June 2012	9
3 months to September 2012	8
At 30 September 2012	781

The Group delivered a total property return in the year to 30 September 2012 of 11.4% (six months: 5.1%) compared to 3.4% (six months: 1.1%) for the IPD Universe benchmark. This outperformance reflects our success in driving rental

income growth and capturing the refurbishment and redevelopment potential of our property portfolio.

A more detailed analysis of the valuation at 30 September 2012 is set out below:

	No	Existing Use Value	Added Value	Total Value	Rent Roll
Core Properties	65	£613m	£105m	£718m	£45.9m
Other Properties	25	£63m	£0m	£63m	£4.6m
Total	90	£676m	£105m	£781m	£50.5m

Other properties represent generally good quality but relatively small properties, primarily industrial estates, where Workspace adds little premium operational or brand value. These properties will be sold as opportunities arise and the proceeds recycled into our core portfolio.

Added value is included in the valuation of properties where the Group has obtained planning or is well advanced on obtaining planning approval for redevelopment or refurbishment. Over time this added value, which includes capital expenditure, will translate into enhanced or new commercial space and/or cash and overage. Movement in added value over the last six months is set out below:

Added Value	£m
At March 2012	94
Refurbishments - construction/design	5
Refurbishments - completed	(3)
Redevelopments	9
At September 2012	105

Added value of £3m associated with Canalot Studios, W10 was transferred to the existing use value of the property following completion of the refurbishment in September 2012.

The total ERV for the portfolio at September 2012 is £65.3m compared to a cash rent roll of £50.5m. The ERV of the like-for-like portfolio is up 0.5% in the first six months to £50.5m compared to a cash rent roll of £43.6m.

The total net initial yield on our whole portfolio, as calculated by our valuers, CBRE, is 6.9% (March 2012: 7.1%) with an equivalent yield of 8.2% (March 2012: 8.4%). The capital value per sq. ft. is £161 (March 2012: £152).

During the first six months we realised £8.8m (gross) from disposals at a £0.5m surplus to the valuation at March 2012, comprising:

- Westwood Business Centre, NW10 sold in August 2012 for £5.6m.
- Enterprise House, Hayes, sold into a 50:50 joint venture partnership with Polar Group at a valuation of £3.2m.

Refurbishment Activity

Refurbishment activity at our properties covers both the upgrading in quality of existing space and the addition of new space, typically new floors or extensions.

At Canalot Studios, W10 the refurbishment of 32,000 sq. ft of existing space and a new 17,150 sq. ft roof extension was completed in September 2012 at a cost of £5m. At Whitechapel, E1 a 9,000 sq. ft side extension was completed in October 2012 at a cost of £1.5m. These properties were valued at £15m at September 2012 with rent roll of £0.3m. We would expect to achieve an uplift in rent roll of £1.0m at current estimated rents once these schemes reach 90% occupancy.

Six properties are currently undergoing refurbishment as follows:

	Estimated Cost	Expected Completion	Upgraded Area (sq. ft.)	New Area (sq. ft.)
Great Guildford Street, SE1	£14m	H2 2014	82,000	20,000
Greenheath, E2	£10m	H2 2013	-	45,000
Exmouth House, EC1	£4m	H1 2013	52,000	5,000
Leyton Village (Phase 1), E10	£3m	H2 2013	-	25,000
Chester House (Phase II), SW9	£2m	H1 2013	-	9,000
Westminster (Phase I), SE11	£2m	H1 2013	-	6,000
	£35m		134,000	110,000

These properties were valued at £40m at September 2012 with rent roll of £1.9m and £3m of capital expenditure already incurred. We would expect to achieve an uplift in rent roll of £3.7m at current estimated rents once these schemes are completed and have reached 90% occupancy.

A further eight schemes with planning consent are at the design phase including the second phases at Leyton Village, E10 and Westminster, SE11. These properties were valued at £37m at September 2012 with rent roll of £1.8m. These eight projects are expected to be progressed on a phased basis between 2013 and 2016 at a total potential cost of £55m, delivering 75,000 sq. ft of upgraded space and 230,000 sq. ft of new space. They would potentially deliver an uplift in rent roll of £6.0m at current estimated rents and 90% occupancy.

Redevelopment Activity

Our properties are in areas across London where there is strong demand for mixed use redevelopment. These schemes generally require demolition of an existing building to deliver new residential and commercial space. We obtain mixed use planning consent and then agree terms with a residential developer to undertake the construction at no cost to Workspace. We generally receive back new commercial space together with a combination of cash and overage in return for the sale of the residential component to the developer.

In October 2012 we announced that we had exchanged contracts for the redevelopment of Grand Union, W10 and the first phase of Bow Enterprise, E3:

- At Grand Union we will receive back on completion of the redevelopment a new 60,000 sq.ft. business centre together with £5.9m of cash over the development period together with overage on the private residential component.
- At Bow Enterprise we will receive £11.5m of cash once we have achieved vacant possession of the site, expected within 6 months, and on completion of the redevelopment 15,000 sq. ft of new industrial space and overage on the private residential component.

We have now signed development agreements for four redevelopment schemes for a total of 693 residential units as detailed below:

	Developer	Expected Completion	Residential Units	Commercial Area (sq. ft.)	Cash	Other
Wandsworth, SW18	Mount Anvil	H2 2014	209	53,000	-	Overage
Highbury Grove, N5	Taylor Wimpey	H1 2014	72	61,000	£4.8m	Overage
Grand Union, W10	Taylor Wimpey	H1 2015	145	60,000	£5.9m	Overage
Bow (Phase 1), E3	Peabody	H2 2015	<u>267</u>	<u>15,000</u>	<u>£11.5m</u>	Overage
			<u>693</u>	<u>189,000</u>	<u>£22.2m</u>	

In return for the sale of the residential units, Workspace will receive 189,000 sq. ft of new commercial space, cash of £22.2m and overage on the residential component. These four properties were valued at £71m at September 2012 with rent roll of £0.5m which will be lost during redevelopment. At current estimated rents and 90% occupancy the new commercial space would deliver £3.8m of new rent roll.

There are a further 8 projects (including second phases of redevelopment at Wandsworth, SW18 and Bow Enterprise Park, E3) where we are progressing redevelopment opportunities, one with planning and seven currently in the planning phase. In total we hope to achieve consent for 2,325 residential units. These properties are valued at September 2012 at £75.6m with rent roll of £3.8m. The most significant of the schemes in planning is at Tower Bridge, SE16 where 7 acres of the site has been re-designated for residential use. A planning application for 800 residential units was submitted in July 2012.

Net assets

Net assets increased by £17m to £453m over the six months to September 2012. EPRA net assets per share, which excludes the mark to market of interest rate hedges, increased to £3.19 (March 2012: £3.08), an increase of 3.6% in the six months.

EPRA net assets per share	£
At 31 March 2012	3.08
Property valuation surplus	0.12
Trading profit	0.06

Dividends paid in half year	(0.06)
Other	(0.01)
At 30 September 2012	<u>3.19</u>

Cashflow and Financing

The Group generates strong operating cashflow in line with trading profit. Our customer payment profile remains stable with bad debts in the half year at £0.1m (September 2011: £0.1m).

Net bank debt has increased by £5m to £319m in the six months to September 2012, this includes £19m of cash on deposit. A summary of the movements in cashflow are set out below:

Cashflow	£m
Net cash from operations	9
Dividends paid	(8)
Capital expenditure	(12)
Property disposals	9
Investment in joint ventures	(5)
Other	2
Net increase in bank debt	<u>(5)</u>
Net bank debt at 31 March 2012	<u>(314)</u>
Net bank debt at 30 September 2012	<u>(319)</u>

The Group has £393m of committed bank facilities with an average period to maturity of 2.7 years and earliest maturity in December 2014. We have a good spread of lenders with a total of eight banks providing our facilities with no individual bank providing more than £62.5m. Details of our facilities are set out below:

	Committed Facilities	Drawn Amount	Maturity
RBS/HSBC	£125m	£70m	Jun 2015
Bayern Club	£200m	£200m	Jun 2015
Lloyds Club	£68m	£68m	Dec 2014
	<u>£393m</u>	<u>£338m</u>	

We have £55m of available facilities and £19m in cash deposits. Overall loan to value is 41%, the same as at March 2012, and we have good headroom on all of our bank covenants.

In October 2012, the Group successfully raised £57.5m (gross) from its first Retail Bond issue, offering a 6.0% coupon and a maturity date of 2019. Proceeds from this Bond were utilised to prepay £57m of the Lloyds Club facility. The remaining balance of £11m on this facility will be repaid from the proceeds of the Bow Enterprise redevelopment within the next six months. The Bond provides an attractive diversification of our debt on an unsecured basis. It also extends the overall maturity profile by 8 months for a marginal increase in overall interest cost (0.2%).

Our interest rate hedging is structured to maintain a stable interest rate over the medium term. At September 2012 we had £260m of fixed rate hedges representing 77% (September 2011: 77%) of our drawn debt facilities at an average rate of 3.3% (September 2011: 3.5%). £50m of this hedging to June 2013 was cancelled in October 2012 alongside the part repayment of the Lloyds facility at a cost of £1.7m.

We have a 20.1% interest in our joint venture with BlackRock. This JV continues to perform well, with five acquisitions for £29m completed in the period to October 2012. City Road, EC1 was purchased in June 2012 for £7.3m and Baden Place, SE1 was purchased in July 2012 for £6.6m. A portfolio of three properties in Bermondsey and Stratford was acquired on 5 October 2012 for a total consideration of £15.2m. Taking into account future capital expenditure on the purchased properties this completes the planned initial investment of £100m in the JV.

Dividend

An interim dividend of 3.22p per share will be paid, an increase of 10% on the interim dividend paid last year of 2.93p per share. The dividend will be paid as a Property Income Distribution (PID) on 5 February 2013 to shareholders who are on the register of members on 11 January 2013.

Key Property Statistics

	Quarter ending 30 Sept 2012	Quarter ending 30 June 2012	Quarter ending 31 March 2012	Quarter ending 31 Dec 2011	Quarter ending 30 Sept 2011
Workspace Group Portfolio					
Property valuation	£781m	£773m	£760m	£750m	£733m
Number of estates	90	91	92	94	94
Lettable floorspace (million sq. ft.) †	4.8	4.9	5.0	5.0	5.1
Number of lettable units	4,639	4,643	4,668	4,781	4,899
ERV	£65.3m	£65.1m	£65.4m	£64.9m	£65.2m
Cash rent roll of occupied units	£50.5m	£50.5m	£50.2m	£49.8m	£50.0m
Average rent per sq. ft.	£12.30	£12.02	£11.79	£11.58	£11.52
Overall occupancy	84.6%	85.5%	85.3%	85.6%	85.2%
Like-for-like lettable floor space (million sq. ft.)	3.8	3.8	3.8	3.8	3.8
Like-for-like cash rent roll	£43.6m	£43.2m	£42.3m	£41.7m	£41.6m
Like-for-like average rent per sq. ft.	£12.99	£12.89	£12.77	£12.68	£12.60
Like-for-like occupancy	88.8%	88.5%	87.7%	87.2%	87.2%
BlackRock Workspace Property Trust					
Property valuation	£77m	£69m	£62m	£47m	£36m
Number of estates	13	12	11	10	8
Lettable floorspace (million sq. ft.) †	0.5	0.5	0.4	0.4	0.3
ERV	£6.9m	£6.2m	£5.5m	£4.7m	£3.6m
Cash rent roll of occupied units	£5.3m	£4.7m	£4.7m	£3.8m	£2.9m
Average rent per sq. ft.	£13.07	£11.36	£11.82	£10.66	£10.20
Overall occupancy	89.3%	88.5%	89.8%	88.7%	87.3%

† Excludes storage space

Consolidated Income Statement

		Unaudited 6 months ended 30 September		Audited Year ended 31 March
	Notes	2012 £m	2011 £m	2012 £m
Revenue	2	34.3	33.4	67.3
Direct costs	2	(11.1)	(10.8)	(22.5)
Net rental income	2	23.2	22.6	44.8
Administrative expenses		(5.5)	(5.2)	(10.2)
		17.7	17.4	34.6
Profit/(loss) on disposal of investment properties	3	0.3	(0.4)	0.9
Loss on disposal of property, plant and equipment		-	(0.1)	(0.1)
Change in fair value of investment properties	9	16.0	16.2	35.6
Operating profit		34.0	33.1	71.0
Finance income	4	0.1	0.1	0.2
Finance costs	4	(9.4)	(9.9)	(19.3)
Change in fair value of derivative financial instruments	4	(0.7)	(6.9)	(4.6)
Gains from share in joint ventures	10	0.6	0.5	1.2
Profit before tax		24.6	16.9	48.5

Taxation	5	-	(0.2)	0.5
Profit for the period after tax		24.6	16.7	49.0
Basic earnings per share (pence)	7	16.9p	13.2p	36.3p
Diluted earnings per share (pence)	7	16.6p	12.8p	35.5p
EPRA earnings per share (pence)	7	5.9p	5.9p	11.9p

Consolidated Statement of Comprehensive Income

	Unaudited		Audited
	6 months ended		Year ended
	30 September	31 March	31 March
	2012	2011	2012
	£m	£m	£m
Profit for the financial period	24.6	16.7	49.0
Total comprehensive income attributable to equity shareholders	24.6	16.7	49.0

Consolidated Balance Sheet

	Notes	Unaudited 30 September 2012 £m	Audited 31 March 2012 £m	Unaudited 30 September 2011 £m
Non-current assets				
Investment properties	9	774.0	759.3	731.8
Intangible assets		0.4	0.3	0.3
Property, plant and equipment		1.5	1.1	1.0
Investment in joint ventures	10	17.0	12.3	7.1
Trade and other receivables	11	6.1	4.6	4.6
		799.0	777.6	744.8
Current assets				
Trade and other receivables	11	15.8	10.6	16.4
Cash and cash equivalents	13(b)	21.2	26.5	31.9
Corporation tax asset		0.7	0.6	-
		37.7	37.7	48.3
Total assets		836.7	815.3	793.1
Current liabilities				
Bank overdraft	12	(0.3)	-	(1.6)
Derivative financial instruments		(14.9)	(14.2)	(16.5)
Trade and other payables		(29.9)	(27.5)	(30.2)
Current tax liabilities		-	-	(0.2)
		(45.1)	(41.7)	(48.5)
Non-current liabilities				
Borrowings	12	(338.0)	(337.3)	(336.8)
Other non-current liabilities		(0.9)	(0.9)	(0.9)
		(338.9)	(338.2)	(337.7)
Total liabilities		(384.0)	(379.9)	(386.2)
Net assets		452.7	435.4	406.9
Shareholders' equity				
Ordinary shares	14	144.8	144.1	144.1
Share premium		58.9	59.2	59.2
Investment in own shares		(8.7)	(8.7)	(8.7)
Other reserves		14.6	13.9	13.5
Retained earnings		243.1	226.9	198.8
Total shareholders' equity		452.7	435.4	406.9

Consolidated Statement of Changes in Equity

Attributable to Owners of the Parent

	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total £m
Unaudited 6 months ended 30 September 2012						
Balance at 1 April 2012	144.1	59.2	(8.7)	13.9	226.9	435.4
Profit for the period	-	-	-	-	24.6	24.6
Total comprehensive income	-	-	-	-	24.6	24.6
Transactions with owners:						
Share issues	0.7	(0.3)	-	-	-	0.4
Dividends paid (note 6)	-	-	-	-	(8.4)	(8.4)
Value of employee services	-	-	-	0.7	-	0.7
Balance at 30 September 2012	144.8	58.9	(8.7)	14.6	243.1	452.7
Unaudited 6 months ended 30 September 2011						
Balance at 1 April 2011	115.3	25.0	(8.0)	15.0	186.5	333.8
Profit for the period	-	-	-	-	16.7	16.7
Revaluation of owner occupied property	-	-	-	(1.9)	1.9	-
Total comprehensive income	-	-	-	(1.9)	18.6	16.7
Transactions with owners:						
Share Issues	28.8	34.2	-	-	-	63.0
ESOT shares net purchase	-	-	(0.7)	-	-	(0.7)
Dividends paid (note 6)	-	-	-	-	(6.3)	(6.3)
Value of employee services	-	-	-	0.4	-	0.4
Balance at 30 September 2011	144.1	59.2	(8.7)	13.5	198.8	406.9
Audited 12 months ended 31 March 2012						
Balance at 1 April 2011	115.3	25.0	(8.0)	15.0	186.5	333.8
Profit for the year	-	-	-	-	49.0	49.0
Revaluation of owner occupied Property	-	-	-	(1.9)	1.9	-
Total comprehensive income	-	-	-	(1.9)	50.9	49.0
Transactions with owners:						
Share issues	28.8	34.2	-	-	-	63.0
ESOT shares net purchase	-	-	(0.7)	-	-	(0.7)
Dividends paid (note 6)	-	-	-	-	(10.5)	(10.5)
Value of employee services	-	-	-	0.8	-	0.8
Balance at 31 March 2012	144.1	59.2	(8.7)	13.9	226.9	435.4

Consolidated Statement of Cash Flows

	Notes	Unaudited 6 months ended 30 September 2012 £m	Unaudited 6 months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Cash flows from operating activities				
Cash generated from operations	13 (a)	17.9	16.2	35.8
Interest received		0.3	-	0.1
Interest paid		(9.0)	(9.5)	(18.5)
Tax paid		(0.1)	-	(0.1)
Net cash inflow from operating activities		9.1	6.7	17.3

Cash flows from investing activities				
Capital expenditure on investment properties		(11.4)	(7.7)	(18.3)
Net proceeds from disposal of investment properties		8.7	5.4	8.8
Purchase of intangible assets		(0.2)	-	(0.1)
Purchase of property, plant and equipment		(0.3)	(0.5)	(0.7)
Net proceeds from disposal of property, plant and equipment		-	3.8	3.8
Investment in and loan to joint ventures	10	(4.6)	-	(4.8)
Movement in short-term funding balances with joint ventures		(0.5)	-	(0.1)
Distributions received from joint venture	10	0.4	0.1	0.4
Net cash (outflow)/inflow from investing activities		(7.9)	1.1	(11.0)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		0.4	66.3	66.3
Fees paid on share issue		-	(3.1)	(3.3)
Finance costs for new/amended borrowing facilities		-	(2.1)	(2.2)
Settlement and re-couponsing of derivative financial instruments		-	(0.4)	(1.3)
Repayment of bank borrowings		-	(25.5)	(25.5)
Movement on bank facility ring fenced accounts		1.2	(4.9)	(1.7)
ESOT shares purchase		-	(0.7)	(0.7)
Finance lease principal payments		-	(0.1)	-
Dividends paid	6	(8.4)	(6.1)	(10.5)
Net cash (outflow)/inflow from financing activities		(6.8)	23.4	21.1
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(5.6)	31.2	27.4
Cash, cash equivalents and bank overdrafts at start of period	13 (b)	26.5	(0.9)	(0.9)
Cash, cash equivalents and bank overdrafts at end of period	13 (b)	20.9	30.3	26.5

Notes to the Half Year Report For the 6 months ended 30 September 2012

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 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

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 2012, which were prepared under IFRS have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement made under Section 498 of the Companies Act 2006.

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.

This report was approved by the Board on 12 November 2012.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2012, as described in those annual financial statements, except as described below:

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

New and amendments to accounting standards:

(a) The following new standards, amendments and interpretations are mandatory for the first time for years beginning after 1 April 2012:

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment: IFRS 7	Financial instruments: Transfers of financial assets	1 July 2011

These either had no material impact on the Group's financial statements or resulted in changes to presentation and disclosure only.

(b) The following standards, amendments and guidance are not yet effective or not yet endorsed by the EU, and are either not

expected to have a material impact on the Group's financial statements or will result in changes to presentation and disclosure only. They have not been adopted early by the Group:

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment: IAS 12	Income taxes on deferred tax	1 January 2012
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27 (revised)	Separate financial statements	1 January 2013
IAS 28 (revised)	Associates and joint ventures	1 January 2013
Amendment: IAS 1	Financial statement presentation regarding other comprehensive income	1 July 2012
Amendment: IFRS 7	Financial instruments: disclosures, on offsetting financial assets and liabilities	1 January 2013
Amendment: IAS 32	Financial instruments: presentation, on offsetting financial assets and liabilities	1 January 2014
IFRS 9	Financial instruments: classification and measurement	1 January 2015
Amendments	Annual improvements 2011	1 January 2013

2. Analysis of net rental income and segmental information

	6 months ended 30 September			2011			Year ended 31 March		
	2012			2011			2012		
	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
Rental income	25.4	(0.1)	25.3	25.0	-	25.0	50.2	(0.1)	50.1
Service charges	7.0	(7.8)	(0.8)	6.9	(8.0)	(1.1)	13.7	(16.2)	(2.5)
Empty rates and other non-recoverables	0.2	(2.0)	(1.8)	0.3	(2.1)	(1.8)	0.6	(4.1)	(3.5)
Services, fees, commissions and sundry income	1.7	(1.2)	0.5	1.2	(0.7)	0.5	2.8	(2.1)	0.7
	34.3	(11.1)	23.2	33.4	(10.8)	22.6	67.3	(22.5)	44.8

Discrete financial information is provided to the Executive Committee on a property by property basis, including rental income and direct costs and valuation gains and losses. All of the properties within the portfolio are geographically close to each other and have similar economic features and risks and all information provided to the Executive Committee is aggregated and reviewed in total as one portfolio. As a result, management have determined that the Group operates a single operating segment providing business accommodation for rent in London, which is continuing.

3. Profit/(loss) on disposal of investment properties

	6 months ended		Year ended
	30 September		31 March
	2012	2011	2012
	£m	£m	£m
Gross proceeds from sale of investment properties	15.0	5.6	9.0
Book value of sales plus sale costs	(14.6)	(5.7)	(7.8)
	0.4	(0.1)	1.2
Unrealised profit on sale of properties to joint ventures	(0.1)	-	-
Revaluation of deferred consideration	-	(0.3)	(0.3)
Pre-tax profit/(loss) on sale	0.3	(0.4)	0.9

£6.2m of the proceeds in the 6 months ended 30 September 2012 are in the form of deferred consideration included in the Consolidated Balance Sheet under non-current and current trade and other receivables.

4. Finance income and costs

	6 months ended		Year ended
	30 September		31 March
	2012	2011	2012
	£m	£m	£m
Interest income on bank deposits	0.1	0.1	0.2
Finance income	0.1	0.1	0.2
Interest payable on bank loans and overdrafts	(9.0)	(9.4)	(18.3)
Amortisation of issue costs of bank loans	(0.6)	(0.6)	(1.2)
Interest payable on finance leases	(0.1)	(0.1)	(0.2)
Interest capitalised on property refurbishments	0.3	0.2	0.4

Finance costs		(9.4)	(9.9)	(19.3)
Change in fair value of financial instruments through the income statement		(0.7)	(6.9)	(4.6)
Net finance costs		(10.0)	(16.7)	(23.7)

5. 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 Group's other income is subject to corporation tax. No tax charge has arisen on this other income for the half year (30 September 2011: £0.2m).

6. Dividends paid

	Payment Date	Per share	6 months ended 30 September		Year ended 31 March 2012
			2012 £m	2011 £m	2012 £m
For the year ended 31 March 2011 :					
Final dividend	August 2011	5.33p	-	6.3	6.3
For the year ended 31 March 2012 :					
Interim dividend	February 2012	2.93p	-	-	4.2
Final dividend	August 2012	5.86p	8.4	-	-
			8.4	6.3	10.5
Timing difference on payment of withholding tax					
			-	(0.2)	-
Dividends cash paid			8.4	6.1	10.5

The directors intend to pay an interim dividend in respect of the financial year ended 31 March 2013 of 3.22p per Ordinary Share which will absorb an estimated £4.6m of shareholders' funds. It will be paid on 5 February 2013 to shareholders who are on the register of members on 11 January 2013. 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.

7. Earnings per share

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

Earnings used for calculating earnings per share:	6 months ended 30 September		Year ended 31 March 2012
	2012 £m	2011 £m	2012 £m
Profit used for basic and diluted earnings	24.6	16.7	49.0
Change in fair value of investment property	(16.0)	(16.2)	(35.6)
(Profit)/loss on disposal of investment properties	(0.3)	0.4	(0.9)
Loss on disposal of investment property, plant and equipment	-	0.1	0.1
Movement in fair value of derivative financial instruments	0.7	6.9	4.6
Group's share of EPRA adjustments of joint venture	(0.2)	(0.2)	(0.7)
EPRA adjusted earnings	8.8	7.7	16.5

Earnings have been adjusted and calculated on a diluted basis to derive an earnings per share measure as defined by the European Public Real Estate Association (EPRA).

Number of shares used for calculating earnings per share:	6 months ended 30 September		Year ended 31 March 2012
	2012 Number	2011 Number	2012 Number
Weighted average number of shares (excluding shares held in the ESOT)	145,476,761	126,932,337	134,902,483
Dilution due to share option schemes	2,862,452	3,041,724	3,183,215
Weighted average number of shares for diluted earnings per share	148,339,213	129,974,061	138,085,698

In pence:	6 months ended 30 September		Year ended 31 March 2012
	2012	2011	2012
Basic earnings per share	16.9p	13.2p	36.3p
Diluted earnings per share	16.6p	12.8p	35.5p
EPRA earnings per share	5.9p	5.9p	11.9p

8. Net assets per share

Net assets used for calculating net assets per share:	30 September	31 March	30 September
	2012	2012	2011
	£m	£m	£m

Net assets at end of period (basic)	452.7	435.4	406.9
Derivative financial instruments at fair value	14.9	14.2	16.5
EPRA net assets	467.6	449.6	423.4

Number of shares used for calculating net assets per share:	30 September 2012 Number	31 March 2012 Number	30 September 2011 Number
Shares in issue at period end	144,817,939	144,091,418	144,091,418
Less ESOT shares	(1,218,802)	(1,218,802)	(1,218,790)
Number of shares for calculating basic net assets per share	143,599,137	142,872,616	142,872,628
Dilution due to share option schemes	2,848,808	3,304,176	3,279,310
Number of shares for calculating diluted adjusted net assets per share	146,447,945	146,176,792	146,151,938

	30 September 2012	31 March 2012	30 September 2011
EPRA net assets per share	£3.19	£3.08	£2.90

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

9. Investment properties

	30 September 2012 £m	31 March 2012 £m	30 September 2011 £m
Balance at beginning of period	759.3	713.4	713.4
Capital expenditure	12.9	17.5	7.6
Capitalised interest on refurbishments	0.3	0.4	0.2
Disposals during the period	(14.5)	(7.6)	(5.6)
Change in fair value of investment property	16.0	35.6	16.2
Balance at end of period	774.0	759.3	731.8

Valuation

The Group's investment properties were revalued at 30 September 2012 by the external valuer, CBRE Limited, a firm of independent qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Professional Standards (2012).

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

	30 September 2012 £m	31 March 2012 £m	30 September 2011 £m
Total per CBRE Limited valuation report	781.3	760.4	732.9
Deferred consideration on sale of property	(10.8)	(4.6)	(4.6)
Head leases treated as finance leases under IAS 17	3.5	3.5	3.5
Total per balance sheet	774.0	759.3	731.8

10. Joint ventures

The Group's investment in joint ventures represents:	30 September 2012 £m	31 March 2012 £m	30 September 2011 £m
Balance at beginning of period	12.3	6.7	6.7
Cash investment	4.6	4.8	-
Unrealised surplus on sale of properties to joint ventures	(0.1)	-	-
Share of gains/(losses)	0.6	1.2	0.5
Distributions received	(0.4)	(0.4)	(0.1)
Balance at end of period	17.0	12.3	7.1

The Group has the following joint ventures:

	Partner	Established	Ownership
BlackRock Workspace Property Trust	BlackRock UK Property Fund	February 2011	20.1%
Enterprise House Investments LLP	Polar Properties Ltd	April 2012	50%

BlackRock Workspace Property Trust is a Jersey property unit trust whose aim is to build a £100m fund of office and industrial property in and around London. The Group is property manager with significant delegated powers including responsibility for asset management and recommending acquisitions and disposals.

11. Trade and other receivables

	30 September 2012 £m	31 March 2012 £m	30 September 2011 £m
Non-current trade and other receivables			
Deferred consideration on sale of investment property	6.1	4.6	4.6
Current trade and other receivables			
Trade receivables	2.4	2.5	3.0
Less provision for impairment of receivables	(0.6)	(0.6)	(0.6)
	1.8	1.9	2.4
Prepayments and accrued income	3.9	2.0	4.1
Bank facility ring fenced accounts	5.4	6.7	9.9
Deferred consideration on sale of investment property	4.7	-	-
	15.8	10.6	16.4

12. Financial liabilities - borrowings

(a) Net debt

	30 September 2012 £m	31 March 2012 £m	30 September 2011 £m
Current			
Bank loans and overdrafts due within one year or on demand (secured)	0.3	-	1.6
	0.3	-	1.6
Non-current			
Bank loans (secured)	334.5	333.8	333.3
Finance lease obligations (part secured)	3.5	3.5	3.5
	338.0	337.3	336.8
Total borrowings	338.3	337.3	338.4
Cash at bank and in hand (note 13(b))	(19.4)	(24.5)	(30.0)
Net debt	318.9	312.8	308.4

(b) Maturity

	30 September 2012 £m	31 March 2012 £m	30 September 2011 £m
Secured (excluding finance leases)			
Repayable in less than one year	0.3	-	1.6
Repayable between one year and two years	-	-	-
Repayable between two years and three years	338.0	68.0	-
Repayable between three years and four years	-	270.0	338.0
Repayable between four years and five years	-	-	-
	338.3	338.0	339.6
Less cost of raising finance	(3.5)	(4.2)	(4.7)
	334.8	333.8	334.9
Finance leases (part secured)			
Repayable in five years or more	3.5	3.5	3.5
	338.3	337.3	338.4

13(a). Cash generated from operations

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

	6 months ended 30 September		Year ended 31 March
	2012 £m	2011 £m	2012 £m
Profit before tax	24.6	16.9	48.5
Depreciation	0.1	0.2	0.4
Amortisation of intangibles	0.1	0.1	0.1
(Profit)/loss on disposal of investment properties	(0.3)	0.4	(0.9)
Loss on disposal of property, plant and equipment	-	0.1	0.1
Change in fair value of investment property	(16.0)	(16.2)	(35.6)
Equity settled share based payments	0.7	0.4	0.8
Change in fair value of financial instruments	0.7	6.9	4.6
Interest income	(0.1)	(0.1)	(0.2)
Interest expense	9.4	9.9	19.3
(Gains)/losses from share in joint ventures	(0.6)	(0.5)	(1.2)
Changes in working capital:			

(Increase) in trade and other receivables	(2.0)	(3.1)	(0.7)
Increase in trade and other payables	1.3	1.2	0.6
Cash generated from operations	17.9	16.2	35.8

13(b). Reconciliation of cash, cash equivalents and bank overdrafts

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

	30 September 2012 £m	31 March 2012 £m	30 September 2011 £m
Cash at bank and in hand	19.4	24.5	30.0
Restricted cash - tenants' deposit deeds	1.8	2.0	1.9
	21.2	26.5	31.9
Bank overdrafts	(0.3)	-	(1.6)
	20.9	26.5	30.3

14. Share Capital

	30 September 2012 Number million	31 March 2012 Number million	30 September 2011 Number million
Movements in share capital were as follows:			
Balance at beginning of period	144.1	1,152.7	1,152.7
Issue of shares	0.7	288.2	288.2
Share Consolidation (see below)	-	(1,296.8)	(1,296.8)
Balance at end of period	144.8	144.1	144.1
	£m	£m	£m
Balance at beginning of period	144.1	115.3	115.3
Issue of shares	0.7	28.8	28.8
Balance at end of period	144.8	144.1	144.1

Under the terms of a share consolidation resolution, ordinary shareholders of the company on the register at the close of business on 7 August 2011 were offered 1 share with a nominal value of £1.00 for each 10 shares with a nominal value of 10p.

15. Contingent liability

Upon restructuring of the former joint venture (Workspace Glebe) the Group entered into a proceeds sharing agreement with Workspace Glebe Limited's lenders. This provides for the lenders to share in 50% of cash disposal proceeds (net of costs) if they exceed £85m plus qualifying capital expenditure incurred by Workspace. All disposals from Workspace Glebe are at the option of Workspace.

The valuation of the Workspace Glebe portfolio at 30 September 2012 was £145m (31 March 2012: £136m). This includes investment properties valued at £76m that Workspace has no current plans to sell.

Cash proceeds to date are £nil. The redevelopment portfolio was valued in September 2012 at £69m. If these assets were all sold at the September valuation there would be no liability under the proceeds share. If all the properties in the portfolio were sold there would be a liability of £25.3m (31 March 2012: £21.5m).

16. Related party transactions

Transactions during the period between the Group and its' joint ventures are set out below:

	6 months ended 30 September 2012 £m	2011 £m	Year ended 31 March 2012 £m
Net investment into joint ventures	4.6	-	4.8
Fee income and recharges to joint ventures	0.4	0.1	0.5
Distributions received from joint ventures	0.4	0.1	0.4

	30 September 2012 £m	31 March 2012 £m	30 September 2011 £m
Amounts payable to joint ventures	-	(0.5)	(0.6)

There are no other material related party transactions to disclose since the last Annual Report.

17. Capital commitments

At the period end the estimated amounts of contractual commitments for future capital expenditure not provided for were £22.9m (31 March 2012: £14.3m).

18. Post balance sheet events

In October 2012 the Group raised £57.5m (gross) through a retail bond issue. The bond carries interest at 6%, is unsecured and is repayable in October 2019. The net proceeds have been used to repay £57m of the Group's Bank of Scotland loan facility which was originally due to mature in December 2014.

In October 2012 the Group exchanged contracts for the sale of Grand Union, W10 to Taylor Wimpey and the first phase of Bow Enterprise, E3 to Peabody. In consideration the Group will receive £17.4m in cash, two new business centres totalling 75,000 sq. ft. and overage on the sale of residential units by the developers.

In October 2012 the BlackRock Workspace Trust completed the purchase of 3 properties, of which the Group's share is £3.1m. With future planned capital expenditure to the properties purchased, this will complete the £100m investment by the partners into the joint venture.

19. Half year report

Copies of this statement will be dispatched to shareholders on 15 November 2012 and will be available from the Group's registered office at Chester House, Kennington Park, 1-3 Brixton Road, London, SW9 6DE and on the Group's website www.workspacegroupplc.co.uk from 10.00am on 13 November 2012.

20. Glossary of terms

A full glossary of terms used within this report is included in the Group's Annual Report and Accounts 2012, available on the Group's website www.workspacegroupplc.co.uk.

Principal 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 materially changed from those set out in the Group's 2012 Annual Report and are reproduced below. The Board are satisfied that we continue to operate within our risk profile.

Risk Area	Detail	Mitigating Activities
Finance Risk	Reduced availability and cost of bank financing resulting in inability to meet business plans or satisfy liabilities.	Funding requirements for business plans are reviewed regularly and options for alternative sources of funding (including equity) monitored. Longer-term financing opportunities monitored. Range of banking relationships maintained, refinancing strategy reviewed regularly. Interest rate hedging policy in place to minimise exposure to short term rate fluctuations.
Valuation Risk	Value of our properties declining as a result of macroeconomic environment, external market, or internal management factors.	Investment market mood monitoring. Market yields and pricing of property transactions monitored closely across the London market. Alternative use opportunities pursued across the portfolio and planning consent progressed. Sufficient headroom on Loan to Value banking covenants is maintained and reviewed.

Occupancy Risk	Demand by businesses for our accommodation declining as a result of social, economic or competitive factors.	Weekly monitoring of occupancy levels, pricing and reasons for customers vacating at each property and exit interviews conducted. On-site staff maintain regular contact with customers and local monitoring of competitors offering space. Extensive marketing using the 'Workspace' brand. Flexibility offered on deals by dedicated in-house marketing and letting teams.
London	Changes in the political,	Regular monitoring of the London economy, research

	infrastructure and environmental dynamics of London lead to reduced demand for space from businesses.	reports and the commissioning of research. Regular meetings with the GLA and London Boroughs.
Development Risk	Impact to underlying income and capital performance due to: <ul style="list-style-type: none"> - Adverse planning rulings - Construction cost and timing overrun - Lack of demand for developments. 	Understanding of planning environment and use of appropriate advisers. Detailed development analysis and appraisal undertaken, sensitivity and risk scenarios considered. Board level discussion and approval prior to project commitment. Contract structuring to reduce/eliminate build risk. Construction project teams meet regularly, discuss issues and resolve or escalate as appropriate. Management of development phasing to match demand. Deferral to retain properties for existing rental use.
Investment Risk	Underperformance due to inappropriate strategy of: <ul style="list-style-type: none"> - Timing of disposal decisions - Acquisitions timing - Non achievement of expected returns. 	Regular monitoring of asset performance and positioning of portfolio. Acquisition due diligence appraisal and business plans analysis. Regular monitoring of acquisition performance against target returns.
Transactional Risk	Joint ventures or other ventures with third parties do not deliver the expected return.	Review and monitoring of potential joint ventures before agreement. Active involvement of Workspace senior management. Requirements for business plans are reviewed regularly. Regular review of performance of joint ventures throughout term.

Regulatory Risk	Failure to meet regulatory requirements leading to fines or penalties or the introduction of new requirements that inhibit activity.	REIT conditions monitored and tested on a regular basis and reported to the Board. Close working relationship maintained with appropriate authorities and all relevant issues openly disclosed. Advisers engaged to support best practice operation.
Business Interruption Risk	Major external events result in Workspace being unable to carry out its business for a sustained period.	Monitor security threat/target information. Business Continuity plans and procedures in place and regularly tested.
Reputational Risk	Failure to meet customer and external stakeholder expectations.	Customer survey undertaken and results acted upon. Training and mystery shopper initiatives undertaken. Regular communication with stakeholders.

Statement of directors' "Interim Financial Reporting" responsibilities

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of 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 PLC are listed in the Workspace Group PLC Annual Report for 31 March 2012. A list of current directors is maintained on the Workspace Group website: www.workspacegroupplc.co.uk.

J Hopkins
Chief Executive Officer
12 November 2012

G Clemett
Chief Financial Officer
12 November 2012

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 2012, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows 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 2012 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
12 November 2012

- 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 financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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