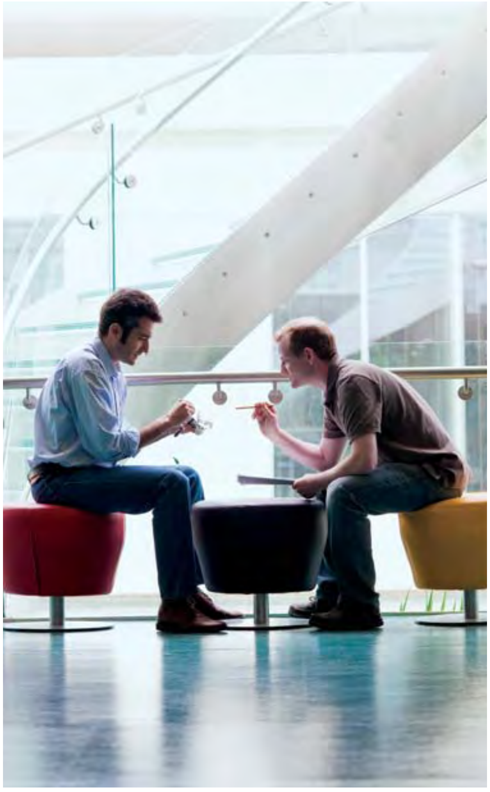
Workspace Group

ENABLING ENTREPRENEURS IN LONDON

Workspace Group PLC
Annual Report and Accounts 2010



1.


Westbourne
Studios

2.


E1
BUSINESS CENTRE
OFFICES
TO LET
020
7247
7614
workspacegroup.co.uk

3.


CLERKENWELL.
31
WORKSHOPS.

4.


The
LEATHER
MARKET

5.


CANTERBURY COURT
OFFICES TO LET
PANORAMIC
VIEWS
BALCONY SPACE
020 7247 7614
workspacegroup.co.uk

6.


QUALITY COURT

2010 Highlights

Like-for-like occupancy +1.8%

84.7%

Cash rent roll +1.6% in last quarter, like-for-like

£50.7m

Property valuation +2.3%

£717m

Net Asset Value per share +23% in last six months

27p

Trading profit after interest +8%

£10.8m

Dividend per share held at last year's level

0.75p

ENABLING ENTREPRENEURS IN LONDON

Workspace is a property-based business. We are the leading brand in the provision of space to small and medium-sized enterprises (SMEs) across London. Our brand recognition is high, underpinned by our reputation as a good landlord providing a high quality of service. Our leases are flexible and offer good value. Our properties are often in areas of medium-term regeneration in London, with opportunities for intensification and change of use, creating further value.

Our customers are entrepreneurs. The vast number are owner-managed businesses employing less than 20 people. Each has a business relationship with many other businesses in London. This community of businesses, which we host, is at the heart of London.

Customer profile:
SMEs are powerhouses that are driving the UK economy forward.

SME businesses have proved to be agile and innovative over the last 12 months.

In London:
Over 40% of our customers are in the creative and business and professional service sectors.

Over the past year, occupancy has grown, with far more customers expanding than contracting within our portfolio.

Last year over 1,200 London entrepreneurs did deals with us.

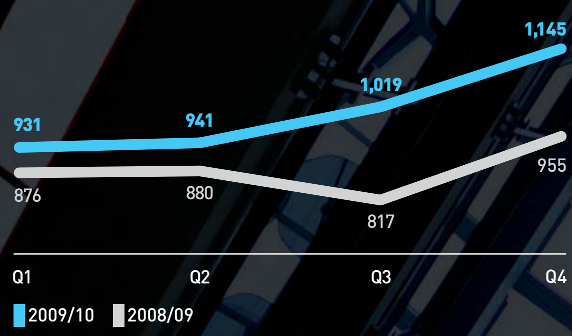
The great diversity of our customer base not only provides a resilience to our income, but also a dynamic platform from which to grow.

1. Westbourne Studios, W10
2. E1 Business Centre, E1
3. Clerkenwell Workshops, EC1
4. The Leathermarket, SE1
5. Canterbury Court at Kennington Park, SW9
6. Quality Court, WC2A

Enquiries up 15% on prior year

The Group has delivered a resilient trading performance in the face of challenging market conditions. A good level of demand for space at our properties has been maintained through the year with enquiries averaging 1,000 per month and new lettings running at some 100 per month.

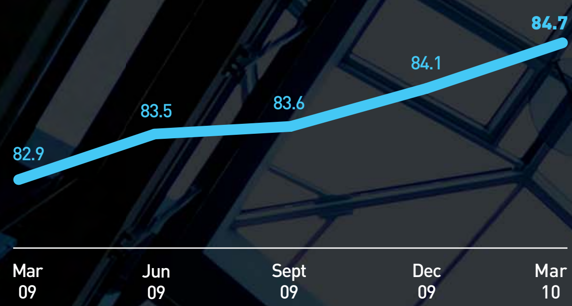
Enquiries per month (number)



Underlying occupancy up to 84.7%

This has led to a recovery in our underlying occupancy level from its low point of 82.9% in March 2009. However, improvement in the rent roll (the cash rents we receive from our customers) has lagged this recovery in occupancy.

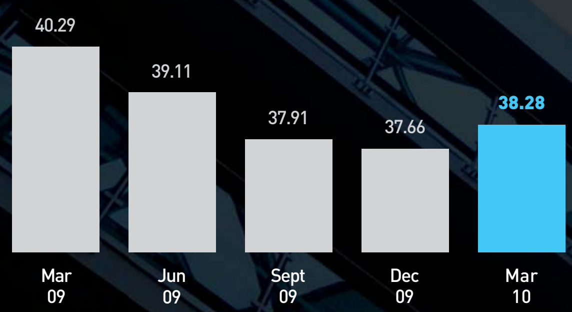
Occupancy like-for-like (%)



Underlying rent roll now improving

In the first half of the year rent roll dropped by 6% reflecting lower pricing levels and increased incentives given on new lettings. During the second half of the year we have seen pricing levels stabilise and in the last quarter the like-for-like rent roll increased by 1.6%.

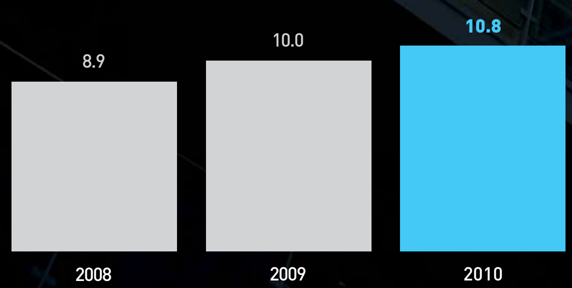
Rent roll like-for-like (£m)



Trading Profit up 8%

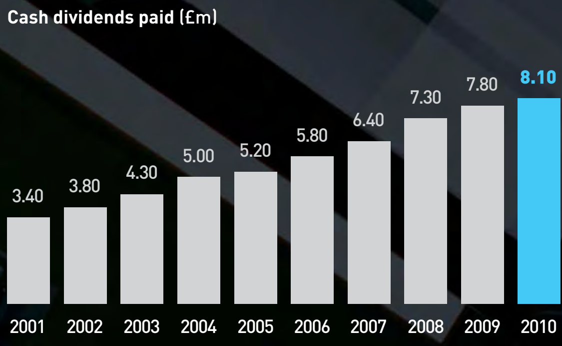
Despite the fall in rental income, good cash management and tight control over costs has meant that we have still been able to deliver an 8% increase in trading profit (excluding exceptional items).

Trading profit (after interest, £m)



Dividend per share maintained

The strong cash generation characteristics of our business mean we have been able to maintain the dividend per share at the same level as in 2009. We would hope, as the economy recovers, to resume our progressive dividend policy which has seen the dividend (adjusted for the Rights Issue) increase at a compound rate of 8% p.a. over the last 10 years.

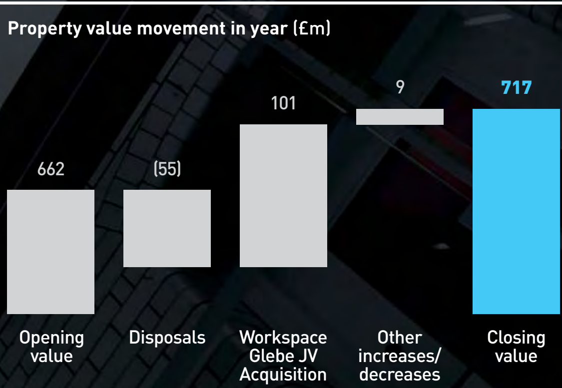


Glebe JV portfolio acquired

We completed the acquisition of our former Workspace Glebe joint venture in December 2009 for £83m. The acquisition was immediately enhancing to both NAV and earnings per share. The property portfolio comprises some 1.1m sq. ft. of lettable space on 34 acres of freehold land which should deliver significant added value to shareholders as we exploit its potential over the coming years.

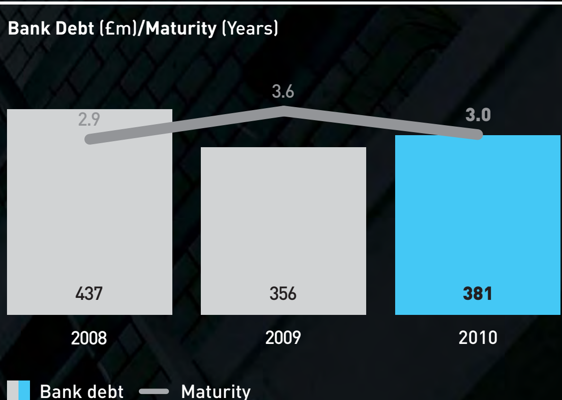
NAV per share 27p

The overall value of our property portfolio has increased by £55m in the year, with the acquisition of the Glebe portfolio offset by property disposals. These disposals include a number of sites where we have achieved planning for alternative use such as student housing, self-storage or residential development. The net asset value (NAV) per share is up 23% in the last six months to 27p the same level as it was at March 2009.



New Debt Facilities

We reduced the level of debt on our existing borrowing facilities from disposals in the year and secured a new five year debt facility when we acquired the Glebe JV business. We are now in advanced discussions with a group of lenders in relation to a new bank facility to refinance the £200m bank facility currently provided by GE Real Estate. This would extend the term of this debt from 2012 to 2015.



FOCUSED ON LONDON

Why London?

London has the highest concentration of SMEs in the UK.

London is a world class city acting as a global hub for business and culture.

London has a diverse multi-cultural population with a significant inward migration.

London is the primary engine of future growth in the UK economy with our customers representing the highest concentration of the fastest growing small businesses.

Property portfolio characteristics

Total number of estates:
105

Lettable space within six miles of the London Eye:
3.4m sq. ft.

Capital value of portfolio:
£126per sq. ft.

Total acres of property:
156

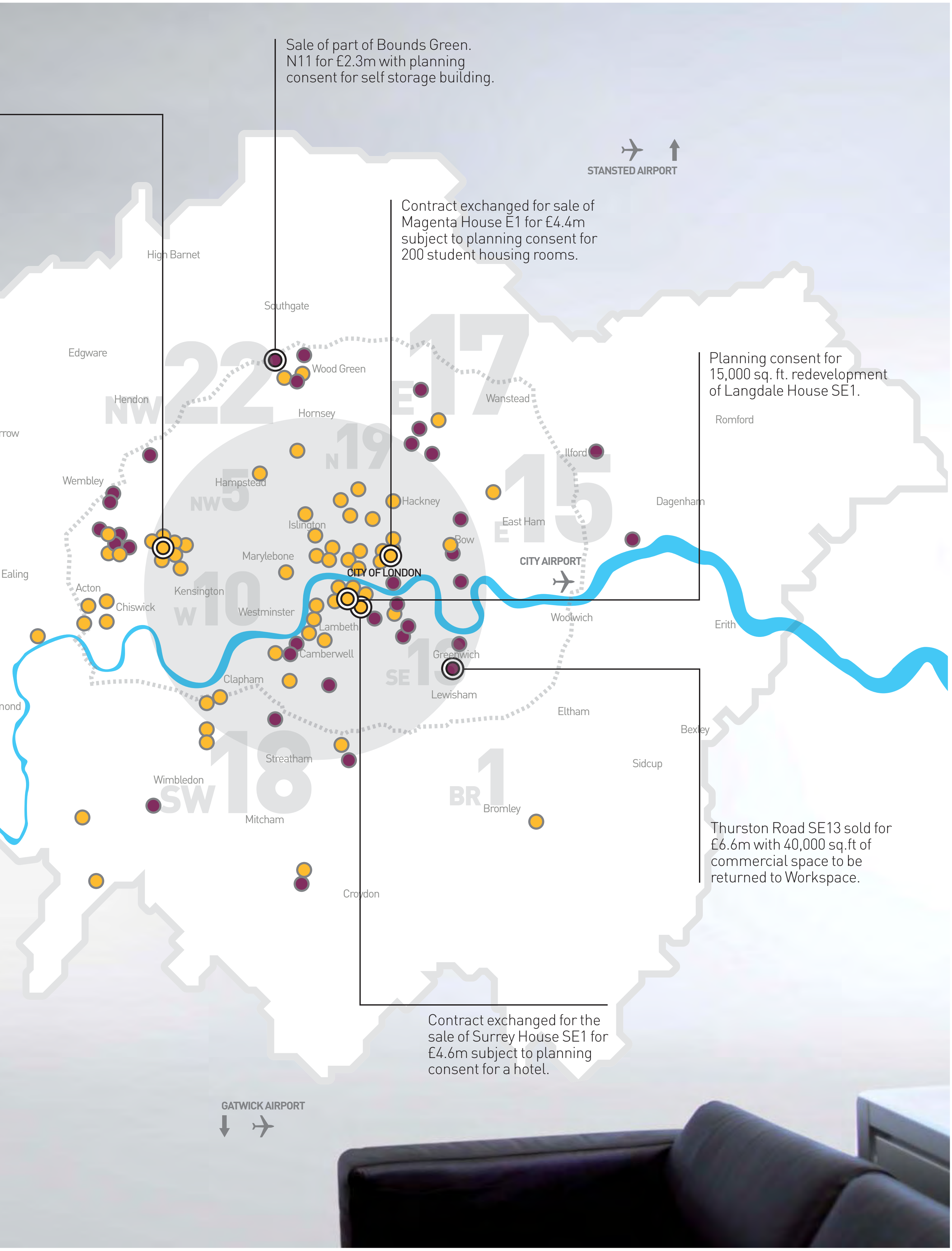
Total lettable floor area:
5.5m sq. ft.

Average rent of portfolio:
£11.22per sq. ft.

Sale of part of Canalot Studios W10 for £6.0m with planning consent for 280 student housing rooms.

Key

- Business Centre/Offices
- Industrial property
- Recent regeneration initiatives
- North/South circular orbital
- Greater London
- Properties within a six mile radius of the London Eye



Sale of part of Bounds Green. N11 for £2.3m with planning consent for self storage building.
STANSTED AIRPORT
Contract exchanged for sale of Magenta House E1 for £4.4m subject to planning consent for 200 student housing rooms.
Planning consent for 15,000 sq. ft. redevelopment of Langdale House SE1.
High Barnet
Southgate
Edgware
Wood Green
Hendon
NW 22
E 17
Wanstead
Romford
Hornsey
N 19
Ilford
Wembley
Hampstead
NW 5
E 15
Dagenham
Hackney
Islington
East Ham
Bow
Marylebone
CITY OF LONDON
CITY AIRPORT
Ealing
Acton
Kensington
Chiswick
W 10
Westminster
Woolwich
Erith
Lambeth
Camberwell
Greenwich
SE 13
Clapham
Lewisham
Eltham
Bexley
Sidcup
Streatham
Wimbledon
SW 18
BR 1
Bromley
Mitcham
Thurston Road SE13 sold for £6.6m with 40,000 sq.ft of commercial space to be returned to Workspace.
Croydon
Contract exchanged for the sale of Surrey House SE1 for £4.6m subject to planning consent for a hotel.
GATWICK AIRPORT

Loan to value (LTV) ratio:

53%

Final dividend:

0.5p

Cash from disposals in year:

£57m

Tony Hales CBE
Non-Executive Chairman
Workspace Group PLC

The small business sector in London has, in our experience, proved more resilient over the last two years than many market observers forecast despite a sharp economic recession and a banking crisis. The entrepreneurial spirit of these businesses, combined with their ingenuity and adaptability, has ensured not only their survival but has also produced many examples of expansion. Workspace remains the home for more London entrepreneurs than any other organisation and their future is our future.

In a fragile economic environment, dependent on world and domestic economic factors, risk was reappraised and property values were hit exceptionally hard. We have now begun to see some recovery in values from the low point but the nature of our properties, the leases and the covenant of our customers means that we lag the pace of improvement in yield seen in the prime property sector. Our short-term flexible leases also mean that our rents reflect current pricing unlike some properties with longer leases that may appear over rented in today's market.

In the last year your Board has focused on the following priorities to build shareholder value:

1. Securing a strong balance sheet
2. Maintaining and attracting customers
3. Driving asset management
4. Resolving the Glebe joint venture favourably.

Good progress has been made on all fronts:

1. Securing a strong balance sheet
The equity issue in March 2009 which raised £81m, provided the Company with financial stability at a time of exceptionally difficult credit availability and falling property values, which had threatened the Group's valuation related banking covenants. Since then, property values have stabilised, £57m of cash from disposals and a new five year debt facility has been secured as part of the Glebe joint venture acquisition. The Loan to Value (LTV) ratio is now 53%, an appropriate level at this stage in the property cycle, with an average debt maturity of three years. The Company is also in advanced discussions with a group of lenders in relation to a new £200m five year bank facility to replace the existing GE facility (which has an existing term to November 2012) ahead of its first extension period in August 2010. This would increase the average debt maturity to over four years.

2. Maintaining and attracting customers
By responding rapidly and sensitively to customer needs and by effective marketing and use of the Workspace brand, the Company has maintained a high level of enquiries, contained notices to vacate and has improved overall occupancy from 80.3% to 81.9% in the year, thereby underpinning the rent roll. Indeed, our like-for-like occupancy over 83 properties is approaching 85%. Our regular customer surveys have demonstrated again high levels of satisfaction and a strong predilection for our customers to recommend Workspace to others.

3. Driving asset management
In addition to the accelerated disposal programme and focus on generating cash from occupancy improvement, we have also been able to create new value at a number of properties from good progress on intensification and alternative use opportunities despite cutting capital expenditure by a third.

4. Resolving the Glebe joint venture favourably
In December 2009, part funded by a further £19m equity issue, we were delighted to acquire back control of our former JV portfolio from Bank of Scotland. We know this portfolio well, having sold it into the JV in 2006. The acquisition immediately enhanced NAV per share by 1.5p and we are confident of its future potential. The estates had been affected for nine months from the uncertainty concerning the JV's future. Since acquisition their performance has improved and we are well advanced on selective disposals and in delivering added value from the estates from change of use and intensification.

Going forward our priorities are:

- To increase occupancy and rental income;
- To continue to drive value from our existing property portfolio;
- To continue to work and churn the asset base to realise its full value; and
- To utilise and exploit our brand more fully.

Delivering on our objectives has already resulted in a return to profitability and a good recovery over the last six months in net asset value per share which has improved by 23% to 27p, the level it was at March 2009. The recovery in asset values and an uninterrupted dividend income stream have driven shareholder value during the year. Even so, our property values remain some 36% below their peak in June 2007.

The Company is now better placed to withstand further economic shocks and perhaps more importantly is positioned financially, and managerially to be able to take advantage of any sustained economic recovery. There is considerable value to be created from the existing stock and this is the management priority but selective new opportunities will also be pursued. The challenge for management is to deliver sustained outperformance over the medium-term with substantial increase in shareholder value over the next five years. I am confident we have the vision, skills and team to do so.

The Board is recommending a maintained final dividend of 0.5p per share, which will be paid as a non-PID distribution. This enables us to offer a scrip alternative for the final dividend to shareholders who would prefer shares to a cash payment. Our aim next year is to re-establish our progressive dividend policy that has seen a compound growth in dividends of some 8% p.a. over the last 10 years despite the dividend being held for the last two years.

People
Rupert Dickinson has decided to retire from the Board at the conclusion of the AGM. I would like to thank Rupert for his valued contribution to the Board over several years. I am also pleased to welcome Jamie Hopkins, who joined the Board as an independent Non-Executive Director from 7 June 2010.

I would like to thank all our staff for their considerable efforts in a difficult and uncertain year. Their skill and hard work has been essential to the progress we have made.

Tony Hales

Tony Hales CBE
Non-Executive Chairman

All businesses start with an entrepreneur's idea. And it is entrepreneurial spirit which grows these businesses. Some may be sold, some may be run within a portfolio of businesses, and some may become big businesses and indeed great. Lots stay as very successful smaller businesses.

Our lease offering provides businesses with operational flexibility and opportunity. The environment in a Workspace building is simple in style and functionality. Customers can set up at minimum cost and, with no 'expensive extras' from us, are in complete control of their cost base.

Creative Sector

Workspace customers work in all sectors of the London economy. Around a quarter are creatives in businesses such as web design, jewellery manufacture, media and architecture.

Light and Design ↑ | **Business type: Creative Industry** | **Location: The Leathermarket**

Light and Design is an award-winning firm of architectural lighting designers providing a niche consultancy and intellectual service working in all market sectors; from cathedrals and airports, to houses and private yachts. They joined the large creative community in The Leathermarket in 2004 when they took 456 sq. ft. Workspace encourages customers to get together to share ideas, and in the case of Light and Design this has resulted in them winning business from other Workspace customers.

Sophie Harley ↑ | **Business type: Creative Industry** | **Location: Westbourne Studios**

Sophie Harley graduated from the Royal College of Art with her beautifully eclectic jewellery range setting up her first studio in 1990. She has since built an extraordinary private following of celebrities and exclusive clients and has also designed pieces for the Bond films Casino Royale and Quantum of Solace. Initially Sophie Harley moved into a 248 sq. ft. studio at Westbourne Studios. Our centre staff have worked closely with her over the years and we have always been able to match her need for space. Sophie's business now takes 409 sq. ft. from us.

Setred | **Business type: Creative Industry** | **Location: Canterbury Court**

Setred provide new technology that enables a full 3D experience without the use of goggles or headgear and are working with partners in the medical and oil industries. They first moved into a 198 sq. ft. office in Canterbury Court in April 2008, expanding into a 316 sq. ft. office in October of the same year. As the company has continued to grow we have been able to match their need for additional space, culminating in them signing their latest lease on 758 sq. ft. at Canterbury Court.

Eugene Lin | **Business type: Creative Industry** | **Location: Tower Bridge Business Complex**

Eugene Lin is a Singapore-born, London based designer. A graduate of Central Saint Martins College of Art and Design, he honed his pattern cutting skills at Preen and Vivienne Westwood. He originally moved into a 550 sq. ft. unit in March 2009 on a six month start up promotional deal. We were then able to help the business contract into a smaller space of 227 sq. ft. at Tower Bridge in September 2009.

Serial and portfolio entrepreneurs

A surprising number of Workspace customers are 'serial' or 'portfolio' entrepreneurs. Many entrepreneurs stay with us even if some of their businesses move on.

Mama Mio	Business type: Retail
→	Location: Clerkenwell Workshops

Sian Sutherland has started, successfully run and subsequently sold a number of businesses over the past 25 years. She was the winner of the National Magazines Entrepreneur of The Year Award age 26, and has been responsible for businesses as varied as a Michelin star restaurant, a brand design agency and a film production company.

Her latest big idea, Mama Mio Skincare, has been at Clerkenwell Workshops for three years. The brand has been a huge success and is now in over 700 stores in 8 countries and 150 leading spas.

Due to the rapid success they have moved locations within the Workspace Group four times now as the company has grown. Their latest move was from 900 sq. ft. up to 2,500 sq. ft. This was divided across two Business Centres – Clerkenwell Workshops for the Head Office and Exmouth House for warehousing and fulfilment functions.

ENABLING ENTREPRENEURS
CONTINUED

Brands

Over the years we have been the home to many brands. In many cases they have become established household names. We have been able to support them by enabling them to take on more space as their businesses have grown.

Smiley World →	**Business type: Retail**
	Location: The Leathermarket

The 'Smiley' icon is one of the most recognisable brands in the world with 96.5% awareness among persons aged between 8 and 24 and is one of the few licensed brands to have exceeded US$1,000,000,000 in sales. Over the past three years Smiley World's turnover has more than doubled, staff numbers have grown from five to 14 full time employees supported by a number of interns working across all departments. Due to the success of the business the Smiley office at The Leathermarket has almost quadrupled in size from 650 sq. ft. to more than 2000 sq. ft. and is now based across two loft spaces in The Leathermarket, Bermondsey.

Moonpig ↑	**Business type: Retail**
	Location: Great Guildford Street

Moonpig allow you to go online and personalise many of the greetings cards you see in the high street to create something completely unique. As the business has grown they have increased their offer to include personalised gifts like mugs and T-shirts. The growth of their business has coincided with their need for increased space – from their original 4,030 sq. ft. in June 2008, to the present 6,000 sq. ft. for their head office at Great Guildford Street.

White Stuff ↑	**Business type: Retail**
	Location: Canterbury Court

Founded by Sean Thomas and George Treves in 1985, White Stuff has grown from a two-man business selling T-shirts to one of the most recognisable brands on the high street today. Since 2004 the company has increased to 60 shops and 100 wholesale accounts. White Stuff relocated their head office in March 2008 to Canterbury Court taking 21,012 sq. ft. Since then they have taken an additional 3,166 sq. ft. of space.

We Buy Any Car →	**Business type: Retail**
	Location: Wandsworth Business Village

We Buy Any Car has been in the motor trade for over 60 years offering a hassle free way to sell your car. It's recent memorable TV and radio advertising has successfully brought the business and it's family of brands into every home in the UK. The business took a 375 sq. ft. office at Wandsworth Business Village in March 2010. They have opened Putney, Richmond, and Wimbledon and they are looking at opening in Tooting.

Providing the operational flexibility to survive and grow

Workspace is sympathetic to the operational challenges faced by SMEs by allowing expansion and contraction easily on short-term leases.

37% of all lettings deals completed last year were with existing customers, of which:

11% were contractions (moving to a smaller unit).

16% were expansions (moving to a bigger unit).

10% were expansions in addition (taking an additional unit).

This meant on average eight existing customers a week took advantage of the flexibility afforded by Workspace, with six of these eight customers taking more space.

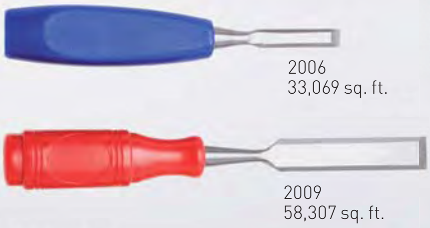
Based Upon ↓	**Business type: Creative Industry**
	Location: Faircharm, Creekside

Based Upon's award winning work ranges from one-off furniture and sculptural pieces to large scale installations for leading brands and private individuals. Based Upon first moved to Faircharm in October 2006 in a 1,481 sq. ft. unit. They quickly needed more space and took a 3,767 sq. ft. unit. In August 2008 they took more space totalling 8,030 sq. ft. Growing rapidly, Based Upon needed more space in August 2009, taking 14,846 sq. ft., 10 times the size they were in 2006.

Warren Evans →	**Business type: Manufacturing**
	Location: Uplands Business Park

Warren Evans has been making hand-made beds in London for 30 years and is as committed to working in a sustainable way as it is to making high quality products. It is also the first UK bed maker to be Forestry Stewardship Council certified. Warren Evans have grown from 33,069 sq. ft. in 2006 to 58,307 sq. ft. by July 2009. Over the years when they have needed more space, we have also been able to help them by offering additional units on short-term lets.

Warren Evans growth
2006-2009



In 2009/10 we have focused on four management themes, each of which we have made significant progress on:

1. Customer Management and Trading:
In a market where overall demand and enquiries fell, we increased our marketing investment to increase our market share of enquiries significantly.

2. Cash and Cost Management:
Steps taken in 2008/9 to reduce overheads; to reduce capital expenditure without compromising the quality of our buildings and to keep a tight rein on customer debt have continued.

3. Portfolio Management:
Our directly held portfolio at March 2010 is both bigger and has greater potential for uplift in value than that held at March 2009.

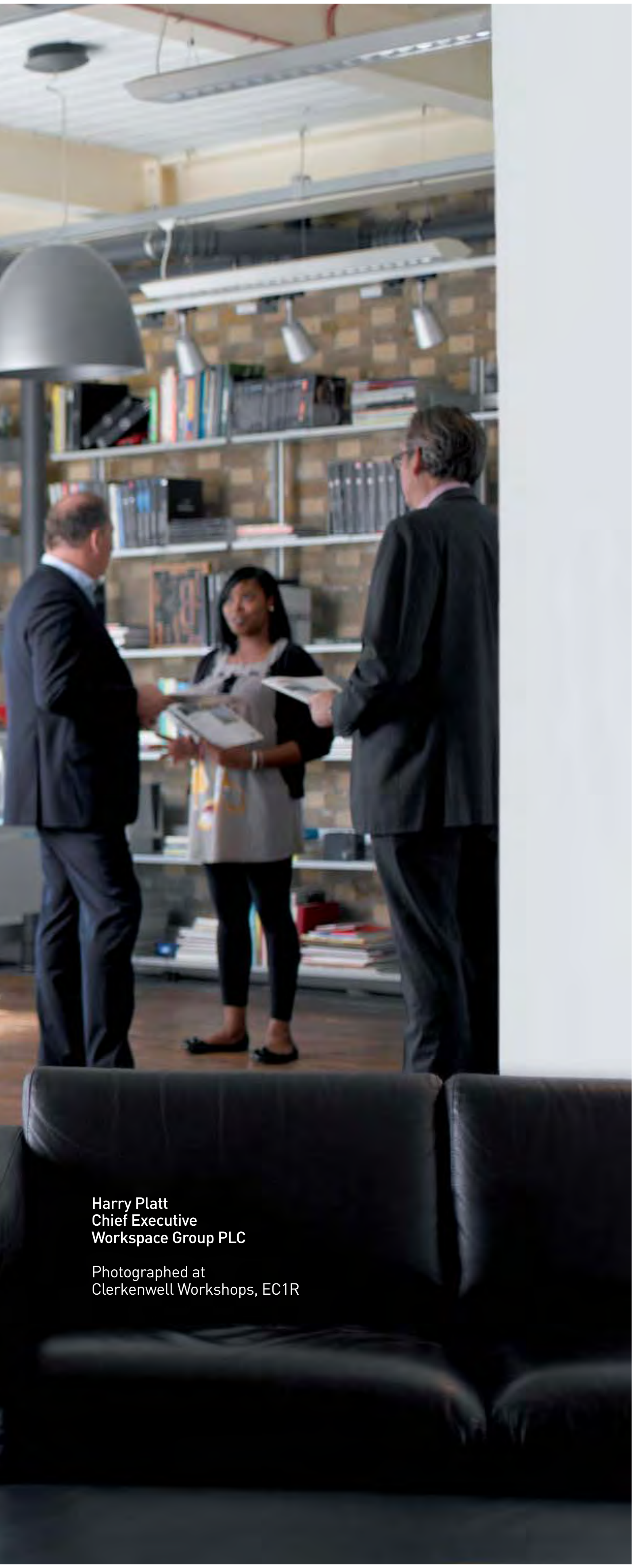
4. Debt Restructuring:
During the year we reduced the debt on our existing facilities from disposals and secured a new £68m five year facility when we acquired the former Glebe JV portfolio.

Customers:

4,000

Estates across London:

105



Harry Platt
Chief Executive
Workspace Group PLC

Photographed at
Clerkenwell Workshops, EC1R

As 2009/10 progressed, the relative robustness of small and medium-sized businesses (SMEs) and the Workspace business model have once more proved themselves. Workspace has weathered the storm both in the economy and the property sector. Now the business is poised for long-term growth. The strengths of the business shown in the downturn – its brand and market leadership; its marketing and customer management; and its portfolio and asset management skills – are the same attributes that will underpin our future. Growth will result from a combination of continued improvements in occupancy and rents, from working the asset base, recycling our capital and from initiatives to use our brand more widely and capitalise on the opportunities these bring.

Workspace is the leading provider of space for London's entrepreneurs. We offer a tailored product to new and established SMEs in buildings located in a broad range of locations across London, offering a superior level of customer service. The number of SMEs continues to grow: there are now over 160,000 small owner-managed businesses in London. With some 4,000 customers Workspace has ample scope to grow. An important part of maintaining our income during the year has been keeping close relationships with our customers – knowing their needs and what drives them, and providing them with the opportunity, through our flexible leases across more than 100 estates, to grow or contract as circumstances dictate.

Alternative use potential has also always been important. Our estates in London are often near to good transport links, with low capital values (£126 per sq. ft.) which are well below replacement cost (£140 per sq. ft.) and they have low building densities. Many of these estates have considerable potential for intensification, regeneration or change of use. During the year we have progressed a wide range of initiatives, secured a number of planning consents and made specific disposals.

In 2009/10 we have focused on four management themes, each of which we have made significant progress on:

1. Customer Management and Trading:

In a market where overall demand and enquiries fell, we increased our marketing investment to increase our market share of enquiries significantly. As a result 'Enquiries' – our key lead indicator – were maintained at an average of 1,000 per month. We sharpened our lettings processes, also recognising that it was better to reduce pricing than see significant voids arising. This helped maintain a high conversion rate resulting in around 100 deals being closed per month. Our site staff closely monitored existing customers. Where necessary some short-term flexibility on rents was given or a move was facilitated to alternative premises in our portfolio to reduce the loss of existing customers.

The result of this management action has been an increase in underlying like-for-like occupancy from a low point of 82.9% in March 2009 to 84.7% at the end of the year. We are also beginning to see the opportunity to raise rents as occupancy rises. The like-for-like cash rent roll which had softened as we responded to market conditions bottomed out in December 2009 and has since improved.

2. Cash and Cost Management:

Steps taken in 2008/9 to reduce overheads; to reduce capital expenditure without compromising the quality of our buildings and to keep a tight rein on customer debt have continued. We have experienced no material change in bad debts which continue to run below 0.5% of revenue. In addition to controlling working capital, disposals of assets for a cash consideration of some £57m during the year gave the business the capacity not only to reduce the debt on its existing facilities but also, with a £19m equity issue in December 2009, to re-acquire control of the former Glebe JV portfolio with stapled debt provided by Bank of Scotland.

3 Portfolio Management:

Disposals in the financial year, for a cash consideration of £57m, were at an exit income yield of 6.3%. We bought back the former Glebe JV portfolio – some 1.1m sq. ft. – at an income yield of 7.3%, and with considerable potential for improvement in both occupancy and added value. The net effect is that our directly held portfolio at March 2010 is both bigger and has greater potential for uplift in value than that held at March 2009.

	March 2010	March 2009
Floorspace	**5.5m sq. ft.**	5.0m sq. ft.
Cash rent roll	**£50.7m**	£50.8m
Occupancy	**81.9%**	80.3%
Rent £ per sq. ft.	**£11.22**	£12.64
Capital value £ per sq. ft.	**£126**	£132

The value of our portfolio at the year end was £717m, with a like-for-like cash income yield on 83 properties of 7.9%. Whilst prime properties with long-term covenants have benefited from considerable yield shift this has yet to be reflected in the valuation for our kind of properties, which also have customers on flexible leases and therefore more perceived uncertainty of future income. In due course, as confidence becomes more widespread – as occupancy and rents improve and more disposals are achieved ahead of valuations – we would expect valuation yields to harden.

We create additional value by securing and progressing planning permission for the regeneration of a number of our sites. This can be from intensifying existing use or obtaining approval for a change of use on part or all of a site. We opened the year with some £38m of this added value on our balance sheet, converted £15m of this potential into cash from sales during the year and created a further £12m of new added value.

4. Debt Restructuring:

During the year we reduced the debt on our existing facilities from disposals and secured a new £68m five year facility when we acquired the former Glebe JV portfolio. We are currently in advanced discussions to replace the existing debt facility provided by GE Real Estate with a £200m five year bank facility from a new group of lenders. We hope to announce the conclusion of these discussions shortly.

With these initiatives the business has demonstrated its resilience. We recognise the constraints and risks still apparent in the economy and remain positioned for this. We are also well placed to take advantage of any upturn in the London economy.

Looking forward there are three broad themes in our activities to grow the business.

'Deliver Underlying Value' from the existing portfolio. We will be looking to improve underlying values from our own actions, not just relying on external movements in property yields. Our marketing and brand should continue to deliver improvements in core occupancy towards 90%, at which level there can be more general uplifts in rental levels. Even now on a number of estates we are seeing a return to high occupancy levels which is providing the scope to increase pricing.

Meanwhile, through the downturn we have been working hard on the forward planning of our estates seeking out opportunities for intensification and change of use – a characteristic given added impetus by the acquisition of the former Glebe JV portfolio.

Our property hopper is well developed both to deliver significant increases in alternative use value over the next two to three years, and to recycle capital.

Our second focus for growth is on **'Leveraging the Brand'**. We have a brand which is recognised throughout London's SME community and we have an expertise in the intensive management of estates with multi-occupation – situations which in the wider market are recognised as more difficult to manage. We are now building on this brand profile and have launched a dedicated website 'www.anyspacedirect.co.uk' where we use our marketing skills with other owners of properties throughout the UK. We are also working with the Greater London Authority (GLA) and other organisations in London who are increasingly seeing that our input in the provision of space for new and small businesses should be an essential component of new mixed-use regeneration neighbourhoods.

Thirdly there are a range of '**Wider Opportunities'** that this work on our brand opens up. The opportunity to work with others on the acquisition and management of stock, both directly and indirectly held. With our brand and skill base we can be an attractive partner raising funds for acquisitions and securing enhanced returns on our equity participation. While we will focus on realising the value from our existing portfolio as we progress through next year, our initiatives in this wider area will also add to our momentum.

Your Company has come through a very challenging period. In so doing the core strengths of the business have been tested and have been proven. While the uncertainty in the general economic outlook still presents challenges, we have maintained a good level of enquiries and lettings since the year end and look to the future with an underlying confidence in the potential for Workspace to grow.

Harry Platt
Chief Executive

One of the ways we are building on our brand is by launching a dedicated website www.anyspacedirect.co.uk where we use our marketing skills with other owners of properties throughout the UK.

OUR STRATEGY AND PRIORITIES

Our strategy remains unchanged:

- To be a hotelier of space to small and medium-sized enterprises (SMEs) providing our customers with flexible, affordable leases;
- To deliver superior returns by active management and giving a high quality of service;
- To focus on the London region within the M25;
- To maximise the alternative use value of the portfolio;
- To acquire and directly manage properties where the Workspace brand and business model can make a difference; and
- To develop our brand to deliver shareholder value.

Priority: Delivering Underlying Value

Asset Management
– Drive core occupancy towards 90%
– Increase pricing
→ Drives income and ERV

Added Value
– Maximise planning opportunities for intensification, change of use and recycling capital
→ Drives capital value

Priority: Leveraging the Brand

Building on our brand strengths: moving beyond the existing portfolio
– Marketing for third parties (www.anyspacedirect.co.uk)

– Delivery of employment in local area regeneration schemes

Priority: Wider Opportunities

– JVs working with other investors/owners
→ Increases our asset base

– Managing for other investors
→ Increases our trading performance

We can build on our core strategy by leveraging our brand strengths to add value directly and create wider opportunities for both capital and income growth. By working with other parties we will deliver economic regeneration to local areas in London through our ability to attract and manage growing and successful small businesses.

The Workspace brand is evolving to be more than just a provider of space, to a physical and social network which enables entrepreneurs to thrive and outperform.

CONVERTING ENQUIRIES INTO TENANTS

Customer recommendations

Radio marketing LBC Drivetime

Billboards

Workspacegroup.co.uk

Web optimisation

Enquiries:
12,037 (2008/09: 10,448)

Offer letters sent:
2,293 (2008/09: 1,862)

Lettings achieved:
1,191 (2008/09: 1,050)

Number of enquiries:

+15%

Number of offer letters sent:

+23%

Number of deals achieved:

+13%

To create that real sense of destination, image and customer independence we develop identities for our business centres and build relationships directly through our site teams.

In its most direct form the brand stands for: Flexible, Affordable Workspace to let throughout London.

This translates into four key areas of brand building:

1. The Buildings, the Lease, the People

It all starts with our product and service; the buildings, the flexible lease and the people who support it, all of which we continually invest in and aim to improve.

Our offices, studios and industrial properties are in areas of change across London, often buildings of heritage with a contemporary twist to create hubs for entrepreneurial businesses. These are places our customers desire to be. Our buildings are well located with good transport links. For a full list of properties, see back cover insert.

Our leases are flexible, in most cases providing the customer with only a three-month notice period, meaning the customer has the flexibility to expand, contract or leave in three months.

To our customers, our brand is represented daily by our on-site staff, from Centre Manager to Caretaker. Strong relationships are built over time from the regular contact.

2. Winning and converting enquires

We generate and manage a large volume of enquiries and deals.

One of our objectives is to be the first point of contact for SMEs looking for business space in London. The challenge for the in-house marketing team is to make Workspace as visible as possible. Our property portfolio provides the opportunity to display a large number of banners and 12,000 sq. ft. of billboards. Our website enables an enquirer to 'visit' a unit at any of our properties online, see its particulars and book a viewing.

Last year we generated over 12,000 enquiries from entrepreneurs happy to give us their details. This enables us to stay in contact with them with e-newsletters, and also target them with e-shots of particular units or offers. As a result we are continuously communicating with a large network of London's entrepreneurs.

Once we have an enquiry, the task is to arrange a viewing and if that viewing has potential it is over to the in-house lettings team to convert it. Last year, in a challenging climate 1,200 lettings were achieved. From the point of enquiry to handing over the keys can take just five hours.

Our recent website upgrade enables an enquirer to 'visit' a unit online, see its particulars and book a viewing www.workspacegroup.co.uk.

1.

2.

1. Customer interview on LBC
How better to engage and encourage entrepreneurship than the inspiring stories our customers have themselves? Sponsorship and advertising on LBC radio reach 1.2 million Londoners each week. Visit our blog to hear them blog.workspacegroup.co.uk

2. A recognisable brand
Over 12,000 sq. ft. of billboards have been placed around London at 45 of our buildings, facing onto train lines, roads and thoroughfares. The billboard above is one of three at Tower Bridge Business Complex facing onto the mainline just south of London Bridge Station.

3. Understanding and engaging with our customers

We aim to be a good landlord, and you can only be a good landlord if you try to understand and engage with your customers.

Our Centre Management Teams understand that regular customer contact is an essential part of the role. Quarterly customer surveys and an exit interview programme allow an ongoing dialogue and provides invaluable information in our quest for continuous improvement in our service standards.

Roughly a third of lettings deals this year were with existing customers, expanding, contracting or taking additional space. We encourage them to move within our portfolio. We also reward them when they recommend us to others taking space with us.

Where we can we try to assist entrepreneurship to thrive. This can take many routes;

- from enabling entrepreneurs to find and trade with each other via TradeLink our customer intranet where we have 1,250 businesses registered and 1,600 users;
- to weekly interviews of our customers telling their inspiring stories via our radio sponsorship of LBC; and
- to providing access for placements and apprenticeships to our customer base. This could be from a one week pilot programme we have run with BT for school children to engage and be inspired by entrepreneurs, to two-year part-funded Knowledge Transfer Partnerships for post graduates.

TradeLink – our customer intranet has 1,250 registered businesses and 1,600 users

1,250

We utilise over twelve thousand square feet of billboard space in London

12,000

4. Brand awareness and positioning

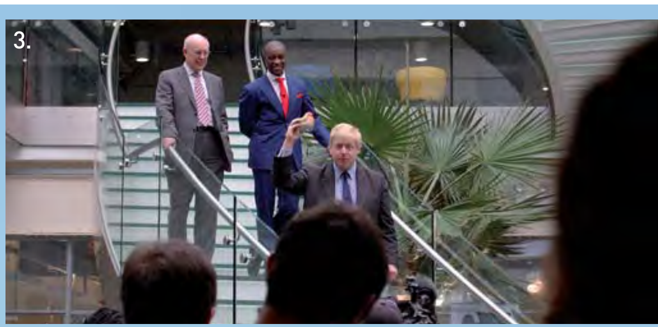
We are developing our brand to strengthen our position with the community of London entrepreneurs. We encourage as many as possible to use our space. Our 'Through The Door Campaign', has seen us open the shared space throughout the portfolio to various small business and enterprise focused organisations. They in turn invite local businesses, as well as our customers to attend events. Events have been run by Compete For, various Chambers of Commerce, The British Library, BITC, The Princes Trust, The Carbon Trust and the Social Market Foundation. In total, all these events were attended by over 4,000 people.

We strive to engage with decision makers and opinion formers to promote London's entrepreneurs. Over the last 12 months our centres have been visited by Boris Johnson, The Mayor of London, David Cameron, The Prime Minister and senior national and local civil servants, journalists, investors and local government officials.

This year we launched www.anyspacedirect.co.uk a national website for business space let on flexible terms. The site is owned by Workspace, but features other flexible space providers such as Bizspace, Evans Easy space and Spacia.

Of course all of this is then blogged, and then shared to reach an even greater audience.

3.



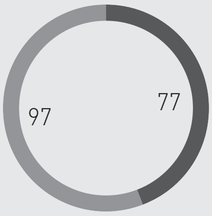
3. The Mayor of London, Boris Johnson, visited Workspace customers at Canterbury Court as part of the launch of londonnewenterprise.co.uk, a joint initiative between the GLA and Workspace Group.

Main image:
Greenheath Business Centre is home to 38 businesses offering studios and workshops in Bethnal Green, East London. Close to the mainline leading to and from London Liverpool Street Station, Greenheath provides huge opportunity as a billboard site.

OUR STAFF

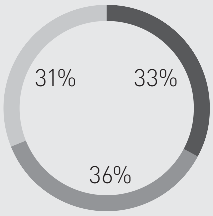
Workspace employs 174 people, 77 at our Head Office and 97 at our estates.

Workspace staff



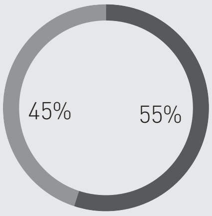
Head Office: **77**
Estates: **97**
Total 174

Workspace age



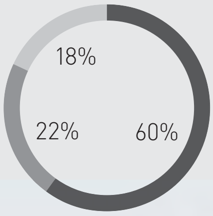
Aged below 30: **33%**
31–45: **36%**
46+: **31%**

Workspace gender



Male: **55%**
Female: **45%**

Length of service



Up to 5 years: **60%**
5–10 years: **22%**
>10 years: **18%**

The success of our business depends upon the strong relationships with our customers provided by our staff. Regular customer satisfaction surveys show our overall satisfaction rates are above 80%, and many customers choose to stay with us because of the high level of service they receive from our staff.

Quotes from recent surveys:

> "Excellent service always, your management team are meticulous."

> "The reception staff are exceptionally helpful!"

> "Amazing Assistant Centre Manager. She should be promoted to Manager."

To meet our aspirations to be a good landlord, providing excellent standards of service we recognise that we have to nurture the enthusiasm, commitment and dedication of our team of employees. Workspace Group has this year again been reassessed and met the Investors in People Standard – something it has now been meeting for over 10 years. The award is given to businesses committed to improving their performance by supporting, developing and training staff. At Workspace we use the benchmark to identify areas where we can continue to improve our practices and performance.

With the challenges of the current year, there has been greater emphasis on using internal trainers, rather than external providers. Six members of staff followed a 'train the trainer' course to enable them to deliver relevant training in-house. Furthermore, in a year of cost reductions we have ensured that we have continued with essential training in 'risk' areas (fire fighting, marshalling etc) and the continued personal professional development of our staff. Indeed, on the latter, we are delighted to have 10 staff continuing their professional development and following the year end three of them achieved their RICS (Royal Institution of Chartered Surveyors) qualifications.

Member of staff
Barbara Acheampong

Our customers repeatedly praise our high levels of customer service and confirm that one of the main reasons they remain customers is due to our site staff.

In a recent customer satisfaction survey 91% told us that our staff are committed, reliable and honest.

Barbara manages Canalot Studios which is currently undergoing a major refurbishment and she is key to ensuring good relationships with customers during any disruption.

Members of staff
Chris Coward, James Sullivan

We provide most of our services in-house. We employ and train our own professionals across the Company, including lettings, professional services, legal experts, accountants, building surveyors, health and safety and human resource professionals.

Chris joined us in 2005 as a Graduate Building Surveyor having already achieved a Bachelor of Science degree in Building Surveying. He continued his studies with us and completed his qualifications in 2008, successfully becoming a Chartered Surveyor (RICS).

James joined Workspace in 2007 as Assistant Management Accountant. Workspace has supported James through his training and professional development and he successfully achieved his CIMA qualification in 2009.

INVESTORS IN PEOPLE

OUR STAFF
CONTINUED

Members of staff
Hilary Best and Tim Wood

Given the specialist nature of our business, in-house training is essential in maintaining our high levels of customer service.

Hilary is Centre Manager at The Biscuit Factory. Hilary has been tasked with the co-ordination and roll-out of staff training on a new sales management software system to ensure effective implementation. The new system will be used by all centre management staff, lettings and marketing team at Head Office to manage the sales process.

Tim works in the IT team as Application Development Manager. He has been working closely with colleagues across the Company to develop this new software solution to manage the sales process.

Tim and Hilary have worked together to deliver this training to all staff involved in the sales process.

Member of staff
Simon Brown

40% of our staff have been with the Company for more than five years and many have worked in different areas of the business. This breadth of experience helps us to deliver our flexible and highly skilled level of service.

Simon joined us as Purchase Ledger Clerk in 2005 and worked in this role for a couple of years before choosing to broaden his experience, moving into the Operations team. He became a Relief Manager as part of a team of six managers who provide holiday and sickness cover to our business centres. The team is trained in all aspects of centre management and has experience in working at a wide variety of our centres. This year, Simon was promoted to Centre Manager and now he manages a large centre in West London.

Member of staff
Lauren Mercieca

Lauren, joined Workspace in 1998 at Head Office in an administration role and has a wide variety of experience in the Company; she worked as part of the lettings team, then as a Relief Manager before successfully managing one of our largest business centres for the past four years.

Recently she was promoted to Serviced Office Manager where she is now responsible for services at four serviced office buildings.

THE WORKSPACE HOPPER

The Workspace 'hopper' is shown below. As planning consents are obtained the associated added value is converted to cash or into new efficient business space. A constant stream of additional properties will be introduced into the planning process.

Properties selected as having potential

Contributing to added value

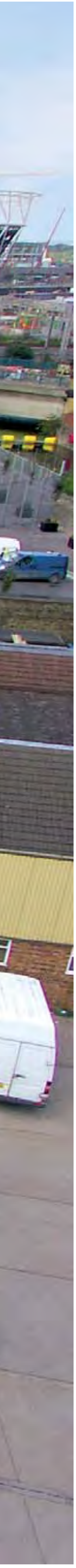
Phase		Current schemes
1	Pre-Application Phase	**1,500+** apartments **183,000 sq. ft.** commercial
2	Planning Application Phase	**870** apartments **190,000 sq. ft.** commercial
3	Planning Consent	**217** apartments **385,000 sq. ft.** commercial
4	Sale/ Re-development Phase	**232** apartments **170,000 sq. ft.** commercial **380** student units **180** bed hotel

Sold — Cash realised from sales

Sale with commercial returned / Re-developed or repositioned — New Increased Investment Value

Added value reflected in the portfolio as at 31 March 2010:

£55m



Releasing regeneration potential
A significant number of properties have the potential for intensification or alternative use; two of our larger sites at Poplar and Marshgate (pictured left) have significant redevelopment potential as they are close to Canary Wharf and the Olympic Park. Over a 10-year period some 50% of the portfolio has potential for additional value. At 31 March 2010 there was £55m of added value reflected in the portfolio valuation to reflect planning consents obtained. This added value is over and above the investment value of the portfolio.

The task is to convert this added value into actual value, to generate cash, and also to create more added value. During the year £15m of added value was converted into cash from the sale of:

- Thurston Road (a £60m development of 409 apartments and 40,000 sq. ft. of commercial space);
- Part of Canalot Studios (a £30m development of 280 student apartments); and
- Part of Bounds Green Industrial Estate (a £12m development of an 80,000 sq. ft. self-storage building).

During the year a further £12m of added value was achieved.

Further contracts have been exchanged:

- at Surrey/St Ives House (where a sale at £4.65m has been agreed for a £30m hotel development subject to obtaining planning consent); and
- Magenta House (where a sale at £4.4m has been agreed for a £20m student housing development subject to obtaining planning consent).

Components of added value
The activities that have contributed to the £55m added value at March 2010 are generally where planning consent has been achieved or where planning applications have been (or are about to be) submitted.

- Planning consents achieved: 525,000 sq. ft. of either new commercial space or extensions to existing centres (as some of this replaces 240,000 sq. ft. of existing space the net gain is 285,000 sq. ft.) and 426 apartments;
- Planning applications made: 180 bed hotel and 65,000 sq. ft. of new commercial space (replacing 30,000 sq. ft. of existing space); and
- Planning applications to be made in 2010-12: 130,000 sq. ft. of new commercial (replacing 100,000 sq. ft. of existing space), plus approximately 1,000 apartments, and 380 student housing units and 35,000 sq. ft. of retail/leisure space (replacing low-value storage space).

Strategy for turning added value into cash
Our strategy has four strands:

1. Sale of sites with planning consent
Where planning consent has been obtained for a use other than operated by Workspace, such as residential, student housing or self-storage, then the site will be sold with the benefit of the planning consent. The cash receipts will be used to upgrade/reposition other business centres. A current example is Greenheath where a planning consent is to be submitted for 72 apartments on an existing car park which will fund the upgrading of the existing business centre on the site.

2. Sale of sites with planning consent with commercial space returned
On some larger sites consent has been obtained for the redevelopment of a mixed-use scheme, generally residential and commercial. An example is at Wandsworth Business Village where consent has been obtained for 209 apartments and 80,000 sq. ft. business space. This site is currently being marketed.

3. Re-development of sites
Where planning consent has been obtained for core Workspace uses, such as an extension to the Barley Mow Business Centre then Workspace will develop these sites to provide more business space. For some of the larger schemes we may seek a joint venture partner.

4. Re-positioning of site
Some of our larger sites such as Tower Bridge (13 acres) and Kennington (6 acres) are being re-positioned from industrial sites with large lettings to higher value business centres focusing on small customers together with a range of other uses including residential, retail and leisure on the available land.

Main Picture:
Marshgate, E15

1. Thurston Road, SE13
2. Canalot Studios, W10
3. Bounds Green, N11
4. Surrey/St.Ives, SE1
5. Poplar Business Park, E14
6. Surrey House, SE1

SUSTAINABILITY DRIVES VALUE

Sustainability is a core driver for Workspace Group. Conducting business sustainably enables us to mitigate risks and to take advantage of opportunities. This past year more than ever, delivering a sustainable business model has been critical to driving value for our business. We have particularly focused our actions on customer satisfaction and the efficient use of our resources. We are now looking forward to embracing new opportunities and to thinking creatively about further incorporating sustainability into all aspects of how we do business.

Our four core priorities:

- A commitment to high standards in managing our customers and delivering exceptional service;
- Understanding and managing our carbon emissions;
- Improving the management of waste;
- Placing the security and safety of our customers at the core of our service.

This year, we have been preparing for the introduction of the CRC Energy Efficiency Scheme (CRC). The initiative is a strong signal sent by the Government that business must integrate sustainability considerations into core operations. The CRC will provide businesses with the impetus needed to make the UK commitment to carbon reduction a reality. We welcome the scheme as an opportunity to engage with our customers to drive down our emissions and form the basis of an ever closer collaboration on a range of sustainability issues.

H. Platt

Harry Platt
Chief Executive

1 Carbon management	• We understand our energy use • We identify improvements	• We reduce our energy bills • We perform well in the CRC	WE CREATE VALUE
2 Waste management	• We reduce our waste to landfill • We improve recycling	• We reduce our landfill tax	
3 Customer satisfaction	• We meet our customer needs • We help them improve their sustainability	• We retain our occupiers • We protect our rental income	
4 Customer safety and security	• We improve our customers safety • We prevent any breach with health and safety policies	• We maintain our reputation as a good landlord • We retain our occupiers	

Electric car available for use at Canterbury Court, SW9.

We contribute to making London more sustainable

Workspace Group has always been supportive of the London Plan and in 2006 we set 2012 targets that were in line with its objectives. The draft replacement London Plan was released in October 2009, revealing the Mayor's long term vision for London. We will review our 2012 targets in relation to the revised London Plan and will publish this review on our website.

Additionally we remain committed to continuing to work with our London property partners through the Better Building Partnership to further contribute to London's ambitious environmental, social and economic goals.

How we manage sustainability

Harry Platt CEO	**Oversight of our sustainability programme.**
Sustainability Committee Chaired by Angus Boag, Development Director	**Meets on a quarterly basis to discuss the implementation of our strategy and identify opportunities. The Committee is formed by our target owners and reports to the Board on our progress.**
Target owners	**Responsibility for the implementation of our targets is defined at the beginning of each year and allocated to individual employees. They form part of our Sustainability Committee.**

Our sustainability governance structure has proven efficient in driving the implementation of our targets and initiatives. It also empowers our employees to be involved and help develop our key strategy decisions with regard to future targets and initiatives.

We believe that sustainability needs to be at the core of how we shape our business strategy. In 2009, in addition to our quarterly Committee meetings, we dedicated a Board meeting to a discussion on future sustainability risks and opportunities and how this should impact on our business strategy. This was an opportunity to refine our key drivers and provide clear direction to our future sustainability strategy.

Looking back over the past year

In 2009, we set ourselves 10 targets aligned with our core business priorities.

We can now report that we fully achieved four of these targets and partially achieved a further three targets. We are pleased to report this progress and are continuing to work towards the achievement of all of our targets.

There are three targets that are considered not achieved. However, since the end of the financial year we have made progress against all three of these targets and expect to report their successful completion by December. There is a full breakdown of our progress against targets available on our website.

"I am responsible for co-ordinating the implementation of our sustainability targets and for identifying new opportunities that can bring value to our business. Readiness for the CRC has been a significant focus in the past year and we welcome the changes that this legislation will bring."

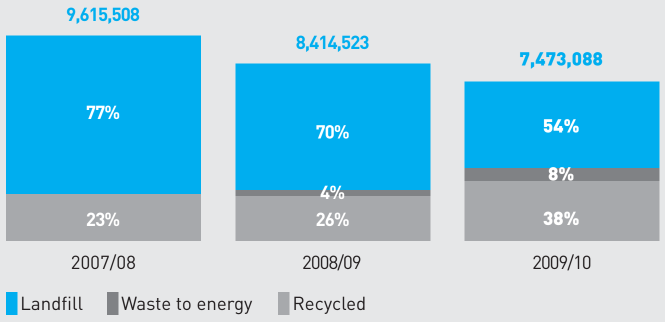
Angus Boag, Development Director

SUSTAINABILITY
CONTINUED

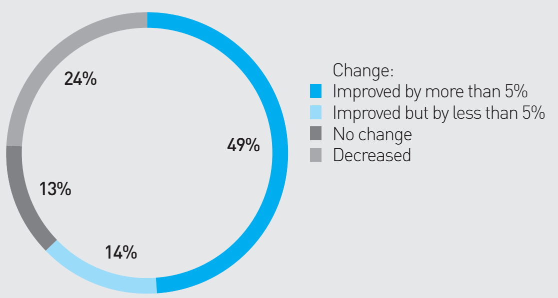
Most significant progress has been made in the areas of energy and waste, considered two of our most significant impacts across the portfolio. These targets cover over 100 properties where we have responsibility for energy and 70 properties where we have responsibility for waste management. We have successfully established a robust energy consumption monitoring system and are now able to state the carbon emissions associated with energy use across the property portfolio.

Scope	Carbon emissions (tonnes CO_2e)
Scope 1 (fuel burned onsite at our properties)	20,137
Scope 2 (electricity purchased by Workspace Group for our properties)	22,151

Waste recycling and incineration across the portfolio (kg)



2009/10 recycling rates at all sites compared with 2008/09



We are pleased to have achieved a significant improvement in the management of waste at many of our assets. We owe these achievements to the efforts and commitment of our onsite staff who strive to engage with our customers and implement simple measures that make the difference.

46% waste diverted from landfill

- We install extra recycling bins at strategic locations in the buildings;
- We engage with our customers;
- We communicate achievements through our newsletters;
- We put signage around the building.

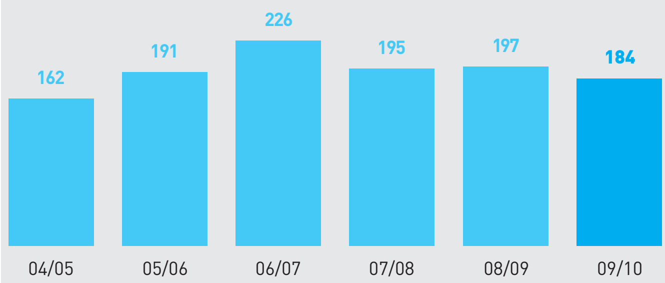
Further performance data is available on our website.

Sustainability is part of everything we do

This year, we have achieved further success in making our own office a sustainable work environment. Not only does this help us reduce our operational costs, but it also helps us to identify how we can replicate best practice across our managed portfolio.

We are therefore pleased to report that we achieved a 7% reduction in our electricity use between 2009 and 2010 at our Head Office. We have also steadily reduced our annual water consumption over the same period, and show a 10% reduction in the last year.

CO_2 emissions from energy use at our Head office (tonnes CO_2e)



Improving the sustainability of our Head Office has been achieved through changing simple habits. Here are some useful tips that we have applied:

- We display monthly energy graphs in common part areas;
- We have introduced waterless urinals, using eco-cubes. This has significantly reduced our water consumption.

2009/10 in a nutshell

May 2009	Our action plan to prepare for the CRC Energy Efficiency Scheme is launched.	Every quarter we achieve higher levels of coverage for carbon emissions database.
September 2009	We win the Bronze Award for the Mayor's Green Procurement Code.	Winner for the second year running.
December 2009	We outperform our waste target of 35% of our waste being diverted from landfill.	46% of waste being diverted from landfill.
January 2010	As members of the Better Building Partnership, we support the launch of the BBP benchmarking guidance.	41 of our managed buildings are part of the initiative.
May 2010	Customer Satisfaction Survey.	81% of our customers express a high level of satisfaction.

Looking ahead

In the future, we will retain a set of targets around the four core priorities that we identified last year.

We also intend to run a pilot project that identifies specific opportunities to improve the sustainability performance of four specific assets across a range of indicators. We believe that in doing so, we will be able to identify innovative practices in a wide range of subjects and understand how we replicate best practice across our entire portfolio. As part of this project, we will explore how we can adapt our buildings to climate change impacts, how we can link the flexible use of our space to increased productivity and how we can provide our customers with the best conditions to grow in a sustainable manner.

Our 2010 targets are available on our website, www.workspacegroup.co.uk/sustainability.

MANAGING OUR RISKS

The Group views effective risk management as integral to the delivery of superior returns to shareholders. The Board regularly reviews the Group's risk management activities with a view to confirming that, to the extent reasonably possible, all principal sources of risk are identified and are being managed. The principal risks and uncertainties facing the business and the controls and processes in place by which the Group aims to manage these risks are set out in the table below:

Risk description	Mitigation
Operational	**Falling occupancy levels and dependency on the SME sector** • Weekly monitoring of occupancy levels and update of pricing at each estate. • Quarterly customer satisfaction surveys. • Weekly monitoring of reasons for customers vacating 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. • External research conducted on the SME sector to understand trends in demand.
Property valuation and transactional	**Economic and market factors adversely impact on valuation** • Independent valuations conducted quarterly by CB Richard Ellis. • Alternative use opportunities pursued across the portfolio and planning consent progressed. • Market yields and pricing of property transactions monitored closely across the London market. **Disposals do not achieve fair value** • Independent valuations conducted quarterly by CB Richard Ellis. • Market yields and pricing of property transactions monitored closely across the London market. • Marketing by external agents as appropriate. **Properties acquired do not meet performance expectations** • Thorough due diligence conducted ahead of any property acquisitions. • Regular monitoring of acquisition performance against target returns.
Property development	**Changes to policy and/or procedures increase time to get planning consent** • Regular monitoring of government announcements and active involvement on industry responses. • Good working relationships developed with the Mayor of London and local London authorities. • Alignment of our regeneration proposals with the London Plan and local strategic plans. **Changes in economic environment impacts the viability or returns from planned developments** • Timing of actual developments can be deferred with properties retained for existing rental use. • Vacant possession not obtained until exchange achieved for properties being sold for alternative use.
Treasury	**Breach of borrowing covenants triggering default** • Financial ratios and covenant headroom monitored and regularly reported to the Board. • Working capital forecasts stress tested and regularly reported to the Board. **Insufficient liquidity to progress business plans** • Funding requirements for business plans regularly reviewed. • Regular dialogue with main lenders. • Options for alternative sources of funding monitored.
Regulations	**Non-compliance with REIT legislation resulting in loss of REIT status or tax penalties incurred** • REIT conditions monitored and tested on a regular basis and reported to the Board. • Eligibility of shareholders to receive PIDs clarified prior to payment. • Close working relationship maintained with HMRC and all relevant issues openly disclosed.
Business continuity	**Failure to recruit and retain key staff with appropriate skills** • Succession plans for key positions. **Business interruption including no access to Head Office** • Business continuity plan in place. • Back-up systems at remote locations. • Remote working capabilities.
Health and Safety	**Personal injury to staff and customers** • Health and Safety training. • Regular audit checks and review of all incidents.

Enquiries (average per month):

1,145

Lettings (average per month):

87

Increase in value of property portfolio:

+2.3%

Current portfolio value:

£717m

Cash rent roll:

£50.7m

Like-for-like occupancy:

84.7%

Overall occupancy:

81.9%

Graham Clemett
Group Finance Director

Photographed at Canterbury Court at Kennington Park, SW9

Figure 1:
Enquiries and lettings (average number per month)

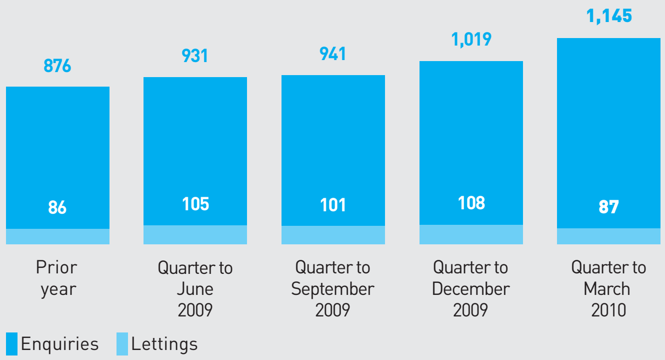
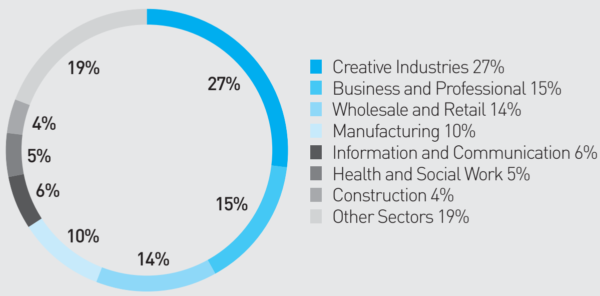


Figure 2:
Industry sector % of customers (by number)



Enquiries and lettings

Our brand, in particular our reputation with London's SMEs, provides the platform for our enquiries. They come from a variety of sources ranging from potential customers visiting one of our properties and talking to our on-site staff through to contacting our in-house lettings team by telephone or registering interest by email via the interactive Workspace website. While the overall demand for new space across London has declined over the last year, with our focused marketing efforts and brand, the demand for space at Workspace properties, as represented by enquiries has increased. Figure 1.

In the two months to May 2010 we have continued to see good levels of demand for space with enquiries averaging 885 per month and lettings 98 per month.

Customers

We have over 4,000 customers from a very diverse range of industry sectors. There has been no discernible change in this mix of customers over the last year. Figure 2.

The nature and location of our properties are well suited to the needs of the creative sector. Customers within this sector include advertising and branding agencies, fashion and design consultancies and music, video and performing arts businesses. This sector is a key contributor to the vibrancy and health of the London economy. Indeed, many of our customers are leaders in their field, on a global not just national basis.

Portfolio performance

The overall occupancy across the portfolio at 31 March 2010 was 81.9% (March 2009: 80.3%) and cash rent roll was £50.7m (March 2009: £50.8m), with the contracted rent roll some £3.2m higher than this. The difference between cash and contracted rent roll relates to lettings where there are stepped rental increases in future years (£2.2m), rent free periods (£0.7m) and rent discounts (£0.3m). Of these amounts 50% is expected to convert to cash rent roll over the next six months.

A more detailed analysis of performance by property category is set out on the following pages.

Like-for-like properties

These are properties which have been held for at least 12 months and have not been subject to a refurbishment programme in the last 24 months. This category comprises 83 properties with a value of £514m as at March 2010 and hence the majority of the portfolio.

Like-for-like	March 2010	December 2009	September 2009	June 2009	March 2009
Occupancy	**84.7%**	84.1%	83.6%	83.5%	82.9%
Cash rent roll	**£38.3m**	£37.7m	£37.9m	£39.1m	£40.3m
Average rent per sq. ft.	**£12.20**	£12.13	£12.19	£12.57	£12.92

Like-for-like occupancy has continued to improve, now at 84.7% up 1.8 percentage points from the lowest level reached in March 2009. Alongside the improvement in occupancy we are now seeing rental pricing levels stabilise. This, together with the unwinding of lease incentives, has resulted in a 1.6% increase in the cash rent roll in the last quarter of the year.

The trend in occupancy and rent roll at our largest properties in this category are set out below:

	Occupancy		Cash rent roll	
	March 2010	March 2009	March 2010	March 2009
Leathermarket, SE1	**83%**	88%	**£2.3m**	£2.4m
Enterprise House, SE1	**87%**	86%	**£1.8m**	£1.8m
Clerkenwell Workshops, EC1	**98%**	85%	**£1.6m**	£1.6m
Southbank House, SE1	**88%**	80%	**£1.4m**	£1.4m
Great Guildford Street, SE1	**77%**	66%	**£1.3m**	£1.3m
Westbourne Studios, W10	**88%**	82%	**£1.4m**	£1.3m
Uplands, E17	**85%**	72%	**£1.2m**	£1.3m
Exmouth House, EC1	**84%**	95%	**£1.1m**	£1.3m
Poplar Business Park, E14	**84%**	86%	**£1.0m**	£1.2m
Other	**85%**	84%	**£25.2m**	£26.7m
Total	**85%**	83%	**£38.3m**	£40.3m

The top nine properties in this category represent some 34% of the total like-for-like cash rent roll. While the occupancy levels at our properties do fluctuate, the overall level of occupancy at our like-for-like properties has been very stable over the last year. What we have seen across all of our properties is the impact of the reduction in pricing on new lettings which has reduced overall like-for-like cash rent roll by 5%.

The lower level of occupancy at our Great Guildford Street property is due to plans that we have to redevelop the entrance area for this building. In advance of achieving planning approval we are keeping the units that would be impacted by the redevelopment vacant, these units represent some 15% of the floor area. We expect to achieve planning approval by October 2010 at which point we will move this property into the refurbishment category.

In this report we have shown the performance of the former Glebe joint venture portfolio separately. In future these properties will be reported in the appropriate property category with eight included in the like-for-like category. Inclusion of these properties would have reduced like-for-like occupancy at March 2010 to 82.8%.

Refurbished properties

These are properties which have either been refurbished in the last 24 months, are currently undergoing refurbishment or are being let up after acquisition. This category comprises five properties with a value of £85m as at March 2010. We target to achieve an occupancy of 90% within two years of a refurbished building being opened.

	Occupancy		Cash rent roll	
Refurbished	March 2010	March 2009	March 2010	March 2009
Kennington Park, SW9	77%	76%	£4.0m	£3.7m
Barley Mow Centre, W4	67%	90%	£1.1m	£1.3m
Other	75%	47%	£0.8m	£0.6m
Total	76%	73%	£5.9m	£5.6m

At Kennington Park the occupancy of the refurbished Canterbury Court building with new lettable space of 102,000 sq. ft. (opened in January 2008) is now at 90%. We are progressing with a number of further intensification and change of use opportunities on this six acre site which will reduce overall occupancy in the short term.

At the Barley Mow Centre a complete refurbishment of the East Wing of this building (which represents around half of the total lettable area of this building) was completed in November 2009. Occupancy of this wing had reached 35% in the four months to March 2010.

Other properties in this category are Q West, TW8 (the second stage of which was acquired for £4m in October 2009), the Wenlock, N1 which opened in October 2008 and E1 Business Centre, E1 which opened in July 2008. We are making good progress at each of these properties.

Held for redevelopment/sale properties

These are properties where we have obtained, or are progressing with planning approval for mixed-use development. At these properties occupancy and rent roll will be adversely impacted by restrictions we place on lease lengths to ensure that we can quickly achieve vacant possession when planning has been received. This category comprises five properties with a value of £17m as at March 2010.

	Occupancy		Cash rent roll	
Held for redevelopment/sale	March 2010	March 2009	March 2010	March 2009
Surrey & St Ives House, SE1	49%	52%	–	£0.3m
Other	74%	64%	£0.4m	£0.5m
Total	69%	63%	£0.4m	£0.8m

Contracts have been exchanged for the sale of Surrey and St Ives House for £4.65m subject to planning consent for a hotel. We will achieve vacant possession on this site shortly. Other properties include Greenheath, E2 where we are progressing with a planning application for affordable housing and Enterprise, Hayes, UB3.

1. The Leathermarket, SE1
2. Barley Mow Centre, W4
3. Canterbury Court at Kennington Park, SW9
4. Tower Bridge Business Complex, SE16

Workspace Glebe Portfolio

This comprises 12 estates across London formerly owned by the Workspace Glebe joint venture. Workspace acquired the properties in December 2009 and whilst the management of these properties has been integrated, their performance for this year end is shown separately below. The occupancy and rent roll is analysed below into the property categories in which they will be reported going forward.

Workspace Glebe Portfolio	Occupancy March 2010	Cash rent roll March 2010
Like-for-like properties		
Tower Bridge Business Complex, SE16	74%	£2.4m
Riverside, SW18	85%	£0.7m
Parkhall Road Trading Estate, SE21	78%	£0.7m
Other (5 properties)	71%	£1.4m
Total (like-for-like)	**75%**	**£5.2m**
Held for redevelopment/sale		
Grand Union Centre, W10	74%	£0.5m
Bow Enterprise, E3	74%	£0.4m
Tower Bridge, Block F, SE16	100%	–
Wandsworth Business Village, SW18	54%	£0.1m
Total (held for redevelopment/sale)	**85%**	**£1.0m**
Total	**78%**	**£6.1m**

Trading performance at the like-for-like properties has suffered from a lack of investment over the last year whilst the issues around the joint venture ownership were being resolved.

Tower Bridge is a 13 acre site just south of Bermondsey tube station which has a mixture of office, studios and warehouse space. In the medium term we are hopeful of achieving a re-designation of part of this site for mixed use. Block F at Tower Bridge is a 40,000 sq. ft. warehouse where we will obtain vacant possession in September 2010 with the occupier paying no rent in the last year of the lease in return for early vacation from a long lease. We will be looking to re-let this building on a shorter-term basis whilst planning is progressed.

Wandsworth Business Village is a two acre site close to Wandsworth town centre where we have planning approval for a major mixed use scheme comprising some 200 apartments and 80,000 sq. ft. of new commercial space. We have achieved vacant possession on the majority of this site ahead of its planned redevelopment. The site is currently being marketed.

At Grand Union Centre, close to Ladbroke Grove station, we have outline planning permission subject to a section 106 agreement for 145 apartments and 110,000 sq. ft. of new commercial space.

At Bow Enterprise, a 3.5 acre site adjacent to Devons Road DLR station (two stops to the Olympic Park and five stops to Canary Wharf) we will be shortly making a planning application for some 550 apartments and 100,000 sq. ft. of new commercial space.

Acquisition of Workspace Glebe Joint Venture

The acquisition of the former Workspace Glebe joint venture business was completed on 11 December 2009. The purchase was satisfied by a cash payment of £15m from the placing of 101.5m shares at 19p and a revised and restated five year debt facility of £68m provided by Bank of Scotland, with further potential amounts payable over time under a proceeds sharing arrangement. The value of our interest in the joint venture had previously been written down to nil and the acquisition of the other 50% has been treated as a Business Combination under International Accounting Standards.

At acquisition the joint venture properties were valued at £97m with a cash rent roll of £6.1m. The acquisition extinguished a tax indemnity of £5.1m and an interest shortfall guarantee provision of £4.4m, subject to payment of a priority fee of £2.4m. The financial impact of the transaction was immediately enhancing to both earnings and NAV per share. The uplift in NAV per share as a result of the acquisition was 1.5p.

The proceeds sharing arrangement shares the benefit of future disposals between Workspace and the lenders once the debt has been repaid and Workspace has received its priority return. The actual timing of disposals is at Workspace's discretion.

Valuation

The valuation of our property portfolio has increased by 2.3% over the last year. The increase in the underlying valuation in the last two quarters of the year has now reversed the decline in the first two quarters of the year. In addition, there was a significant one-off benefit from the acquisition of the Workspace Glebe JV portfolio. A summary of all the movements in the property valuation through the year is set out below:

	£m
Portfolio valuation at 31 March 2009	662
Property acquisitions and purchase of former joint venture	87
Property disposals	(55)
Property valuation surplus/(deficit):	
– quarter to June 2009	(30)
– quarter to September 2009	(16)
– quarter to December 2009	25
– quarter to March 2010	23
– gain on former Workspace Glebe JV portfolio	14
	16
Other movements including capital expenditure	7
Portfolio valuation at 31 March 2010	**717**

Property acquisitions comprise the Workspace Glebe JV portfolio business acquired for £83m as detailed above (with the properties valued at £97m at acquisition) and £4m for the second stage of the acquisition of Q West, TW8.

Property disposals in the year are a mixture of 14 investment properties and three added value sites where we have achieved planning consent for alternative use. These properties were disposed of at a book value of £55m with cash received in the year of £57m. The overall income yield on these disposals was 6.3%.

A more detailed breakdown of the valuation at March 2010 by property category is set out below:

Valuation at March 2010

Property category	No of properties	Existing use valuation	Existing use yield	Added value	Total valuation	Capital value per sq. ft.
Like-for-like	83	£483m	7.9%	£31m	£514m	£139
Refurbished	5	£84m	6.9%	£1m	£85m	£155
Workspace Glebe	12	£85m	7.3%	£16m	£101m	£81
Held for re-development	5	£11m	4.1%	£6m	£17m	£97
Total	**105**	**£662m**	**7.7%**	**£55m**	**£717m**	**£126**

The existing use valuation is based on the current income generated by a property and the existing use yield is calculated by reference to the cash rent roll.

The overall capital value per sq. ft. of £126 compares to a rebuild cost (for insurance purposes) of the buildings alone, excluding the value of the freehold land of £140.

The total net initial yield on our portfolio as calculated by our valuers, CBRE, is 7.1% (March 2009: 7.4%) and the equivalent yield is 8.8% (March 2009: 9.6%).

The total ERV for the portfolio now stands at £66.4m compared to a cash rent roll of £50.7m. At our targeted occupancy level of 90% the potential reversionary rent roll would be £59.8m, some £9.1m higher than the current cash rent roll.

Added value is attached to properties where we are well advanced on obtaining planning approval (or have already obtained planning) for an intensification of existing use or alternative use on a site. A summary of the movements in added value through the year is set out below:

	£m
Added value at 31 March 2009	38
Value added on new schemes in year	4
Increase in value of existing schemes	8
Extra value achieved for schemes disposed in year	4
Cash realised from schemes disposed in year	(15)
Added value on Workspace Glebe properties acquired	16
Added value at 31 March 2010	**55**

£15m of cash has been realised from added value schemes during the year, a 36% uplift on the added value of these schemes in the March 2009 valuation. Disposals included the sale of part of Canalot Studios, W10 for student housing (280 units), Thurston Road, SE13 for a residential-led redevelopment (400 units plus 80,000 sq. ft. commercial floorspace) and part of a car park at Bounds Green, N11 for a self-storage scheme.

A more detailed analysis of the like-for-like property valuation compared to March 2009 is set out below:

Like-for-like properties	March 2010	March 2009
Existing use value	£483m	£482m
Added value	£31m	£27m
Estimated rental value (ERV)	£47.2m	£54.4m
Existing use equivalent yield (at 90% occupancy)	8.8%	10.2%
Cash rent roll	£38.3m	£40.3m
Existing use income yield	7.9%	8.4%

Over the year the ERV on the like-for-like properties has declined by 13% reflecting the impact of the reduction in pricing on new lettings.

Income Statement

Overall the Group is reporting a profit before tax for the year of £26.0m compared to a loss of £360.4m in the prior year, with a small revaluation surplus in the year of £1.8m compared to a significant deficit in 2009.

£m	2010	2009	Change
Net rental income	44.4	47.4	(6.3%)
Staff and other administrative costs	(8.0)	(9.0)	(11.1%)
Share-based incentive costs	(1.1)	–	–
Net interest cost (excluding exceptional items)	(24.5)	(28.4)	(13.7%)
Trading profit after interest	10.8	10.0	+8.0%
Property valuation gain/(deficit)	1.8	(325.3)	
Workspace Glebe joint venture adjustments	14.2	(9.5)	
Other items	(0.8)	(35.6)	
Net profit/(loss) for the year before tax	26.0	(360.4)	

The trading performance for the Group has been good despite challenging market conditions, with trading profit after interest increasing by 8% to £10.8m. The main components of the £0.8m increase in trading profits are set out below:

	£m
2009 trading profit after interest	10.0
Reduced net rental income – properties owned all year	(2.2)
Lost net rental income – disposals	(2.4)
Net rental income – Workspace Glebe post acquisition	1.6
Reduction in staff and related costs	1.0
Increase in share-based incentive costs	(1.1)
Decrease in interest costs	3.9
2010 trading profit after interest	**10.8**

The rental income at properties owned throughout the year was adversely impacted by reductions in pricing and increased incentives on new lettings. This was offset by improvements in occupancy levels and a tight control of direct property costs. Empty rates cost reduced by £0.1m to £1.7m in the year.

Staff and related costs have reduced by 11% in total in the year from £9.0m to £8.0m. A streamlining of back-office staff, the reduction of one Executive Director and a salary cap all contributed to the reduction together with cuts and efficiencies across all categories of discretionary spend.

Share-based incentive costs increased from nil to £1.1m in the year. These costs relate to the value of share grants to employees under the Group's long term incentive plans. The cost is largely a non-cash based accounting charge linked to the absolute and relative performance of the Group over the period of each grant.

Interest costs are lower than in the prior year due to a reduction in the average level of debt. This is a result of the Rights Issue completed in March 2009 and the net impact of acquisitions and disposals. The average interest cost in the year was 6.7% compared to 6.5% in 2008/09.

A number of adjustments have been made to hedging during the year, including the swap acquired when the Glebe portfolio was acquired. The Group has the following interest rate swaps in place at March 2010:

Amount	Rate	Term
£100m	4.0%	October 2012
£125m	5.4%	October 2012
£50m	5.2%	June 2013

These interest rate swaps represent some 70% of the Group's interest rate exposure with the remainder at 3 months/1 month LIBOR. At March 2010 the exit rate total cost of our debt (including bank margin) is running at some 6%.

Cash flow

£m	2010	2009
Operating cash flow	36.3	40.6
Interest paid	(25.2)	(29.0)
Net cash from operations	11.1	11.6
Dividends to shareholders	(8.1)	(7.8)
Share placing proceeds (net of costs)	18.8	–
Rights Issue proceeds (net of costs)	(4.3)	80.2
Capital expenditure	(5.9)	(9.2)
Property acquisitions	(4.0)	(4.2)
Property disposal proceeds	57.1	11.4
Corporation tax	–	4.9
Hedging amendments	(8.6)	–
Other	(1.8)	(3.3)
	54.3	83.6
Acquisition of Glebe joint venture (including debt)	(83.0)	–
(Increase)/decrease in net borrowings	(28.7)	83.6

The Group continues to generate strong operational cash flow in line with trading profits. Bad debts remain low at £0.3m in the current year (2009: £0.2m) despite the impact of the recession on our customers. The broad spread of our customers, rents and deposits received in advance and tight credit control procedures ensure that we avoid any significant bad debts.

In December 2009 we completed a share placing raising net proceeds of £18.8m to part-fund the acquisition of the Glebe joint venture properties.

The only significant individual capital expenditure project during the year was the refurbishment of the East Wing of the Barley Mow Centre for £1.3m.

During the year we acquired the second phase of Q West, TW8, for £4.0m (including costs). Contracts for this purchase were originally exchanged in June 2007.

A number of interest rate hedging contracts were amended or cancelled during the year at a total cost of £8.6m. This reduced the overall level of hedging in line with the reduction in debt levels from the Rights Issue and property disposals. The overall level of hedging has been maintained at 70% of our total interest rate exposure.

Balance Sheet and financing

£m	2010	2009
Investment properties	713	664
Net borrowings	(383)	(355)
Interest-rate swaps	(23)	(26)
Other net liabilities	(20)	(31)
Net assets	287	252
EPRA NAV per share	27p	27p
Loan to value (LTV)	53%	54%

The EPRA NAV per share has recovered during the year and is now at the same level as at March 2009. This is a result of the improvements in the property valuation during the second half of the year and the write-back of provisions and negative goodwill arising from the acquisition of the Workspace Glebe JV.

The overall LTV of 53% is a level at which the Group is comfortable at this stage in the property cycle. We have good headroom on our covenants and will benefit from a geared return on any further improvements in property values.

The Group has three main banking relationships, with Royal Bank of Scotland (RBS), GE Real Estate (GE) and Bank of Scotland (BoS). £37m of the GE facility is provided by Bayerische Landesbank and £20m of the BoS facility is provided by Bank of East Asia. Details of the facilities and margins are set out below:

	Facility amount £m	Drawn at March 2010 £m	Term	Margin over LIBOR
RBS				
Term/revolving facilities	150	114	November 2012	2.75%
Overdraft/ (deposit)	4	2	On demand	1.75%
GE				
Term facility	199	199	November 2012*	2.00%
BoS				
Term facility	68	68	December 2014	1.25%
Total	421	383		

* The extension of the GE facility to November 2012 is at the Group's option and is subject to the payment of extension fees in August 2010 (1.7% of amount extended) and December 2011 (2.25% of amount extended). The margin on the GE facility increases to 3.0% at August 2010 and to 4.0% in January 2012.

The covenants on the bank facilities are set out below:

	Interest cover covenant		Loan to value covenant
	On-secured asset pool	Group level	On-secured asset pool
RBS	1.25	1.50	75%
GE	1.30	1.50	75%
BoS	1.10	–	85%

Each of the facilities is secured on a discrete pool of assets. Covenant tests are on both the discrete pools and at a Group level (which includes £47m of uncharged assets). Interest cover is calculated by reference to net rental income.

Covenants are tested on a quarterly basis and results of our covenant tests at 31 March 2010 and the indicative headroom based on March exit income run rates is as follows:

	At 31 March 2010	Indicative headroom
Interest cover covenant		
RBS asset pool	1.9	Income to fall by 35%
GE asset pool	2.2	Income to fall by 41%
BoS asset pool	1.5	Income to fall by 25%
Group asset pool	2.1	Income to fall by 27%
Loan to value		
RBS asset pool	50%	Valuation to fall by 33%
GE asset pool	59%	Valuation to fall by 21%
BoS asset pool	67%	Valuation to fall by 21%

We have good covenant headroom on all our facilities.

Dividend

A final dividend of 0.50p per share is proposed. Combined with the interim dividend this would take the total dividend for the year to 0.75p per share, the same as the dividend paid last year.

While the interim dividend was paid as a Property Income Distribution (PID) the final dividend will be a non-PID. Under current legislation scrip dividends cannot be paid as a PID and we are therefore taking this opportunity to offer shareholders the option of electing to receive the final dividend in shares as an alternative to cash. Full details of the share scrip option will be circulated with the notice of the AGM. The final dividend will be paid to shareholders in August 2010.

KEY STATISTICS

Workspace Group directly owned portfolio#	Quarter ending 31 March 2010#	Quarter ending 31 December 2009#	Quarter ending 30 September 2009	Quarter ending 30 June 2009	Quarter ending 31 March 2009
Number of estates	**105**	107	100	100	106
Lettable floorspace (million sq. ft.)†	**5.5**	5.7	4.8	4.9	5.0
Number of lettable units	**5,156**	5,283	4,591	4,618	4,546
ERV	**£66.4m**	£69.1m	£61.4m	£64.6m	£70.5m
Reversionary yield*	**9.3%**	9.7%	10.1%	10.4%	10.6%
Cash rent roll of occupied units	**£50.7m**	£50.4m	£46.9m	£48.0m	£50.8m
Average rent per sq. ft.	**£11.22**	£11.02	£11.83	£12.17	£12.64
Overall occupancy	**81.9%**	80.6%	81.9%	81.0%	80.3%
Like-for-like lettable floor space (million sq. ft.)	**3.7**	3.7	3.7	3.7	3.8
Like-for-like cash rent roll	**£38.3m**	£37.7m	£37.9m	£39.1m	£40.3m
Like-for-like average rent per sq. ft.	**£12.20**	£12.13	£12.19	£12.57	£12.92
Like-for-like occupancy	**84.7%**	84.1%	83.6%	83.5%	82.9%
Former Glebe joint venture portfolio					
Number of estates	**12**	12	12	12	12
Lettable floorspace (million sq. ft.)†	**1.1**	1.1	1.1	1.1	1.2
Cash rent roll of occupied units	**£6.1m**	£6.1m	£6.0m	£6.8m	£7.0m
Average rent per sq. ft.	**£7.29**	£7.36	£7.55	£8.31	£8.61
Overall occupancy	**77.5%**	75.9%	73.6%	75.3%	70.7%
Financial performance					
Property valuation (£m)	**717**	711	605	619	662
Net assets (£m)	**287**	269	208	228	252
EPRA NAV per share (p)	**27**	25	22	24	27
Net rental income interest cover (cumulative)	**1.81x**	1.78x	1.76x	1.71x	1.67x
Trading interest cover (cumulative)	**1.44x**	1.39x	1.40x	1.33x	1.35x
Gearing (%) on EPRA net assets	**125%**	136%	151%	140%	129%
Loan to value (%)	**53%**	56%	57%	56%	54%
Available borrowing facilities (£m)	**36**	27	18	18	34

Quarters ending 31 December 2009 and 31 March 2010 include the former Glebe Joint Venture properties acquired on 11 December 2009
† 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.

1. The Light Box, W4
2. Gardiner House at Wandsworth Business Village, SW18
3. Langdale House, SE1
4. The Biscuit Factory at Tower Bridge Business Complex, SE16
5. Uplands Business Park, E17
6. Hatton Square Business Centre, EC1N

1.


the
Light
BOX

2.


GARDINER HOUSE
Workspace Group
OFFICES TO LET
020 7247 7614

3.


LANGDALE HOUSE
11
MARSHALSEA ROAD
Workspace Group
Owned & managed by

4.


BISCUIT FACTORY
BISCUIT FACTORY
PARKING PERMIT REQUIRED
VISITOR PERMITS AVAILABLE
FROM RECEPTION
RECEPTION 020

5.


UNITS TO LET 020 7247
UPLANDS Business Pa

6.


HATTON SQUARE
BUSINESS CENTRE

THE BOARD & EXECUTIVE COMMITTEE

THE BOARD OF DIRECTORS

Antony Hales CBE BSc
Non-Executive Chairman
Tony Hales (62) was appointed to the Board in November 2002 and was appointed as Chairman in December 2002. He is currently Chairman of British Waterways and senior independent director of International Personal Finance PLC. He retired as Chairman of NAAFI Ltd in October 2008, and now Chairs NAAFI Pension Fund Trustees. He was previously Chief Executive of Allied Domecq PLC and a non-executive director of HSBC Bank PLC, Hyder PLC, Aston Villa PLC and Reliance Security Group PLC. Chairman of the Nominations Committee and a member of the Remuneration Committee.

Harry Platt MA MRTPI
Chief Executive
Harry Platt (58) was appointed to the Board as Director and General Manager in April 1991, became Managing Director in April 1992 and Chief Executive in October 1999. He was Chief Executive of Harlow District Council between 1983 and 1989 and before that Assistant Chief Executive at the London Borough of Greenwich. Prior to joining the Group he was Operations Director of Dixons Commercial Properties Limited.

Graham Clemett BSc ACA
Group Finance Director
Graham Clemett (49) joined the Board as Finance Director in July 2007. Previously he was Finance Director, UK Corporate Banking at RBS Group PLC where he worked for a period of five years. Prior to that, Graham spent eight years at Reuters Group PLC, latterly as Group Financial Controller.

Bernard Cragg BSc ACA
Senior Independent Non-Executive Director
Bernard Cragg (55) was appointed to the Board in June 2003. He is a non-executive director of Mothercare PLC, Astro All Asia Networks PLC and the Senior Independent Director for Progressive Digital Media PLC. He was previously Chairman of i-mate PLC, Datamonitor Limited and a non-executive director of Bristol & West PLC. He was formerly Group Finance Director and Chief Financial Officer of Carlton Communications PLC and a non-executive director of Arcadia PLC. Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

John Bywater FRICS
Non-Executive Director
John Bywater (63) was appointed to the Board in June 2004. He is Managing Director of Caddick Developments Ltd, having retired as an executive director of Hammerson PLC in March 2007. He is a non-executive director of British Waterways and Realis Estates, a private property company, and a Trustee of Opera North. Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

Tony Hales CBE
Non-Executive Chairman

Harry Platt
Chief Executive

Graham Clemett
Group Finance Director

Bernard Cragg
Senior Independent Non-Executive Director

Rupert Dickinson MRIC
Non-Executive Director
Rupert Dickinson (50) was appointed to the Board in August 2006. He retired as Chief Executive of Grainger PLC in October 2009. Prior to joining Grainger PLC, Rupert was at Richard Ellis (now CBRE) where he worked for five years in commercial development. A member of the Audit, Remuneration and Nominations Committees.

Jamie Hopkins (not pictured)
Non-Executive Director
Jamie Hopkins (41) was appointed to the Board in June 2010. He is currently a Director of Charter Properties. He was previously Chief Executive and a Non-Executive Director of Mapeley PLC. A member of the Remuneration, Audit and Nominations Committees.

THE EXECUTIVE COMMITTEE

The Executive Committee comprises the Executive Directors; Harry Platt, and Graham Clemett, together with Angus Boag and Chris Pieroni.

Angus Boag MSc CEng MICE
Development Director
Angus Boag (50) joined the Group in June 2007 as Development Director responsible for identifying and implementing improvement and regeneration opportunities within the Group's property portfolio. He is also responsible for investment management, valuations and leads on social environmental and ethical issues. Prior to joining the Group he was at Manhattan Loft Corporation for 12 years joining as Development Director and then being appointed as Managing Director in 2001.

Chris Pieroni BA (Hons) MSc (Econ) PhD (Cantab) ACSI
Operations Director
Chris Pieroni (52) joined the Group as Operations Director in October 2007. Prior to this date, he worked at KPMG specialising in real estate and infrastructure finance. He began his professional career teaching economics at Cambridge University. He joined Colliers Erdman Lewis in 1993, later becoming Chief Operating Officer. Chris was a Non-Executive Director of the Group from 2000 until his retirement from the Board in August 2006.

John Bywater
Non-Executive Director

Rupert Dickinson
Non-Executive Director

Angus Boag
Development Director

Chris Pieroni
Operations Director

REPORT OF THE DIRECTORS

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2010. The Business Review and all other sections of the annual report, to which cross reference is made are incorporated into the Directors' Report by reference.

Principal activities

The Group is engaged in property investment in the form of letting of business accommodation to small and medium sized enterprises located in and around London. At 31 March 2010 the Company had ten active subsidiaries, six of which are property investment companies owning properties in Greater London. Details of the Company's subsidiaries are listed on page 81. LI Property Services Limited procures insurance on behalf of the Group. Workspace Management Limited acts as manager for all the Group's property investment companies. Workspace Holdings Limited and Workspace Glebe Limited are intermediate holding companies. Significant events which occurred during the year are detailed in the Chairman's Statement on pages 6 to 7, the Group Chief Executive's Review on pages 12 to 14 and the Business Review on pages 30 to 36.

Business Review and future developments

The Business Review requires a detailed review of the business of the Group, the development and performance of the Company during the year and at the year end and of its strategy and prospects, including an analysis using key performance indicators.

This information together with a description of the principal risks and uncertainties facing the Company, details of the Company's health and safety policies and its environmental and corporate responsibility activities can be found on pages 1 to 36.

Corporate Governance

The Company and the Group are committed to high standards of corporate governance, details of which are given in the Corporate Governance Report on pages 42 to 45 and in the Remuneration Report on pages 46 to 54.

Profit and dividends

The Group's profit after tax for the year attributable to shareholders amounted to £24.2m (2009: £360.4m loss after tax). The Directors recommend the payment of a final dividend of 0.50p (2009: 0.50p) which together with an interim dividend of 0.25p (2009: 1.52p) makes a total of 0.75p for the year (2009: 2.02p not restated for Rights Issue).

Going Concern

The Group's activities, strategy and performance are explained in the Chief Executive's review on pages 12 to 14 and the Business Review on pages 30 to 36.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 56 to 82.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources and sufficient headroom on the Group's bank loan facilities to continue in operational existence for the foreseeable future. For this reason the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts.

Land and buildings

The Group's fixed assets include investment properties of £713.2m (2009: £664.1m) and owner occupied property of £2.7m (2009: £2.0m). The Group's investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors, at 31 March 2010 at open market value.

Directors

With the exception of Mr Hopkins who was appointed as a Director on 7 June 2010, the Directors of the Company, who all held office throughout the year, are shown on pages 38 and 39.

Directors' indemnities

As permitted under the Companies Act 2006 and the Company's Articles of Association the Company has executed a Deed Poll under which it will indemnify its Directors, subject to certain limitations and as permitted by law, for liabilities incurred in connection with their appointment as a Director and in certain circumstances fund a Director's expenditure on defending criminal or civil proceedings brought against the Director in connection with his position as a Director of the Company or of any Group Company.

The Group has a Directors' and Officers' liability insurance policy which indemnifies the Directors and Officers against breach of fiduciary duty.

Directors' conflict of interest

In accordance with certain provisions of the Companies Act 2006 relating to Directors' conflicts of interest which came into effect on the 1 October 2008, such provisions permit the Board to consider and, if thought fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('Situational Conflicts'). The Board has established a formal system for Directors to declare Situational Conflicts so that they can be considered for authorisation by the remaining members of the Board. In deciding whether to authorise a Situational Conflict, the non-conflicted Directors are required to act in the way they consider would be most likely to promote the success of the Company, and they may impose limits or conditions when giving authorisation or subsequently if they think this is appropriate. The Company Secretary minutes the consideration of any conflict and records the details of any authorisations granted.

No Director had, during the year, any beneficial interest in any contract significant to the Company's business, other than a contract of employment.

Details of the Directors' shareholdings and options over shares are provided on pages 51 to 54.

Share capital and control

Details of the Company's issued share capital are set out on page 75. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. As at 31 March 2010, there were 1,149,459,056 ordinary shares in issue.

Substantial shareholdings in the Company

As at 4 June 2010, the Company has been notified, in accordance with the FSA Disclosure and Transparency Rules of the following interests in the voting rights of the Company:

Shareholder	Number of Shares	Percentage Held
Spencer Nick Roditi*	299,177,718	26.02%
Lloyds Banking Group Plc	114,842,897	9.99%
F&C Asset Management Plc	102,580,241	9.81%
BlackRock Inc	68,677,703	5.97%
Newton Investment Management Limited	58,365,650	5.08%
Legal & General Assurance (Pensions Management) Ltd	51,418,960	4.91%

* Mr Roditi's shareholding is held via a number of different trusts and legal entities.

Political and charitable contributions
The Group made no political contributions during the year. (2009: £nil). Charitable contributions within the UK amounted to £172,768 (2009: £113,235) principally through rental concessions.

Health and safety
We are committed to health and safety best practice as an integral part of our business activities and our drive for high performance. The Group's policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all its employees and to provide such information, training and supervision as they need for this purpose.

Whilst all employees of the Group have a responsibility in relation to health and safety matters, certain staff have been designated 'workplace' responsibilities or other co-ordinating responsibilities throughout the Group, and ultimately, at Board level, the Chief Executive has overall responsibility.

Employment policies
The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them wherever practicable. The Company also has a monthly newsletter and Group intranet, with stories of interest and success around the Group.

The Group aims to create a working environment in which every current or prospective employee is given equal opportunity in selection, development and promotion. A further explanation of the Group's people policies can be found in the 'Our staff 'section of this report on pages 20 to 23 and is designed to facilitate communication by employees with senior management.

Employees are appraised regularly. The appraisal process has been designed to link closely with the business planning process and provides employees with a clear set of business and personal objectives.

All employees are invited to participate in the Company's Savings Related Share Option Scheme (SAYE).

The Group is committed to a policy of Equal Opportunities with regard to its employment practices and procedures. The Group remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective.

A Staff Forum has been established to improve communication and consultation with employees.

The Group operates an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date. Dividends are waived on shares held by the ESOT except for shares held in respect of Invested Awards granted under the Company's Co-Investment Plan where shares are beneficially owned by the participants. Participants who beneficially own Invested Shares may instruct the Trustee of the ESOT to vote on their shares. The Company may make a voting recommendation to the Trustee regarding the remaining shares held in the ESOT.

Purchasing policies and payments
The Group tries, wherever possible, to procure from within its own tenant base providing customers are competitive on price and quality. The Group's policy is that, unless agreed otherwise at the time of the transaction, its own payments to others for goods and services received are made on average within a month of the date of invoice.

During the year to 31 March 2010 the Group's average payment term from the date of invoice was 33 days. The Parent Company has made no trade purchases.

Risk management
The financial risk management objectives and policies of the Company are set out in note 17 to the financial statements and in the Corporate Governance section of this report on pages 42 to 45.

Disclosure of information to Auditors
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware there is no relevant information of which the Group's auditors are unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Adoption of new Articles of Association
As anticipated at the 2009 Annual General Meeting of the Company, it is proposed that the Company adopt new articles of association (the New Articles). The proposed New Articles reflect further changes in company law brought about by the Companies Act 2006, the final parts of which came into effect on 1 October 2009, and the implementation of the Shareholders' Rights Regulations 2009, which came into force on 3 August 2009.

The principal changes contained in the proposed New Articles are summarised in the Notice of Annual General Meeting.

Auditors
The auditors, PricewaterhouseCoopers LLP ('PWC'), have indicated their willingness to continue in office and a resolution that they will be reappointed is included as ordinary business at the Annual General Meeting.

Annual General Meeting
The 24th Annual General Meeting of the Company will be held at Magenta House, 85 Whitechapel Road, London E1 1DU on Tuesday 27 July 2010 at 11.00am. Accompanying this report is the Notice of the Annual General Meeting, which sets out the resolutions to be considered and approved at the meeting.

By order of the Board
Carmelina Carfora
Company Secretary
7 June 2010

The Board confirms that the Company has complied in full with the recommendations of the Combined Code on Corporate Governance issued in June 2008 (the 'Combined Code'). The application of the principles contained in the Combined Code is described below.

A detailed report on Directors' Remuneration can be found on pages 46 to 54.

Directors

The Board

As at 31 March 2010 the Board comprised the Non-Executive Chairman, two Executive Directors and three Independent Non-Executive Directors. The Board is collectively responsible for the performance of the Company. The Board has carefully considered the guidance criteria on independence of Non-Executive Directors under the Combined Code. In the opinion of the Board, all the continuing Non-Executive Directors, namely Bernard Cragg, John Bywater and Rupert Dickinson bring independence of judgement and character to the Board and to the committees on which they sit. They are sufficiently independent of management and are free from any business or other relationships which could interfere with the exercise of their judgement. Their considerable and diverse experience enables them to make a valuable contribution to the Company. The Board has nominated Bernard Cragg to act as the Senior Independent Director, thus providing an alternative contact at Board level, other than the Chairman, to whom shareholder matters can be addressed.

The Board has a formal schedule of matters reserved for its approval. It is responsible for the overall Group strategy, risk management and the review and approval of major investment proposals, significant capital projects and disposals and acquisitions of more than £5m. The Board discusses and agrees strategic plans and reviews budgets, business plans and business performance. The Board has ultimate responsibility for the Group's overall management, its business and its financial strategy. Other day-to-day operational decisions are delegated by the Board to the Executive Committee.

Biographical details of the Directors at the date of this report are set out on pages 38 and 39, together with details of their membership of Board Committees.

Board Committees

The Board has a number of standing committees, namely the Remuneration, Audit and Nominations and a City Committee, to which specific responsibilities have been delegated and for which written terms of reference have been agreed. These terms of reference are available for inspection on the Company's website. Board members receive minutes of meetings of all the Board's committees and can request presentations or reports on areas of concern.

Remuneration Committee

During the year the Remuneration Committee comprised the following Non-Executive Directors; John Bywater (Chairman), Bernard Cragg, Rupert Dickinson and Tony Hales. The Committee meets as required, at least twice a year and is responsible for recommending to the Board the Company's broad policy for executive remuneration, including both short-term and long-term incentive arrangements. The Committee is also responsible for recommending the Chairman's remuneration to the Board in compliance with the Combined Code.

The Chief Executive is, other than in respect of his own position, invited to attend meetings.

Details of the remuneration policy and of the remuneration of each Director are set out in the Remuneration Report.

Audit Committee

The Audit Committee currently comprises the following Non-Executive Directors; Bernard Cragg (Chairman), John Bywater and Rupert Dickinson, all of whom served on the Committee throughout the year and meets at least three times a year and more frequently if required.

Bernard Cragg, the Chairman of the Audit Committee, is a Chartered Accountant and the Board is satisfied that he has the required recent and relevant financial experience. The Audit Committee collectively has the skills and experience required to fully discharge its duties, and it has access to independent advice at the Group's expense.

The Chairman of the Company, the Chief Executive, the Group Finance Director, and other senior finance personnel and, when necessary, operational management together with senior representatives of the external auditors may attend meetings by invitation.

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. The Committee Chairman reports the outcome of meetings to the Board. The Audit Committee meets with the external auditors in the absence of management at least twice each year.

During the year the Committee was responsible for reviewing, and reporting to the Board, on a range of matters including:

- the quarterly, interim and annual financial statements;
- the appropriateness of the Group's accounting policies and practices;
- the valuations of the Group's property portfolio;
- the review of the Company's internal control and risk management systems;
- the external auditor's management letter;
- the Company's compliance with REIT legislation;
- the need and use for an internal audit function;
- an update on fraud risk.

The Audit Committee advises the Board on the appointment of external auditors, their remuneration for audit and non-audit work, and their effectiveness, independence and objectivity and discusses the nature, scope and results of the audit with the external auditors at the half and full year Audit Committees.

The engagement of the Group's auditors on non-audit activities is not specifically excluded. However, such work is usually only awarded following competitive tender and after careful analysis by the Audit Committee to ensure that any such appointment is not, or is not perceived to be, in conflict with auditor independence. The Audit Committee received the level of non-audit fees paid to PwC at the year end Audit Committee meeting and were satisfied that they remained independent.

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Committee. However, the Company does undertake a programme of financial, operational and health and safety audits at its estates. These are carried out by qualified senior Head Office personnel on a rotational basis. The Company's resource on managing areas of risk is also strengthened through the Committee's appointment of external advisors, PKF. PKF assist the Group and particularly the Risk Committee in identifying risks and ensuring that appropriate controls are in place to mitigate and manage those risks. PKF attend meetings of the Risk Committee, and they are regularly invited to attend Audit Committee meetings to report to the Committee on specific areas of risk. They also report directly to the Chairman of the Audit Committee.

Nominations Committee

The Nominations Committee comprises Tony Hales (Chairman) together with the three other Non-Executive Directors.

The Committee meets as required and recommends to the Board candidates for appointment as Executive and Non-Executive Directors of the Company. The Committee periodically assesses what new skills, knowledge and experience are required on the Board and if appropriate, recommends a candidate profile which is then used to brief recruitment consultants appointed by the Committee to undertake a selection process. Initial meetings are held generally by the Chairman and a shortlist of individuals is selected to meet with other Nominations Committee members, the Chief Executive and other Executive Directors. The Nominations Committee then meets and decides which candidate, if any, will be recommended to join the Board.

In the event that the Nominations Committee is considering the Chairman's role, the Senior Independent Director will chair the meeting.

The Board has succession plans in place for both the Board and the Executive Committee. The Nominations Committee continues to review its plans for succession.

City Committee

The City Committee comprises the Chairman, the Chief Executive, the Senior Independent Director and the Finance Director. The City Committee reviews the quarterly, interim and annual reports and associated announcements prior to their review by the Audit Committee and the Board.

The Executive Committee

The Executive Committee consists of the Executive Directors together with the Operations Director and Development Director. It is chaired by the Chief Executive. The Committee supports the Chief Executive in managing the day-to-day activities of the Group and addressing Group-wide issues and initiatives. The Executive Committee is responsible for reviewing and approving capital expenditure; disposals and acquisitions at certain levels as determined by the Board; the monitoring of the operating and financial results against plans and budgets; and to ensure the effectiveness of risk management and control procedures.

The Company also operates a Development Board and an Operations Board which comprise various members of the Executive Committee and the senior management team. These Boards, each of which has written terms of reference, report to the Executive Committee on a regular basis. The terms of reference are available on the Company's website.

The responsibilities of the Executive Committee members include:

Harry Platt, Chief Executive
Strategic management; investor relations; health & safety; staff; equal opportunities; remuneration and training and development.

Graham Clemett, Finance Director
Finance; treasury; company secretarial; investor relations; and the Group's IT strategy.

Chris Pieroni, Operations Director
Portfolio performance; asset management; lettings and marketing.

Angus Boag, Development Director
Intensification and refurbishment of assets across the portfolio; acquisitions and disposals; lead on social environmental and ethical issues.

Chairman, Chief Executive and Senior Independent Director

The roles and responsibilities of the Chairman, Tony Hales, and the Chief Executive, Harry Platt, are separate and clearly defined.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and that it operates effectively in the interests of shareholders. The Chairman is not involved in an executive capacity in any of the Group's activities. The Chairman facilitates the effective contribution of the Non-Executive Directors, and ensures Directors receive accurate, timely and clear information. He is also responsible for effective communication between the Board and shareholders.

The Chief Executive has direct charge of the Company on a day-to-day basis and is responsible for the delivery of the strategic and financial objectives of the Group.

Bernard Cragg, as the Senior Independent Director, is responsible for chairing the meeting of the Non-Executive Directors for the purpose of evaluating the Chairman's performance and to provide an alternative communication channel for shareholders if required.

Board Attendance

The attendance of Directors at Board and principal Committee meetings during the year, together with the maximum number of routine meetings in the year, was as follows:

	Scheduled Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominations Committee Meetings
Number of meetings held during the year	(9)	(4)	(6)	(2)
Chairman				
Tony Hales[2]	9	n/a	5	2
Executive Directors				
Harry Platt	9	n/a	n/a	n/a
Graham Clemett	9	n/a	n/a	n/a
Patrick Marples[1]	1	n/a	n/a	n/a
Non-Executive Directors				
Bernard Cragg	9	4	6	2
John Bywater	8	3	6	2
Rupert Dickinson	8	3	4	2

Notes:
1. Mr Marples ceased to be a Director on 22 May 2009.
2. Mr Hales was appointed to the Remuneration Committee on 29 April 2009.

The Board also held an annual strategy meeting at which it considered the future strategy. In addition other ad hoc meetings of the Board were held during the year as required to deal with various matters requiring Board consideration.

Professional development

The Board has a written framework for the induction of new Directors. In addition, Directors are encouraged to update their skills, knowledge and familiarity with the Group by attending external seminars and briefings, through participation at meetings and through visits to estates, meetings with senior management and advisers. The Directors are regularly updated on new legislation, including training during the year on new provisions introduced by the Companies Act 2006.

Directors are given access to independent professional advice at the Group's expense, if they deem it necessary, in order for them to carry out their responsibilities. This is in addition to the access that every Director has to the Company Secretary. The Company has continued to secure appropriate insurance cover for its Directors and its Officers.

Performance evaluation

During the year the Chairman has held meetings with the Non-Executive Directors, without the Executive Directors present. In addition, the Board has carried out a formal evaluation of its own performance as the effectiveness of the Board and its Committees is vital to the success of the Company. These performance reviews are conducted internally by the Chairman of the Board and Chairmen of the respective committees using detailed questionnaires and one-to-one interviews. The responses to the self-assessment questionnaires are reviewed by the Board and each of the committees, taking follow-up actions where considered necessary. The review includes the assessment of individual Directors' performance, which in the case of the Executive Directors is undertaken as part of the wider performance appraisal process applied to staff across the Company. The evaluation undertaken during the year, although identifying areas for review, concluded that the Board and its committees were operating effectively.

During the year, the Non-Executive Directors, led by Bernard Cragg in his capacity as the Senior Independent Director, met to review the performance of the Chairman, taking into account the views of the Executive Directors. Following the review, Bernard Cragg met with the Chairman to discuss his performance.

Re-election of Directors and New Appointment

The Articles of Association of the Company require that Directors should submit themselves for election at the first opportunity after their appointment and thereafter for re-election at least every three years.

Mr Dickinson wishes to retire at the forthcoming Annual General Meeting and will not be seeking re-election.

Mr Clemett retires by rotation at the Annual General Meeting and, being eligible, offers himself up for re-election.

Mr Clemett has a service contract with the Company that is terminable by either the Company or he giving not less than 12 months' notice in writing.

Mr Jamie Hopkins was appointed as a Non-Executive Director with effect from 7 June 2010. Mr Hopkins therefore stands for election at the forthcoming Annual General Meeting. He is currently a Director of Chester Properties and was previously Chief Executive and a Non-Executive Director of Mapeley PLC.

Mr Hopkins appointment may be terminated by either the Company or by Mr Hopkins giving three months notice in writing.

Mr Hopkins has been invited to join the Remuneration, Audit and Nominations Committees.

Accountability and Audit

In its financial reporting to shareholders and other interested parties, by means of Annual and Half-Yearly Financial Reports, Interim Management Statements and other periodic statements, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.

Internal Control and Risk Management

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board has reviewed the Group's system of controls including financial, operational, compliance and risk management on a regular basis throughout the year. However any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

The Group has established a risk management framework and procedures necessary to enable the Directors to report on internal controls in compliance with the Code. The risk management procedures involve the analysis, evaluation and management of the key risks to the Group.

The other key elements of the Group's system of internal control include:

- a comprehensive system of financial reporting;
- an organisational and management Board structure with clearly defined levels of authority and division of responsibilities;
- a Risk Committee, which during the year comprised the Finance Director, the Operations Director, the Development Director and representatives from senior management. The Risk Committee meets on a regular basis and formally reports to the Audit Committee twice a year.

  The Risk Committee reviews and identifies risks facing the Group and ensures that appropriate controls are in place to review each issue raised. Each identified risk is assigned a 'Risk Owner' and 'Risk Controller' who participate in a self-certification exercise by which they certify the effectiveness of the preventative, detective and responsive controls. In order to ensure that the procedure is robust, PKF were appointed to carry out a random sample of checks on the operation of controls that had been certified by the Risk Controller as operating effectively.

The Group has continued to develop its risk management and has reappraised its risks in the light of the changes in the external environment during the last year.

PKF are appointed by the Risk Committee to undertake specific projects to review particular areas of the business. During the year they carried out a review of the Group's treasury procedures; and

- a programme of site audit visits, covering a third of the sites each year. Although the Group does not have a dedicated internal audit function an operational, finance and health and safety audit are carried out at the estates by qualified Head Office personnel. The results of the audits are reported to and reviewed by the Risk and Audit Committees and appropriate action taken as required.

The Group has 'whistle blowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice.

The Group continues to strengthen its risk management processes to ensure these are embedded as part of the Group's culture. The Turnbull Guidance sets out best practice on internal control to assist companies in applying the Codes principles with regards to internal control. The Board, with advice from the Audit Committee has completed its review of the effectiveness of internal control since 1 April 2009 with no significant failings or weaknesses identified.

Further information on the Group's risks procedure is detailed on page 29.

Relations with shareholders

Executive Directors have frequent discussions with institutional shareholders on a range of issues throughout the year affecting the Group's performance, which include meetings following the announcements of the annual and interim results. Meetings are also held with analysts and the financial press. It is also the Company's practice, following the preliminary results that these meetings are followed up by a telephone conversation between the Chairman and the relevant shareholders. The Company's stockbrokers also discuss the outcome of meetings with shareholders and report their findings to the Board. The Board believes that this provides a better form of governance than attendance at meetings by Non-Executive Directors. Other ad hoc meetings, presentations and site visits are arranged for shareholders throughout the year.

The Company's Annual General Meeting is used as an opportunity to communicate with private investors. Shareholders attending the Annual General Meeting are invited to ask questions and to meet with the Directors informally after the meeting.

Compliance with the Combined Code

During the year ended 31 March 2010, the Directors consider that the Company complied with the provisions set out in section 1 of the Combined Code.

The Board is committed to maintaining a high standard of corporate governance within the Group. The Board believes that good governance is assisted by transparent detailed reporting and that strong and sustainable long-term economic performance is aided by compliance with best practice in corporate social responsibility. The Group publishes a range of material both on its website and in hard copy, for details see the inside back cover. This information is complementary to this statement of compliance with the Combined Code, which the Group is required to publish.

By order of the Board
Carmelina Carfora
Company Secretary
7 June 2010

This report has been prepared by the Remuneration Committee (the 'Committee') and has been approved by the Board. It complies with the Combined Code 2008 on Corporate Governance (the 'Combined Code') and with the UKLA Listing Rules and relevant requirements of Schedule 992 to the Companies Act 2006.

The Committee is sensitive to the need to set Directors' remuneration having regard to pay and conditions in the Group as a whole and is satisfied that the approach taken by the Company is fair and reasonable in light of current market practice and in the best interests of shareholders.

The following report of the Committee provides an explanation of the Committee's work and of the remuneration arrangements for Directors. It is divided into the following sections:

- Overview of Executives' remuneration;
- Role of the committee and membership;
- Principles of executive remuneration policy;
- Remuneration components for Executives;
- Service Agreements;
- Remuneration Policy for Non-Executive Directors;
- Supplementary Information on Directors' Remuneration;
- Wider Group Remuneration Policy.

Role and Membership of the Remuneration Committee

The Committee is responsible for determining policy on remuneration for the Executives and certain senior managers. The Committee is also responsible for reviewing the Chairman's

Overview of the Executives Remuneration Structure for year ended 31 March 2010

Element	Purpose	Delivery	Summary details
Base Salary	To reflect market value of the role, an individuals performance and contribution.	Payable in cash. Pensionable.	Reviewed annually, with any increases normally effective from 1 April. There have been no salary increases since April 2008.
Performance Related Bonus	To encourage and reward the achievement of Group financial and corporate targets and strategic business objectives.	The maximum annual cash bonus that could be earned by Executive Committee members is 120% of salary. Non-pensionable.	The performance targets are aligned to four distinct elements: Trading profit before tax (50%); Capital return from the portfolio versus a defined comparator index compiled by IPD (30%); Customer satisfaction which is based on survey results (10%) and achievement of personal objectives which may be adjusted by a factor in the range of 0.67 to 1.33.
	Part of the bonus may be deferred into Company shares.	The Remuneration Committee retains the flexibility to vary the mix of cash and deferred shares from year to year.	Deferred shares will vest after two years from date of award subject to the individual having continuous employment with the Company.
Long-Term Equity Incentive Plan ('LTIP')	To align the interests of participants with those of shareholders and incentivise and reward long-term sectoral outperformance.	Annual award of nominal priced options which vest after three years, subject to performance conditions. Non-pensionable.	Discretionary award whereby executives receive (i) annual awards of performance shares of up to 100% of salary (200% in exceptional circumstances) and (ii) matching share awards of up to 2 for 1 on investments of up to 50% of net salary. Vesting of awards is subject to satisfaction of challenging targets relating to growth in Net Asset Value (1/3 of awards) and Total Shareholder Return (2/3 of awards).
Other Benefits	To provide market competitive benefits.	Benefits in kind or cash allowance.	Benefits include a car allowance, private health insurance, death in service cover and a pension contribution. Executives may also join the SAYE Scheme.

fees. When determining actual remuneration for the Executives, it takes into account a range of factors, including remuneration policy, incentive arrangements and percentage increases awarded across the Group.

The Committee's terms of reference are available in the Investor section of the Company's website www.workspacegroup.co.uk.

In the reporting year the Committee consisted of the following Non-Executive Directors:

- John Bywater (Chairman)
- Bernard Cragg
- Rupert Dickinson
- Tony Hales

The Committee met six times during the year. Attendance by individual Committee members at meetings is detailed in the Corporate Governance Report on page 43.

The Company Secretary attends each meeting as Secretary to the Committee.

At the invitation of the Chairman, the Chief Executive and Finance Director have attended parts of meetings to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers.

The Company Chairman and Chief Executive are excluded from discussions regarding their own remuneration.

Advisers

For the year under review, the independent advisers engaged by and reporting to the Committee were Kepler Associates and PricewaterhouseCoopers LLP. Kepler Associates provided advice on executive remuneration matters and aspects associated with the LTIP. PricewaterhouseCoopers provided taxation advice related to the LTIP.

		Harry Platt		Graham Clemett	
Normally received or awarded	**Alignment with strategy**	**2010**	**2009**	**2010**	**2009**
Paid on a four-weekly basis throughout the year.	Salaries are set below median. Provides a sound basis on which to attract and retain executives of a high calibre.	£330.8k	£330.8k	£217.3k	£217.3k
Normally paid in June following the reporting financial year end.	Provides a direct link between operational performance and reward.	£165.3k[2]	£35.5k[1]	£156.4k[2]	£26.5k[1]
	Ensures that directors and shareholders interests are closely aligned.	40% in deferred shares	100% in deferred shares	40% in deferred shares	100% in deferred shares
Normally awarded in June following the reporting financial year end.	NAV return and TSR measured against an industry specific comparator group rewards sectoral outperformance. Growth in absolute TSR provides alignment with shareholders' interests. Performance criteria aligned with the strategy.	Performance Award 90% Matching Award 90%	 100% 100%	Performance Award 90% Matching Award 90%	 125% 100%
Received during the year.	Provides a sound basis on which to attract and retain executives of a high calibre.	£77.6k	£77.6k	£52.9k	£52.9k

Notes:
1. For the financial year ended 31 March 2009, the Remuneration Committee decided to pay the entire performance bonus for Messrs Platt and Clemett in the form of deferred shares due to the general economic conditions. The deferred shares will be transferred to them subject to their continuing employment with the Company for a period of two years from the date of grant.
2. For the financial year ended 31 March 2010, the Remuneration Committee decided to pay 40% of the bonus in the form of deferred shares, which will vest after two years from date of award subject to the individual having continuous employment with the Company for a period of two years from the date of grant.

Principles of our Executive Remuneration Policy

It is intended that the remuneration policy framework as set out below, which has applied throughout the reporting year, will continue to apply for FY 2011. Consequently, our remuneration policy remains focused on the following key elements described in detail below:

Attract, motivate and retain talent	Remuneration packages are designed to attract, retain and motivate Executive Directors of the highest calibre who have the experience, skills and talents to manage and develop the business successfully.
Performance linked	A significant part of the Executive Directors' remuneration is variable and is determined by the Group's success. Below-median basic salaries plus above-median incentives provide opportunity for competitive performance-linked total reward for superior performance.
Shareholders' Interests	The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between performance-related and non-performance-related pay. A considerable part of the reward package is linked to share price performance, is delivered in shares that have to be retained until minimum shareholding requirements have been met and requires executives to invest their own funds in Company shares. Executives are encouraged to build up a shareholding equal to at least one times basic salary.

The chart below shows the 2010 pay mix for Executives on a fair-value basis. The fair value of performance shares and matching shares incorporates an estimate of the probability that the performance conditions are achieved, takes into account that dividends are accrued and includes a discount for the risk of forfeiture.

Pay mix (as % of total remuneration)	Average for the Executive Directors
Fixed remuneration (basic salary and pension)	46%
Bonus	24%
Performance and Matching Shares	30%
Total	100%

Remuneration Components for Executives

Base Salary

The Committee reviews executive salaries annually with any changes normally taking effect from 1 April. Individual pay levels are determined by reference to the external economic environment, individual performance, experience and rates of salary for similar jobs in companies of a similar sector and size. Consideration is also given to salary increases across the Company.

The annual salaries of the executives were reviewed on 1 April 2010. Taking into consideration the current economic environment and the fact that the majority of employees received no increase in basic salary during the year, the Committee considered it appropriate that no increase in salary be made to the executive salaries. Salaries were last increased in April 2008. The next salary review date for executives will be 1 April 2011.

Annual Bonus Scheme

Policy and award levels

The Group operates an annual bonus scheme which provides for a capped variable (performance related) bonus. During the year the maximum bonus potential for the executive was set at 120% of basic annual salary.

Bonus for the year ended 31 March 2010

The targets applicable for the year ended 31 March 2010 and the performance against them are detailed below:

Bonus Target	Maximum bonus potential expressed as a percentage of annual basic salary	Percentage of bonus earned	
		Harry Platt[1]	Graham Clemett
Trading profit before tax	50%	27.5%	50%
Capital return from the portfolio versus a defined comparator index compiled by IPD	30%	Nil	Nil
Customer satisfaction (based on survey results)	10%	10%	10%
Personal objectives	Corporate performance bonus may be adjusted by a factor in the range of 0.67 to 1.33 (with factors greater than 1.1 reflecting superior performance)	1.33	1.2
Maximum bonus potential	120%	50%	72%

Note:
1. The Chief Executive has agreed with the Remuneration Committee to adjust down his trading profit before tax bonus.

The Committee retains the flexibility to defer a proportion of the bonus into Company shares, which vest after two years, subject to continued employment. 40% of the bonus for the financial year ended 31 March 2010 will be paid in the form of deferred shares.

Long-Term Equity Incentive Plan ('LTIP')

The Plan provides for annual awards of performance shares of up to 100% of salary (200% in exceptional circumstances) and matching share awards of up to 2 for 1 on investments in Workspace of up to 50% of (net) salary. The maximum matching share award that may be granted to the Executive Directors is 100% of their annual basic salary, subject to the Director using his own funds to purchase invested shares, up to the maximum of 50% of net annual basic salary. The Company then awards matching shares in respect of an amount equivalent to two times the grossed up (for income tax and national insurance) amount invested by the participant in Invested Shares. Vesting of performance shares and matching shares is based on 1/3, 1/3, 1/3 on three-year relative NAV, relative TSR and absolute TSR.

LTIP Award 2009

Following its review and consultation with the Company's major shareholders and corporate governance bodies including the ABI and RREV, the Committee decided to set a performance zone of 25p to 30p for the Company's share price at 31 March 2012 (with three-month averaging) plus dividends from 1 April 2009 to aid transparency and simplicity, replacing the previous absolute TSR of 8% p.a. to 15% p.a. From 8 June 2009 closing price of 15p this would represent a total shareholder return of 66% to 100% over three years.

The Company offered participants the opportunity to restructure their 2009 LTIP awards so that they acquired shares jointly held with the Company's Employee Share Ownership Trust ('ESOT'). With the effect that the growth in value of the shares creates a capital gain (taxed currently at 18%, with no national insurance). Individuals were required to pay a small income tax and NI charge as part of their upfront acquisition. If the awards vest, the participants keep their part-interest in the shares and the ESOT also transfers its part-interest to the participant at that stage, so that they receive the full value of the shares as intended under the terms of the Plan. This restructuring generates ongoing savings for the Company.

For the 2009 awards Messrs Platt and Clemett accepted the joint ownership awards as part of their total awards, each taking half of their awards as joint ownership awards, with the remainder in the original conditional shares structure.

LTIP Award 2010

The Committee has reviewed the performance conditions applicable to the 2009 awards and believes that these generally remain appropriate for the 2010 awards. This review reaffirmed that a TSR outperformance of +7.5% per annum of the current comparator group remains approximately equivalent to upper quartile. The Committee determined to raise the default absolute TSR performance zone approved by shareholders in 2008 (of 8% p.a. to 15% p.a.). For 2010 awards the absolute TSR performance zone will be 11% p.a. to 20% p.a. over the period to 31 March 2013 (with three months averaging).

The Committee is also considering introducing a relative TSR underpin to the absolute TSR element. Further details will be made in next year's remuneration report.

The Committee intends to make the following awards to Executive Directors following the release of the Company's preliminary results announcement on 7 June 2010. The Committee believe these proposals are strongly in shareholders' interests as they will assist the Company in continuing to motivate and retain the talent it needs.

Director	Performance award	Maximum potential Matching Award*
Chief Executive	90%	90%
Finance Director	90%	90%

* The maximum Matching Award to be made to the Executive Directors will be in respect of 90% of their annual basic salary. However, the Director must use his own funds to purchase invested shares, up to a maximum of 45% of net annual basic salary. The Company will then award Matching Shares in respect of an amount equivalent to two times the grossed up (for income tax and national insurance) amount invested by the participant in Invested Shares.

Awards made under the Long-Term Equity Incentive Plan are subject to the performance conditions detailed in the table below. Essentially, there are three parts to each Performance and Matching Award, each part being assessed over the same period.

In addition for any shares to vest on TSR, the Committee must additionally satisfy itself that the recorded TSR is a genuine reflection of the underlying business performance of Workspace.

The TSR and NAV performance conditions have been selected to ensure a balanced portfolio of measures which are well aligned with shareholder interests. The Committee believes a blend of relative and absolute performance is appropriate and captures perspectives which are important and are well aligned with shareholder interests.

Participation in the plan extends to members of the Executive Committee and the Group's senior managers. During the year awards were made over a total of 17,900,696 ordinary shares in the Company. The maximum value of annual awards of performance shares could be up to 100% of salary (200% in exceptional circumstances) and matching shares of up to a maximum value of 100% of salary if the participant invests 50% of net salary in ordinary shares.

Full details of the awards made to the Executive Directors under the Plan are shown on page 52.

Co-Investment Plan

This plan, approved in March 2004, was directed at increasing the Directors' direct share ownership in the Company, incentivising them on a medium-term basis in relation to total shareholder return (TSR) and aligning shareholder and Directors' interests. Under the plan up to 100% of the net annual bonus awarded to Directors may be invested in the Company's shares. The Company then purchased, in the market, shares equivalent to the value of the pre-tax amount of the invested bonus (the Matching Award). These shares are held over a subsequent three-year qualification period. During this time the participant must retain all of the shares in the Invested Award.

In order for the shares in the Invested Award to vest, the Company must satisfy the performance condition linked to the Company's TSR performance against the FTSE 350 Real Estate Index, its comparator group, during the three-year performance period.

For full vesting of the Matching Award the performance of the Company needs to be above that of the Company at the bottom of the top quartile. For partial vesting of the matching award the Company's performance needs to be at or above the 40th percentile of the ranking. Awards made in 2006 did not satisfy the performance conditions, in full or in part, and the awards lapsed.

	One-third		One-third		One-third	
Performance condition:	Growth in Net Asset Value relative to companies in the FTSE 350 real estate index		TSR (share price growth plus re-invested dividends) relative to companies in the FTSE 350 real estate index		Absolute TSR*	
Level of performance	Company's rank	% of award vesting	Company's performance	% of award vesting	Company's performance	% of award vesting
Awards made in June 2008						
Threshold	51st percentile	20%	Median	20%	8% p.a.	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	15% p.a.	100%
Awards made in June 2009						
Threshold	51st percentile	20%	Median	20%	25 pence	20%
Maximum	75th percentile	100%	Median + 7.5% p.a.	100%	30 pence	100%

* There will be a pro-rata vesting of awards between the 'threshold' and 'maximum' performance levels.

Details of outstanding awards made to the Executive Directors under the Co-Investment Plan are shown on page 53. No awards were made during the year under the Co-Investment Plan and no further awards will be made.

Executive Share Options

Details of outstanding grants made to the Executive Directors under the Executive Share Option Scheme and the performance targets that have to be satisfied for the options to become exercisable are shown on pages 52 and 53. No grants of options were made during the year under the Executive Share Option Scheme and no further grants will be made.

Savings Related Share Option Scheme

Executive Directors can participate in the Savings Related Share Option Scheme. Performance conditions have not been imposed, as they are not permissible under UK HM Revenue and Customs rules for this type of scheme.

Other Benefits

All Executive Directors are provided with a Company mobile phone, a car allowance, private health insurance, death in service cover and an employer's contribution equal to 16.5% of basic salary to a defined contribution (money purchase) scheme.

Service Agreements of Executive Directors

All current Executive Directors have service agreements that are on a 12-month rolling basis. These agreements provide for 12 months' notice by the Company and by the Executive Directors.

Termination payments are limited to the Directors' normal compensation, including basic salary, annual incentives and benefits for the unexpired portion of the notice period subject to performance and Committee discretion. The Committee will aim to minimise the level of payments to that Director, however, having regard to all circumstances, including the Company's contractual obligations to the Director, the reason for the departure, and the Company's policy to apply mitigation in the case of severance.

The Company entered into a service agreement with Graham Clemett on 31 July 2007 and an updated service agreement was entered into with Mr Platt on 25 May 2010. In the event of termination of either Director, the Company reserves the right to make phased payments which are paid in monthly instalments and subject to mitigation.

The Chairman and Non-Executive Directors

Letters of appointment are provided to the Chairman and Non-Executive Directors. Dates of the Non-Executive Directors' letters of appointment and the unexpired period of their appointments (where appropriate after extension by re-election) are set out below:

Fees for Non-Executive Directors are reviewed annually and determined by the Board in the light of market practice and surveys by Kepler Associates and with reference to the time commitment and responsibilities associated with the roles. Generally, the time commitment of the Chairman is expected to be 50 days a year and for other non-executives approximately 15 to 20 days a year. Non-Executive Directors do not participate in decisions about their own remuneration.

The current fees were reviewed, but not increased, in April 2010 and are currently an annual base fee of £40,000 with additional annual fees of £5,000 for the role of Chairman of the Audit or Remuneration Committees. Non-Executive Directors receive no other pay or benefits (other than the reimbursement of expenses incurred in respect of their duties as Directors of the Company). The Chairman's annual fee, which has not been subject to any increase since November 2005, is £100,000.

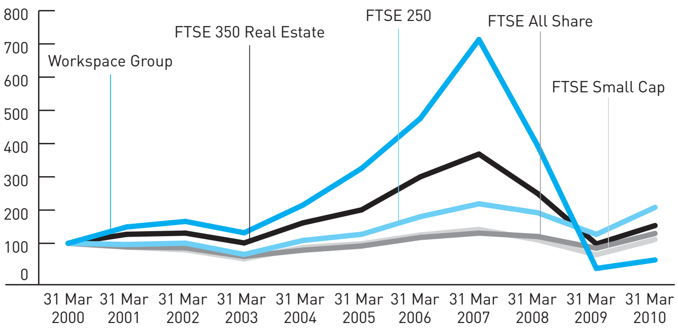
External Appointments

Executive Directors are permitted to take up one non-executive position on the boards of other companies, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. No such fees were paid during the financial year.

Performance Review

The following graph compares the total shareholder return performance (TSR) of the Group with benchmark indices. Given the differing benchmarks used for such performance measurement your Board has decided to undertake this comparison against all of the FTSE 250, FTSE Allshare, FTSE Smallcap and FTSE 350 Real Estate indices.

Total relative shareholder return (TSR) index



Name	Date of letter	Unexpired term as at June 2010	Date of appointment/ last reappointment at AGM	Notice period
A J Hales	December 2008	18 months	2009	12 months
B Cragg	June 2009	24 months	2008	6 months
J Bywater	August 2007	2 months	2009	6 months
R Dickinson	June 2009	0 months	2007	6 months

Directors' Emoluments (Audited)

	Fees 2010 £000	Base salary 2010 £000	Performance bonus 2010 £000	Other benefits 2010 £000	Compensation paid for loss of office £000	**Total emoluments 2010 £000**	**Pension scheme contributions 2010 £000**	Total emoluments 2009 £000	Pension scheme contributions 2009 £000
Executive Directors									
H Platt (Chief Executive)	–	330.8	165.3[3]	23.0	–	**519.1**	**54.6**	389.3	54.6
G Clemett (Finance Director)	–	217.3	156.4[3]	17.0	–	**390.7**	**35.9**	260.8	35.9
	–	548.1	321.7	40.0	–	**909.8**	**90.5**	650.1	90.5
Director who resigned during the year: JP Marples[1]		35.8	40.5	9.1	349.5	**434.9**	**5.9**	266.2	35.5
Non-Executive Directors									
A J Hales (Chairman)	100.0	–	–	–	–	**100**	**–**	100.0	–
B Cragg[2]	45.0	–	–	–	–	**45**	**–**	45.0	–
J Bywater[2]	45.0	–	–	–	–	**45**	**–**	45.0	–
R Dickinson	40.0	–	–	–	–	**40**	**–**	40.0	–
	230.0	–	–	–	–	**230**	**–**	230.0	–
	230.0	583.9	362.2	49.1	349.5	**1,574.7**	**96.4**	1,146.3	126.0

Notes:
1. Mr Marples resigned as a Director of the Company on 22 May 2009. £35,800 is the salary paid to Mr Marples from 1 April 2009 until 22 May 2009, the date he ceased to be a Director. Following the termination of his employment by the Company on 21 May 2009 a Compromise Agreement (**'the Compromise Agreement'**) was entered into between Mr Marples and the Company on 15 June 2009. The compensation arrangements agreed with Mr Marples took into account the reason for his departure and reflected the value of his salary, annual incentives and benefits during the unexpired portion of his notice period and of any statutory claims. They also embodied appropriate provisions in respect of mitigation. The financial terms were a payment of £40,487 (less statutory deductions) in settlement of all outstanding claims in respect of bonus for the period up to the Termination Date; the sum of £72,500, paid without admission of liability, but in settlement of all statutory claims of whatsoever nature arising from the termination of employment and the sum of £276,965 (less statutory deductions) in settlement of all contractual and other claims. Subject to compliance with the terms of the Compromise Agreement, a further amount may be due in relation to his bonus.
2. Messrs Cragg and Bywater received a fee of £5,000 for acting as chairman of the Audit and Remuneration Committee respectively.
3. 40% of the performance bonus will be in the form of deferred shares.

Directors' interests in shares

The beneficial interests of the Directors in the shares of the Company are set out below:

Director	**31 March 2010**	31 March 2009
AJ Hales	**7,135,263**	3,200,000
H Platt	**3,846,478**	3,098,847
G Clemett	**652,864**	389,706
J Bywater	**30,463**	25,200
B Cragg	**646,316**	120,000
R Dickinson	**73,200**	73,200
JP Marples[1]	**77,550**	623,900

Note:
1. Interest in shares for Mr Marples is at the date of his resignation on 22 May 2009.

Directors' interests in Incentive Plans and Share Options are disclosed on pages 52 to 54.

There have been no changes in the interests in the period between 31 March 2010 and 7 June 2010.

Supplementary Information on Directors' Remuneration

Long-Term Equity Incentive Plan 2008 (Audited)

Details of current awards outstanding to the Executive Directors are as follows:

	Date awarded	Interests in shares as at 1 April 2009 (post Rights-Issue adjustment) Performance	Invested	Matching	Lapsed during the year Performance	Matching	Interests in shares as at 31 March 2010 Performance	Matching	Invested
H Platt	13/06/2008	535,454	57,502	259,392	–	–	535,454	57,502	259,392
	12/06/2009	–	–	–	–	–	2,067,188	609,819	2,067,183
G Clemett	13/06/2008	351,789	37,778	170,418	–	–	351,789	37,778	170,418
	12/06/2009	–	–	–	–	–	1,697,656	400,644	1,358,115

Notes:
1. Awards will vest subject to the satisfaction of performance conditions detailed on page 49 above over the three-year performance period.
2. Performance Awards were made to the Executive Directors:
   In June 2008 in respect of 200% of their annual salary based on a share price at date of award of £1.644.
   In June 2009 in respect of 100% and 125% of annual salary for Harry Platt and Graham Clemett respectively based on a share price at date of award of 16 pence.
3. The Executive Directors invested an amount equal to 50% of their net annual basic salary to purchase Invested Shares in June 2008.
   Any shares purchased by the Executive Directors during and since the Rights Issue were allowed to count towards investments for the Invested Shares subject to the normal cap on individual participation of 50% of net salary. The reference share price for determining this cap was 16 pence being the average share price for the three days preceding the date of grant of Matching Awards.
4. Matching Awards were granted to participants who purchased Invested Shares or who used shares acquired during and since the Rights Issue as Invested Shares. The number of shares comprised in a matching award for Harry Platt and Graham Clemett, who pledged the maximum number of shares as Invested Shares, was calculated by dividing the participant's gross salary by 16 pence.
5. Participants are entitled to dividends payable on the Invested Shares, which are held in Trust. They may also instruct the Trustee how they wish to vote on their shares. The Invested Shares which are beneficially owned by participants are included in the table detailing Ordinary Shares held by Directors on page 51 of this Report.
6. 2009 awards were initially granted as conditional award of shares. On 8 December 2009 the Executive Directors elected to convert part of the awards into a combination of interest in shares beneficially held, and linked options over the same total value.

Share Options (Audited)

Outstanding Options for the Directors of the Company as at 31 March 2010, granted pursuant to the Company's 2000 Share Option Scheme:

Director	At 01/04/2009	Granted during the year	Lapsed during the year	At 31/03/2010	Exercise price[4]	Normal exercise date From	To	Exercise terms (see table following)
H Platt	232,879[1]	–	–	232,879	£0.8202	24.07.2004	24.07.2011	B
	545,603[1]	–	–	545,603	£0.8939	29.07.2005	29.07.2012	C
	363,282[1]	–	–	363,282	£0.8510	30.06.2006	30.06.2013	D
	183,642[1]	–	–	183,642	£1.3583	30.06.2007	30.06.2014	D
	109,287[2]	–	–	109,287	£1.8373	17.06.2008	17.06.2015	F
	115,641	–	(115,641)[6]	–	£2.5925	19.06.2009	19.06.2016	F
	95,946	–	–	95,946	£3.2824	15.06.2010	15.06.2017	F
	17,752[3]	–	(17,752)	–	£0.9168	01.09.2011	01.03.2012	E
		76,260[3]	–	76,260	£0.1190	01.09.2012	01.03.2013	E
G Clemett	146,913	–	–	146,913	£3.0378	25.06.2010	25.06.2017	F
	17,752[3]	–	(17,752)	–	£0.9168	01.09.2011	01.03.2012	E
		76,260[3]	–	76,260	£0.1190	01.09.2012	01.03.2013	E
Total[5]	**1,828,697**	**152,520**	**(151,145)**	**1,830,072**				

Notes:
1. Options which have fully satisfied their performance criteria and vested.
2. Options granted in 2005 did not satisfy the performance condition in full and 25% of options lapsed.
3. Options obtained under the Rules of the Group's SAYE Scheme. All other options have been granted under the Rules of the Company's Executive Share Option Schemes.
4. The exercise price has been adjusted for the effect of the rights issue.
5. The exercise price of all options that are currently exercisable is greater than the mid-market closing share price of Workspace ordinary shares on 31 March 2010 and no profit would therefore arise upon exercise of any of these options.
6. The options granted in 2006 did not satisfy the performance condition in full and lapsed.

Details of the basis of grant and the performance tests for exercise of options are:

Basis of grant	Terms for exercise
A. 2 times total earnings	1 times earnings at EPS growth of RPI plus 3% p.a. compound plus 1 times earnings at EPS growth of RPI plus 8% p.a. compound (pro rata)
B. 1 times total earnings	EPS growth of RPI plus 3% p.a. compound
C. 2 times total earnings	1 times earnings at EPS growth of RPI plus 5% p.a. compound plus 1 times earnings at EPS growth of RPI plus 12% p.a. compound (pro rata)
D. 1 times salary	EPS growth of RPI plus 5% p.a. compound
E. Per Inland Revenue Rules	SAYE options with no terms for exercise
F. 2 times salary for Mr Clemett 1 times salary for Messrs Platt and Marples	NAV growth over three years in top quartile of listed real estate companies with market cap exceeding £300m.

Where the performance test is not fulfilled or is only partly achieved, no retesting in future periods is allowed.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 7 June 2010.

Co-Investment Plan (Audited)

Details of outstanding awards to the current Executive Directors under the Co-Investment Plan are shown below:

	Date awarded	Interests in shares as at 1 April 2009 (post Rights-Issue) Invested	Matching	Market value of of shares at date of award	Matching Shares lapsed during the year	Interests in Shares as at 31 March 2010[4] Invested	Matching	Vesting dates of outstanding Matching Shares
H Platt[1,2]								
	13/06/2006	32,606	73,453	£3.450	73,453	–	–	13/06/2009
	12/06/2007	11,826	26,673	£4.013	–	11,826	26,673	12/06/2010
G Clemett[1]	26/06/2007	22,173	50,012	£4.045	–	22,173	50,012	26/06/2010

Notes:
1. Participants are entitled to dividends payable on the Invested Shares, which are held in Trust. They may also instruct the Trustee how they wish to vote on their shares. The Invested Shares which are beneficially owned by participants are included in the table detailing Ordinary Shares held by Directors on page 51 of this Report.
2. The Matching Award made on 13 June 2006 did not meet the performance conditions and therefore lapsed in full. The Invested Shares are beneficially owned by the participants.
3. No Awards were made during the year.
4. Awards made on 12 June 2007 will vest on 12 June 2010 subject to satisfaction of the performance conditions.

Details of Options granted to Mr Marples (Audited)

As reported in last year's Report and Accounts Mr Marples resigned as a Director on 22 May 2009.

This section of the Remuneration Report explains the arrangements made with regard to his entitlement to shares under the Company's share plans in accordance with the Rules of the Relevant plan.

a) Long Term Equity Incentive Plan ('LTIP') (Audited)

Date Awarded	Interests in Shares as at 1 April 2009 (post Rights-Issue adjustment) Performance	Invested	Matching	Lapsed during the year Performance	Matching	Interests in Shares as at 22 May 2009 Performance	Matching	Invested
13/06/2008	348,470	37,422	168,812	–	–	348,470	168,812	37,422

b) Executive Share Options (Audited)

Outstanding Options for Mr Marples as at the date of his resignation, granted pursuant to the Company's 2000 Share Option Scheme:

	At 01/04/09	Granted during the year	Lapsed during the year	At 22/05/09	Exercise price[1]	Normal exercise date From	To	Exercise terms*
	179,650	–	–	179,650	£0.6932	09.08.2003	09.08.2010	A
	172,996	–	–	172,996	£0.8202	24.07.2004	24.07.2011	B
	412,529	–	–	412,529	£0.8939	29.07.2005	29.07.2012	C
	272,802	–	–	272,802	£0.8510	30.06.2006	30.06.2013	D
	128,416	–	–	128,416	£1.3583	30.06.2007	30.06.2014	D
	76,352	–	–	76,352	£1.8373	17.06.2008	17.06.2015	F
	75,187	–	–	75,187	£2.5925	19.06.2009	19.06.2016	F
	62,412	–	–	62,412	£3.2824	15.06.2010	15.06.2017	F
Total	**1,380,344**	**–**	**–**	**1,380,344**				

Notes:
* See above for details of grant and the performance tests for exercise of options.
1. The exercise price has been adjusted for the effect of the rights issue.

c) Co-Investment Plan (Audited)

Details of outstanding awards made to Mr Marples under the Co-Investment Plan are shown below:

Date Awarded	Interests in shares as at 1 April 2009 (post Rights-Issue) Invested	Matching	Market value of of shares at date of award	Matching Shares lapsed during the year	Interests in shares as at 22 May 2009 Invested	Matching	Vesting dates of outstanding Matching Shares
13/06/2006	22,332	50,370	£3.450	–	22,332	50,370	13/06/2009
12/06/2007	7,687	17,339	£4.013	–	7,687	17,339	12/06/2010

ESOT (Audited)

In implementing its remuneration strategy, the Board established in 1999 an Employee Share Ownership Trust (ESOT). The trust is used to purchase shares in the Company to meet its obligations under share plans. The ESOT has purchased:

Year of purchase	Share price Pence	Number of shares purchased
1999	50.7 (average)	2,000,000
2002	103.0	5,067,700
2004	180.8	169,210
2005	238.2	170,567
2006	345.0	164,788
2007	402.2(average)	70,655
2007	382.0	500,000
2008	168.0	697,168
		8,840,088

In addition 1,854,176 new ordinary shares were allotted by the Company to the ESOT in December 2009 at nominal value in order that the ESOT had sufficient shares to satisfy awards made to participants under the Company's Joint Ownership Plan.

Of these shares 4,946,075 have been transferred on exercise of options and vesting through the Co-Investment Plan and the balance has been allocated to meet future exercises. The market value of the ESOT holding at 31 March 2010 was £1.4m compared with a book cost of £7.2m.

The ESOT also holds 1,120,775 shares as bare trustee on behalf of participants following purchases by them under the terms of the Group's Co-Investment Plan and Long Term Incentive Plan.

Wider Group remuneration policy

The Group's wider people policies are reported separately on pages 20 to 23.

Following probationary periods, all staff in the Company are eligible to participate in the Company's bonus scheme, SAYE, pension scheme, life assurance arrangements, and medical insurance benefits; and some senior staff have share option awards. Some senior staff are also eligible to participate in the Company's long-term equity incentive plan together with all members of the Executive Committee.

The closing mid-market price of Workspace Group PLC ordinary shares at 31 March 2010 was 24 pence. During the year, the price of the Company's shares varied between 12.5 pence and 26.2 pence.

By Order of the Board
John Bywater
Chairman of the Remuneration Committee
7 June 2010

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards (United Kingdom Accounting Standards and applicable law). In preparing the Group financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under the company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB, and with regard to the Parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Each of the current Directors, whose names and functions are listed on pages 38 to 39 and 42 to 43 of the Annual Report confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, and the Parent Company financial statements which have been prepared in accordance with UK accounting standards and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Business Review and Managing our Risk Sections on pages 29 to 36 include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC

We have audited the Group financial statements of Workspace Group PLC for the year ended 31 March 2010 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 55, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance Report set out on pages 42 to 45 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Under the Listing Rules we are required to review:

- the Directors' Statement, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Bowker Andrews (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 June 2010

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH

	Notes	2010 £m	2009 £m
Revenue	1	**66.5**	69.8
Direct costs	1	**(22.1)**	(22.4)
Net rental income	1	**44.4**	47.4
Administrative expenses	3	**(9.1)**	(9.0)
Trading profit		**35.3**	38.4
Change in fair value of investment property	10	**1.8**	(325.3)
Other income	2a	**0.3**	1.0
Other expenses	2a	**(1.2)**	–
Profit on disposal of investment properties	2b	**5.8**	9.8
Operating profit/(loss)	3	**42.0**	(276.1)
Finance income	4	**0.1**	0.4
Finance costs	4	**(24.6)**	(28.8)
Exceptional finance costs	4	**–**	(5.9)
Total finance costs	4	**(24.6)**	(34.7)
Change in fair value of derivative financial instruments	4	**(0.6)**	(26.1)
Share in former joint venture profit/(loss) after tax	25d	**6.7**	(23.9)
Negative goodwill on business combination	25d	**2.4**	–
Profit/(loss) before tax		**26.0**	(360.4)
Taxation	6	**(1.8)**	–
Profit/(loss) for the period after tax and attributable to equity shareholders		**24.2**	(360.4)
Basic earnings/(loss) per share (pence)	8	**2.3p**	(134.6)p
Diluted earnings/(loss) per share (pence)	8	**2.2p**	(134.6)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH

	Notes	2010 £m	2009 £m
Profit/(loss) for the financial year		**24.2**	(360.4)
Fair value movement of derivative financial instruments		**–**	1.1
Revaluation of owner occupied property	12	**0.7**	–
Total comprehensive income		**24.9**	(359.3)

The notes on pages 61 to 82 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH

	Notes	2010 £m	2009 £m
Non-current assets			
Investment properties	10	**713.2**	664.1
Intangible assets	11	**0.4**	0.3
Property, plant and equipment	12	**3.4**	3.1
Trade and other receivables	13	**4.9**	–
		721.9	667.5
Current assets			
Trade and other receivables	13	**4.5**	9.1
Cash and cash equivalents	14	**2.1**	3.7
		6.6	12.8
Current liabilities			
Bank overdraft	16a	**(2.3)**	–
Derivative financial instruments	16d & e	**(22.6)**	(26.2)
Trade and other payables	15	**(28.5)**	(32.3)
Current tax liabilities		**(2.8)**	(0.9)
		(56.2)	(59.4)
Net current liabilities		**(49.6)**	(46.6)
Non-current liabilities			
Borrowings	16a	**(384.1)**	(359.4)
Deferred tax liabilities	20	**–**	(0.1)
Provisions	21	**–**	(9.5)
Other non-current liabilities		**(0.9)**	–
		(385.0)	(369.0)
Net assets		**287.3**	251.9
Shareholders' equity			
Ordinary shares	22a	**114.9**	104.6
Share premium	22a	**24.7**	24.6
Investment in own shares	24	**(7.2)**	(5.7)
Other reserves	23	**13.0**	2.6
Retained earnings		**141.9**	125.8
Total shareholders' equity		**287.3**	251.9
EPRA net asset value per share	9	**27p**	27p

The financial statements were approved and authorised for issue by the Board of Directors on 7 June 2010 and were signed on its behalf by

H Platt
G Clemett
Directors

The notes on pages 61 to 82 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	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
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 movements on derivatives		–	–	–	1.1	–	1.1
Hedge reserve recycled to income		–	–	–	1.8	–	1.8
Total comprehensive income		–	–	–	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
Profit for the year		**–**	**–**	**–**	**–**	**24.2**	**24.2**
Other comprehensive income:							
Revaluation of owner occupied property		**–**	**–**	**–**	**0.7**	**–**	**0.7**
Total comprehensive income		**–**	**–**	**–**	**0.7**	**24.2**	**24.9**
Transactions with owners:							
Share issues	22a	**10.3**	**0.1**	**–**	**8.7**	**–**	**19.1**
ESOT shares net purchase	24	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Transfer of shares	24	**–**	**–**	**(1.3)**	**–**	**–**	**(1.3)**
Dividends paid		**–**	**–**	**–**	**–**	**(8.1)**	**(8.1)**
Value of employee services		**–**	**–**	**–**	**1.0**	**–**	**1.0**
Balance at 31 March 2010		**114.9**	**24.7**	**(7.2)**	**13.0**	**141.9**	**287.3**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH

	Notes	2010 £m	2009 £m
Cash flows from operating activities			
Cash generated from operations	18	**36.3**	40.6
Interest received		**0.1**	0.4
Interest paid		**(25.3)**	(29.4)
Tax refunded		**–**	4.9
Net cash inflow from operating activities		**11.1**	16.5
Cash flows from investing activities			
Purchase of investment properties		**(4.0)**	(4.2)
Capital expenditure on investment properties		**(5.9)**	(9.2)
Net proceeds from disposal of investment properties		**57.1**	11.4
Purchase of intangible assets		**(0.2)**	(0.1)
Purchase of property, plant and equipment		**(0.1)**	(0.4)
Investment in and loan to joint venture		**(0.8)**	(3.8)
Movement in short-term funding balances with joint venture		**2.0**	2.4
Net cash inflow/(outflow) from investing activities		**48.1**	(3.9)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital less fees[1]		**16.3**	83.6
Finance costs to amend existing borrowing facilities[2]		**(1.8)**	(3.4)
Joint venture restructuring costs and priority fee		**(2.1)**	–
Settlement of derivative financial instruments		**(8.6)**	–
Net repayment of bank borrowings		**(58.2)**	(78.8)
ESOT shares net purchase		**(0.2)**	(1.2)
Finance lease principal payments		**(0.4)**	(0.2)
Dividends paid to shareholders	7	**(8.1)**	(7.8)
Net cash outflow from financing activities		**(63.1)**	(7.8)
Net (decrease)/increase in cash and cash equivalents		**(3.9)**	4.8
Cash and cash equivalents at start of year	18	**3.7**	(1.1)
Cash and cash equivalents at end of year	18	**(0.2)**	3.7

Notes:
1. 2010 includes £2.5m fees relating to 2008/9 rights issue.
2. Costs relating to 2008/9 borrowing facility amendments.

The notes on pages 61 to 82 form part of these financial statements.

BASIS OF PREPARATION
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, owner occupied property, derivative financial instruments and share-based payments.

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Group's significant accounting policies are stated below. Not all of these accounting policies require management to make subjective or complex judgements. The following is intended to provide an understanding of the policies that management consider critical because of the level of judgement or estimation involved in their application and their impact on the consolidated financial statements.

Investment property valuation
The Group uses the valuation performed by its independent valuers as the fair value of its investment properties. The valuation is based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.

Trade receivables
The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the debtor entity and the status of any disputed amounts.

Compliance with the Real Estate Investment Trust (REIT) regime
On 1 January 2007 the Group converted to a group REIT. In order to achieve and retain group REIT status, several entrance tests had to be met and certain ongoing criteria must be maintained. The main criteria are as follows:

- at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets
- at least 75% of the Group's total profits each year must arise from the tax exempt business
- at least 90% of the taxable profit of the property rental business must be distributed
- the Group must take reasonable steps to avoid payment of dividends to an entity controlling (directly or indirectly) 10% or more of the voting rights of Workspace Group PLC.

The Directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business and relevant property rental income is treated as exempt from taxation.

SIGNIFICANT ACCOUNTING POLICIES
The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, as explained below.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 March 2010. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date control ceases.

Inter company transactions, balances and unrealised gains from intra group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint ventures are those entities over whose activities the Group has shared control, established by contractual agreement. Joint ventures are accounted for under the equity method whereby the consolidated financial statements include the Group's investment in and contribution from the joint venture.

The Group has adopted IFRS 3 (revised) 'Business Combinations'. This standard was applied to the acquisition of the remaining 50% of the former joint venture in Workspace Glebe Limited in December 2009. This acquisition has occurred in stages. The revised standard requires that goodwill is determined only at the acquisition date rather than at previous stages. The determination of goodwill reflects the previously held equity interest adjusted to fair value. The excess of the consideration transferred and the fair values of the net assets acquired is recorded as goodwill. Where this is less than the fair value of the net assets of the subsidiary in the case of a bargain purchase, the difference is recognised directly in the income statement as negative goodwill. Acquisition related costs are expensed to the income statement.

Investment properties
Investment properties are those properties owned or leased under a finance lease by the Group that are held to earn rental income or for capital appreciation or both and are not occupied by the Company or subsidiaries of the Group.

Land or buildings held under operating leases are classified and accounted for as investment properties where the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs. After initial recognition investment property is held at fair value based on a valuation by a professional external valuer at each reporting date. Changes in fair value of investment property at the reporting date are recorded in the income statement.

Properties are treated as acquired at the point the Group assumes the significant risks and returns of ownership and are treated as disposed when these are transferred outside of the Group's control.

Existing investment property which undergoes redevelopment for continued future use as investment property remains in investment property. Property that is being constructed or developed for future use as investment property, but has not previously been classified as such, is classified as property, plant and equipment and initially recognised at cost until construction or development is complete, at which time it is reclassified as investment property at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and the cost of each item can be reliably measured. Certain internal staff costs directly attributable to capital/redevelopment projects are capitalised. All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

In the case of existing investment properties undergoing redevelopment, capitalised interest on the redevelopment expenditure is added to the asset's carrying amount. Borrowing costs capitalised are calculated by reference to the actual interest rate payable on borrowings, or if financed out of general borrowings by reference to the average rate payable on funding the assets employed by the Group and applied to the direct expenditure on the property undergoing redevelopment. Interest capitalised is from the date of commencement of the re-development activity until the date when substantially all the activities necessary to prepare the asset for its intended use are complete.

Property, plant and equipment

Land and buildings

Land and buildings within property, plant and equipment relate to the owner occupied building – Magenta House. During the year the Group adopted the revaluation model to show this asset category at fair value less subsequent depreciation for buildings. They were revalued by CB Richard Ellis at £2.7m in aggregate as detailed in the property, plant and equipment note (note 12). The historic cost carrying value was £2.0m and the gain on revaluation of £0.7m has been recognised in the statement of comprehensive income and other reserves (prior year impact would have been a loss of £0.1m).

This class of asset will continue to be revalued on a regular basis.

In prior years, land and buildings were shown at historical cost less depreciation.

Depreciation rates are as follows:

Land	not depreciated
Buildings	50 years

Motor vehicles and equipment and fixtures

Motor vehicles, equipment and fixtures are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure is charged to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of each item can be reliably measured. All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

Depreciation is provided using the straight line method to allocate the cost less estimated residual value over the asset's estimated useful lives as follows:

Motor vehicles	4 years
Equipment and fixtures	4-10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Intangibles

Acquired computer software licences and external costs of implementing or developing computer software programmes are capitalised. These costs are amortised over their estimated useful lives of five years on a straight line basis. Intangibles are stated at historical cost.

Costs associated with maintaining computer software programmes are recognised as an expense as they fall due.

Leases

A group company as lessee

i) Operating leases – leases in which substantially all the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases are charged to the income statement on a straight line basis over the period of the lease.
ii) Finance leases – leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement. The investment properties acquired under finance leases are subsequently carried at fair value.

A group company as lessor

Operating leases - properties leased out under operating leases are included in investment property in the balance sheet. Rental income from operating leases is recognised in the income statement on a straight line basis over the lease term. When the Group provides incentives to its customers the incentives are recognised over the lease term on a straight line basis.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at cost less provision for impairment where it is established there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is recorded in the income statement.

Trade and other payables

Trade and other payables are stated at cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within cash and cash equivalents for the purpose of the cash flow statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the initial amount (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method, except for interest capitalised on redevelopments.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments and hedge accounting

The Group enters into derivative transactions such as interest rate collars and swaps in order to manage its interest rate risk. Derivatives are recorded at fair value calculated by valuation techniques based on market prices and estimated cash flows. Changes in the fair value of derivatives are recognised in the income statement as they arise.

The Group applies hedge accounting under IAS 39 for transactions which meet the specific criteria for this under the relevant standard. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows (cash flow hedges) are recognised directly in equity. Any ineffective portion is recognised within the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold or no longer qualifies for hedge accounting. At that time, any cumulative gains or losses relating to the cash flow hedges recognised in equity are initially retained in equity and subsequently released into the income statement. The Group currently has no derivatives to which hedge accounting is applied.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Investment in own shares
The Group operates an Employee Share Ownership Trust (ESOT). When the Group purchases Company shares, the consideration paid is deducted from shareholders' equity as investment in own shares until the shares are re-issued, cancelled or disposed of. Where shares are re-issued or disposed of any consideration due is included in shareholders' equity as investment in own shares.

Provisions
Provisions are recognised when the Group has a current obligation arising from a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the present value of the expenditure required to settle that obligation at the balance sheet date.

Revenue recognition
Revenue comprises rental income, service charges and other sums receivable from the Group's investment properties. Other sums comprise insurance charges, supplies of utilities, premia associated with surrender of tenancies, commissions, fees and other sundry income.

Rental income from operating leases is recognised in the income statement on a straight line basis over the lease term. When the Group provides lease incentives to its tenants the incentives are recognised over the lease term, on a straight line basis.

Service charge and other sums receivable from tenants are recognised by reference to the stage of completion of the relevant service or transactions at the reporting date.

Rental income from property let out under a finance lease is accounted for by allocating each lease payment between receivable and finance income so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance income is credited to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period. Contingent rents, being those lease payments that are not fixed at the inception of the lease, for example increases arising on rent reviews, are recorded as income in the periods in which they are earned.

Income for the sale of assets is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties this is generally taken on completion. Where any aspect of consideration is deferred the net present value of the expected consideration is recognised where receipt of the consideration is deemed to be highly probable.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Executive Board of the Company. The Group considers that it has only one operating segment being a single portfolio of commercial property providing business accommodation for rent in London. Discrete financial information is provided to the chief operating decision maker on a property by property basis, including rental income and direct costs and valuation gains or losses.

Exceptional items
Exceptional items are significant items of income or expense which are separately presented on the face of the Group Income Statement by virtue of their size, incidence or nature to enable a full understanding of the Group's financial performance.

Direct costs
Minimum lease payments payable under head leases categorised as finance leases are allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement. Contingent rents, being those lease payments that are not fixed at the inception of the lease, for example increases arising on rent reviews, are recorded as an expense in the income statement in the period in which they are incurred.

Share-based payment
Incentives in the form of shares are provided to employees under share option schemes. The fair value of the options granted is recognised over the vesting period.

Fair value is measured by the use of Black-Scholes, Monte-Carlo and Binomial option pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company has established an ESOT to satisfy part of its obligation to provide shares when employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

Pensions
The Group operates a defined contribution pension scheme. Contributions are charged to the income statement as they fall due.

Income tax
Income tax on the profit for the year comprises current and deferred tax.

Current income tax is tax payable on the taxable income for the year and any prior year adjustment and is calculated using tax rates that have been substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax is realised or the deferred tax liability settled. Deferred tax is provided in full on the difference between the original cost of investment properties and their carrying amounts at the reporting date without taking into account deductions and allowances, which would apply if the assets concerned were disposed of. Since conversion to a REIT deferred tax is not required to be provided on the investment properties held within the REIT.

No provision is made for temporary differences arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or relating to investments in subsidiaries where it is probable that the temporary differences will not reverse in the foreseeable future.

Dividend distributions
Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

NEW AND AMENDMENTS TO ACCOUNTING STANDARDS

a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009:

The following new standards, amendments and interpretations are mandatory for the first time for the years beginning after 1 January 2009 and have been adopted by the Group. With the exception of IAS 1 (revised) and IFRS 3 (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 expense (that is 'non-owner changes in equity') in the statement of change in equity, requiring 'non-owner changes in equity' to be presented separately. All 'non-owner changes in equity' are required to be shown in one 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.
- IFRS 3 (revised) 'Business Combinations' (effective 1 July 2009). The revised standard continues to apply the acquisition method to business combinations with some significant changes. For example all payments to purchase a business are to be recorded at fair value at the acquisition date, with any contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
- IFRS 8 'Operating segments'; This standard replaces IAS 14, 'Segment reporting', and is effective for annual periods beginning on or after 1 January 2009. The new standard requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. There is no material effect of adoption by the Group as the Group only has one reportable segment as disclosed in note 1.
- IAS 40, 'Investment property', amendment (and consequential amendment to IAS 16, 'Property, plant and equipment'). The amendments are part of the IASB's annual improvements project published in May 2008 and are effective from 1 January 2009. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Where the fair value model is applied, such property is measured at fair value. This change is not relevant to the Group.
- IFRS 7 Amendment: IFRS 7, 'Improving disclosures about financial instruments'. 'The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a three-level fair value measurement hierarchy. In addition to that, the amendment clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and secondly requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. The entity has to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The adoption of the amendment results in additional disclosures but does not have an impact on profit or earnings per share. The enhanced requirements under this disclosure have been covered in note 16.

Other standards now applicable but which do not have a material effect are:

Standard or interpretation	Content	Applicable for financial years beginning on or after
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly-controlled entity or associate	1 January 2009
IFRS 2	Share-based payments – Vesting conditions and cancellations	1 January 2009
IFRS 13	Customer Loyalty programmes	1 July 2008
IFRS 15	Agreements for the construction of real estate	1 January 2009

b) Standards, amendments and interpretations that are not yet effective and not expected to have significant impact on the Group's financial statements:

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 9*	Financial instruments: Classification and measurement	1 January 2013
Amendment: IAS 24*	Related party disclosures	1 January 2011
IAS 32*	Classification of rights issues	1 February 2010
Amendment: IFRS 1*	Additional exemptions for first-time adopters	1 January 2010
Amendment: IFRS 2	Group cash-settled share-based payment transactions	1 January 2010
IFRS 1*	First-time adoption of International Financial Reporting Standards	1 July 2009
IAS 39	Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
IFRIC 16*	Hedges of a net investment in a foreign operation	1 October 2008 (EU endorsed 1 July 2009)
IFRIC 17*	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18*	Transfers of assets from customers	1 July 2009

* These standards are not expected to be relevant to the Group.

1. Analysis of net rental income and segmental information

	2010 Revenue £m	2010 Direct costs £m	2010 Net rental income £m	2009 Revenue £m	2009 Direct costs £m	2009 Net rental income £m
Rental income	**49.8**	**(0.2)**	**49.6**	54.2	(0.2)	54.0
Service charges and other recoveries	**14.2**	**(18.8)**	**(4.6)**	13.3	(19.1)	(5.8)
Empty rates	**–**	**(1.7)**	**(1.7)**	–	(1.8)	(1.8)
Services, fees, commissions and sundry income	**2.5**	**(1.4)**	**1.1**	2.3	(1.3)	1.0
	66.5	**(22.1)**	**44.4**	69.8	(22.4)	47.4

Discrete financial information is provided to the Executive Board on a property by property basis, including rental income and direct costs and valuation gains or 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 Board 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.

As noted above, the Executive Board assesses the performance of the operating segment using measures of rental income and direct costs and valuation gains or losses. All financial information provided to the Executive Board is prepared on a basis consistent with these financial statements and, as the Group has only one operating segment, the measures used in assessing the business have been reconciled to profit before tax in the Consolidated Income Statement and net assets in the Consolidated Balance Sheet.

2(a). Other income and expenses

	2010 £m	2009 £m
Non-refundable option fees and deposits for potential sale of property	**–**	1.0
Right of light and other damages compensation	**0.3**	–
Other income	**0.3**	1.0
Legal fees relating to construction contract litigation	**(1.2)**	–
Other expenses	**(1.2)**	–
	(0.9)	1.0

2(b). Profit on disposal of investment properties

	2010 £m	2009 £m
Gross proceeds from sale of investment properties	**62.4**	13.0
Book value at time of sale plus sale costs	**(61.7)**	(17.6)
	0.7	(4.6)
Movement in provision for joint venture tax indemnity (see note 21)	**5.1**	14.4
Pre-tax profit on sale	**5.8**	9.8

3. Operating profit/(loss)

The following items have been charged in arriving at operating profit/loss:

This analysis has been prepared by nature of expense.

	2010 £m	2009 £m
Direct costs:		
Depreciation of property, plant and equipment – owned assets[1]	**0.2**	0.2
Depreciation of investment properties – finance leases	**0.4**	0.2
Staff costs	**3.3**	3.1
Repairs and maintenance expenditure on investment property	**2.9**	3.2
Trade receivables impairment	**0.3**	0.2
Administrative expenses:		
Amortisation of intangibles	**0.1**	0.1
Depreciation of property, plant and equipment – owned assets	**0.3**	0.3
Staff costs	**5.2**	5.7
Other operating lease rentals payable: – motor vehicles	**0.1**	0.1
Audit fees payable to the Company's auditors[2]	**0.2**	0.2

Notes:
1. Depreciation in direct costs relates to that of fixtures and fittings installed within investment properties.
2. Audit fees payable to the Company's auditors include £32,000 (2009: £37,000) of other services supplied pursuant to legislation, in respect of the half year review of the consolidated Group accounts and the statutory audits of the subsidiaries in the Group. Amounts payable to the Company's auditors for other non-audit services totalled £118,000 (2009: £396,000) of which £81,500 was remuneration related work, £35,000 was related to the acquisition of the joint venture and £1,500 was for sundry items. Total fees payable to PricewaterhouseCoopers LLP were £283,000.

3. Operating profit/(loss) continued

Total administrative expenses can be analysed as:

	2010 £m	2009 £m
Staff costs (as above)	5.2	5.7
Cash settled share-based costs	0.1	(0.6)
Equity settled share-based costs	1.0	0.6
Other	2.8	3.3
	9.1	9.0

4. Finance income and costs

	2010 £m	2009 £m
Interest income on bank deposits	0.1	–
Interest income on corporation tax refunds	–	0.4
Finance income	0.1	0.4
Interest payable on bank loans and overdrafts	(24.1)	(28.0)
Amortisation of issue costs of bank loans	(0.3)	(0.7)
Interest payable on finance leases	(0.3)	(0.2)
Interest capitalised on property refurbishments	0.1	0.1
	(24.6)	(28.8)
Exceptional finance costs*	–	(5.9)
Finance costs	(24.6)	(34.7)
Change in fair value of financial instruments through the income statement	(0.6)	(26.1)
Net finance costs	(25.1)	(60.4)

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

5. Employees and Directors

Staff costs for the Group during the year were:

	2010 £m	2009 £m
Wages and salaries	7.4	7.6
Social security costs	0.7	0.7
Defined contribution pension plan costs (see note 30)	0.4	0.4
Cash settled share-based costs	0.1	(0.6)
Equity settled share-based costs	1.0	0.6
	9.6	8.7

The number of people (including Executive Directors) employed at the year end was 174 (2009: 183).

The average number of persons employed during the year was 179 (2009: 187).

Key management for the purposes of related party disclosure under IAS 24 are taken to be the Executive Board Directors, the non-Board Executive Directors and the Non-Executive Directors. Key management compensation is set out below:

	2010 £m	2009 £m
Salaries and short-term employee benefits	2.2	1.8
Pensions and other post-employment benefits	0.2	0.2
Termination benefits	0.5	–
Share-based payments	0.5	0.4
	3.4	2.4

The remuneration of the Executive Directors is determined by the Remuneration Committee of the Board. A table of the Directors' emoluments and details of Directors' beneficial interests in the shares of the Company and in options to acquire shares in the Company are given in the Report of the Remuneration Committee on pages 46 to 54. These form part of the financial statements.

6. Taxation

Analysis of charge/(credit) in period:

	2010 £m	2009 £m
Current tax	1.9	0.1
Deferred tax	(0.1)	(0.1)
Total taxation charge	1.8	–

The charge in the period is analysed as follows:	2010 £m	2009 £m
Current tax:		
UK corporation tax	–	(0.1)
REIT conversion charge[1]	1.9	–
REIT penalty tax charge provision[2]	(1.2)	1.2
Adjustments to tax in respect of previous periods	1.1	(1.1)
Total taxation charge	1.8	–

Notes:
1. The REIT conversion charge is calculated at 2% of the value of properties acquired on the acquisition of the former joint venture.
2. The REIT penalty charge provided last year was for non-compliance with the REIT requirement for the profit: financing as set out in the legislation to be greater or equal to 1.25. We have had confirmation that this will be waived in accordance with Finance Act 2009 and hence the provision has been reversed.

The tax on the Group's profit/(loss) for the period differs from the standard applicable corporation tax rate in the UK (28%). The differences are explained below:

	2010 £m	2009 £m
Profit /(loss) on ordinary activities before taxation	26.0	(360.4)
Adjust share in former joint venture profit/(loss) after tax	(6.7)	23.9
	19.3	(336.5)
Tax at standard rate of corporation tax in the UK of 28% (2009: 28%)	5.4	(94.2)
Effects of:		
REIT exempt income	(2.2)	(1.6)
REIT penalty tax (credit)/charge	(1.2)	1.2
REIT conversion charge	1.9	–
Changes in fair value not subject to tax as a REIT	(1.5)	98.4
Share scheme adjustments	0.3	0.1
Provision for tax indemnity	(1.4)	(4.0)
Negative goodwill on business combination	(0.7)	–
Adjustments to tax in respect of previous periods	1.1	(1.1)
Losses carried forward	0.1	1.2
Total taxation charge per income statement	1.8	–

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 former joint venture is now also part of the REIT since the associated companies became wholly owned by the Group in December 2009. A REIT conversion charge is payable on the value of the properties acquired. The Group's 'residual' business (subject to tax) is small and consists mainly of ancillary services and commissions.

The Group currently has £4.2m (2009: £3.5m) of tax losses carried forward which have not been recognised as an asset as they are unlikely to be utilised in the foreseeable future.

7. Dividends

Ordinary dividends paid

	Payment date	Per share	2010 £m	2009 £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	–
For the year ended 31 March 2010				
Interim dividend	February 2010	0.25p	2.9	–
Dividends paid			8.1	7.8

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

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2010 of 0.5p per Ordinary Share which will absorb an estimated £5.7m of revenue reserves. The dividend will be paid as a non PID dividend. If approved by the shareholders at the AGM, it will be paid on 6 August 2010 to shareholders who are on the register of members on 18 June 2010. It is intended that a scrip dividend alternative will be offered to shareholders.

8. Earnings per share

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

Earnings/(loss) used for calculation of earnings per share:	2010 £m	2009 £m
Profit/(loss) used for basic and diluted earnings	**24.2**	(360.4)
Change in fair value of investment property	**(1.8)**	325.3
Profit on disposal of investment properties	**(5.8)**	(9.8)
Movement in fair value of derivative financial instruments	**0.6**	26.1
Group's share of EPRA adjustments of joint venture	**–**	22.7
EPRA adjusted earnings	**17.2**	3.9
Add back exceptional items (see note 4)	**–**	5.9
Adjusted underlying earnings	**17.2**	9.8

Weighted average number of shares used for calculation of earnings per share:	2010 Number	2009 Number*
Weighted average number of shares (excluding shares held in the ESOT)	**1,073,361,020**	267,733,813
Dilution due to Share Option Schemes	**11,540,185**	2,173,993
Shares for diluted earnings per share	**1,084,901,205**	269,907,806

* The number of shares have been adjusted for the comparative year 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 increasing the loss per share.

In pence:	2010	2009
Basic earnings per share	**2.3p**	(134.6)p
Diluted earnings per share	**2.2p**	(134.6)p
EPRA earnings per share	**1.6p**	1.4p
Underlying earnings per share	**1.6p**	3.6p

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 adjustment for exceptional items.

9. Net assets per share

Net assets used for calculation of net assets per share:	2010 £m	2009 £m
Net assets at end of year (basic)	**287.3**	251.9
Derivative financial instruments at fair value	**22.6**	26.2
EPRA net assets	**309.9**	278.1
EPRA net assets per share (pence)	**27p**	27p

Number of shares used for calculating net assets per share:	2010 Number	2009 Number
Shares in issue at year-end	**1,149,459,056**	1,046,116,842
Less ESOT shares	**(5,748,189)**	(3,635,119)
Number of shares for calculating basic net assets per share	**1,143,710,867**	1,042,481,723
Dilution due to Share Option Schemes	**14,968,151**	1,618,267
Number of shares for calculating diluted adjusted net assets per share	**1,158,679,018**	1,044,099,990

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

	2010 £m	2009 £m
Balance at 1 April	**664.1**	994.3
Property acquisitions*	**5.1**	4.6
Capital expenditure	**6.4**	8.0
Additions from business combination with former joint venture	**96.7**	–
Capitalised interest on refurbishments	**0.1**	0.1
Disposals during the year	**(60.6)**	(17.4)
Depreciation on finance leases	**(0.4)**	(0.2)
Change in fair value of investment property	**1.8**	(325.3)
Balance at 31 March	**713.2**	664.1

* Included within property acquisitions is an amount of £1.1m relating to the value of deferred consideration in the form of commercial space to be returned to the Group upon development by a third party. This arose from a part disposal of Canalot Studios in February 2010.

Capitalised interest is included at a rate of capitalisation of 6.7% (2009: 6.5%). The total amount of capitalised interest included in investment properties is £3.0m (2009: £2.9m).

Investment property includes buildings under finance leases of which the carrying amount is £3.5m (2009: £3.9m). Investment property finance lease commitment details are show in note 16(f).

The Group has determined that all tenant leases are operating leases within the meaning of IAS17. The majority of the Group's tenant leases are granted with a rolling three-month tenant break clause. The future minimum rental receipts under non-cancellable operating leases granted to tenants are as follows:

	2010 £m	2009 £m
Within one year	**14.5**	11.9
Between two and five years	**4.7**	7.3
Beyond five years	**1.7**	3.9
	20.9	23.1

Valuation

The Group's investment properties were revalued at 31 March 2010 by CB Richard Ellis, Chartered Surveyors, a firm of independent qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards on the basis of market value. Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had both acted knowledgably, prudently and without compulsion.

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

	2010 £m	2009 £m
Total per CB Richard Ellis valuation report	**717.4**	662.2
Deferred consideration on sale of property (note 13)	**(4.9)**	–
Owner occupied property	**(2.7)**	(1.8)
Head leases treated as finance leases under IAS 17	**3.5**	3.9
Short leases valued as head leases	**(0.1)**	(0.2)
Total investment properties per balance sheet	**713.2**	664.1

11. Intangible assets

Computer software	2010 £m	2009 £m
Cost		
Balance at 1 April	**0.8**	0.7
Additions during the year	**0.2**	0.1
Balance at 31 March	**1.0**	0.8
Accumulated amortisation and impairment		
Balance at 1 April	**0.5**	0.4
Charge for the year	**0.1**	0.1
Balance at 31 March	**0.6**	0.5
Net book value at end of year	**0.4**	0.3

None of the Group's intangible assets have been internally generated. All are regarded as having a finite life and are amortised accordingly.

12. Property, plant and equipment

	Owner occupied land £m	Owner occupied buildings £m	Equipment and fixtures £m	Total £m
Cost				
Balance at 1 April 2008	0.5	1.6	3.9	6.0
Additions during the year	–	–	0.4	0.4
Balance at 31 March 2009	0.5	1.6	4.3	6.4
Additions during the year	–	0.1	0.1	0.2
Disposal during the year	–	–	(0.1)	(0.1)
Gain/(loss) on revaluation	0.9	(0.4)	–	0.5
Balance at 31 March 2010	**1.4**	**1.3**	**4.3**	**7.0**
Accumulated depreciation				
Balance at 1 April 2008	–	0.1	2.7	2.8
Charge for the year	–	–	0.5	0.5
Balance at 31 March 2009	–	0.1	3.2	3.3
Charge for the year	–	0.1	0.4	0.5
Gain on revaluation	–	(0.2)	–	(0.2)
Balance at 31 March 2010	**–**	**–**	**3.6**	**3.6**
Net book amount at 31 March 2009	0.5	1.5	1.1	3.1
Net book amount at 31 March 2010	**1.4**	**1.3**	**0.7**	**3.4**

As permitted by IAS 16 'Property plant & equipment' the Group's owner occupied property has been included at valuation this year. The property was valued at 31 March 2010 by CB Richard Ellis, Chartered Surveyors, a firm of independent qualified valuers who value the whole of the Group's Investment Property portfolio based on market information. The carrying value of the land and building under the historic cost model would have been £2.0m. The revaluation gain of £0.7m has been recognised in the statement of comprehensive income and taken to other reserves (note 23).

13. Trade and other receivables

Non-current trade and other receivables	**2010 £m**	2009 £m
Deferred consideration on sale of investment property	**4.9**	–
	4.9	–

The non-current receivable relates to deferred consideration arising on the sale of the Thurston Road site in February 2010. The value of this receivable has been fair valued by CB Richard Ellis as at 31 March 2010 based on market data and will be revalued on a regular basis.

Current trade and other receivables	**2010 £m**	2009 £m
Trade receivables	**3.3**	5.2
Less provision for impairment of receivables	**(0.5)**	(0.3)
Trade receivables – net (see note 17 (b))	**2.8**	4.9
Prepayments and accrued income	**1.7**	3.3
Amounts due from related parties (see note 26)	**–**	0.9
	4.5	9.1

There is no material difference between the above amounts and their fair values due to the short-term nature of the receivables. Trade receivables are impaired when there is evidence that the amounts may not be collectable under the original terms of the receivable. All the Group's trade and other receivables are denominated in sterling.

Movements on the provision for impairment of trade receivables are shown below:

	2010 £m	2009 £m
Balance at 1 April	**0.3**	0.3
Provision for receivables impairment	**0.3**	0.2
Receivables written off during the year	**(0.1)**	(0.2)
Balance at 31 March	**0.5**	0.3

As at 31 March 2010, the ageing of trade receivables past due but not impaired was as follows:

	Total 2010 £m	**Impairment 2010 £m**	**Unimpaired 2010 £m**	Total 2009 £m	Impairment 2009 £m	Unimpaired 2009 £m
Up to 3 months past due	**2.5**	**–**	**2.5**	4.2	–	4.2
3 to 6 months past due	**0.2**	**(0.1)**	**0.1**	0.5	(0.1)	0.4
Over 6 months past due	**0.6**	**(0.4)**	**0.2**	0.5	(0.2)	0.3
	3.3	**(0.5)**	**2.8**	5.2	(0.3)	4.9

The trade receivables balance is deemed to be all past due as rental payments are due on demand. Trade receivables that are not impaired are expected to be fully recovered as there is no recent history of default or indications that debtors will not meet their obligations. Impaired receivables have been fully provided against.

14. Cash and cash equivalents

	2010 £m	2009 £m
Cash at bank and in hand	–	1.3
Restricted cash – tenants' deposit deeds	2.1	2.4
	2.1	3.7
Bank overdraft	(2.3)	–
	(0.2)	3.7

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are ring-fenced under the terms of the individual lease contracts.

Bank overdrafts are included within cash and cash equivalents for the purpose of the cash flow statement (see note 18).

15. Trade and other payables

	2010 £m	2009 £m
Trade payables	2.0	2.1
Taxation and social security payable	1.8	1.5
Tenants' deposit deeds (see note 14)	2.1	2.4
Tenants' deposits	7.6	6.2
Accrued expenses and deferred income	11.3	15.8
Deferred income-rent and service charges	3.7	4.3
	28.5	32.3

There is no material difference between the above amounts and their fair values due to the short-term nature of the payables.

16. Borrowings

a) Balances	2010 £m	2009 £m
Current		
Bank loans and overdrafts due within one year or on demand (secured)	2.3	–
	2.3	–
Non-current		
Bank loans (secured)	380.6	355.5
Finance lease obligations (part secured)	3.5	3.9
	384.1	359.4
	386.4	359.4

The secured loans and overdraft facility are secured on properties with balance sheet values totalling £670.6 m (2009: £608.4m).

b) Maturity	2010 £m	2009 £m
Secured (excluding finance leases)		
Repayable in less than one year	2.3	–
Repayable between one year and two years	–	–
Repayable between two years and three years	312.8	–
Repayable between three years and four years	–	356.0
Repayable between four years and five years	68.0	–
	383.1	356.0
Less cost of raising finance	(0.2)	(0.5)
	382.9	355.5
Finance leases (part secured)		
Repayable in five years or more	3.5	3.9
	386.4	359.4

c) Interest rate and repayment profile	Principal £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	2.3	Base +1.75%	Variable	On demand
Non-current				
Loan – GE Real Estate Finance	198.8	LIBOR +2.00%	Quarterly	November 2012*
Loan – Royal Bank of Scotland (RBS)	114.0	LIBOR +2.75%	Variable	November 2012
Loan – Bank of Scotland (BoS)	68.0	LIBOR +1.25%	Quarterly	December 2014

* 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, with increases in margin.

16. Borrowings continued

d) Derivative financial instruments

The following interest rate derivatives are held:

	Amount hedged £m	Rate payable (or range for caps and collars) %	Rate receivable %	Expiry
Interest rate cap	20.0	5.00%	–	November 2010
Interest rate swap	100.0	5.43%	3 month LIBOR	October 2012
Interest rate swap	100.0	4.00%	1 month LIBOR	October 2012
Interest rate swap	25.0	5.40%	3 month LIBOR	November 2012
Interest rate swap	50.0	5.16%	3 month LIBOR	June 2013

The above instruments are treated as financial instruments at fair value with changes in value dealt with in the income statement during each reporting period.

e) Fair values of financial instruments

	2010 Book value £m	**2010 Fair value £m**	2009 Book value £m	2009 Fair value £m
Financial liabilities not at fair value through profit or loss				
Bank overdraft	**2.3**	**2.3**	–	–
Bank loans	**380.6**	**380.6**	355.5	355.5
Finance lease obligations	**3.5**	**3.5**	3.9	3.9
	386.4	**386.4**	359.4	359.4
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
Liabilities	**22.6**	**22.6**	26.2	26.2
Assets	**–**	**–**	–	–
	22.6	**22.6**	26.2	26.2

The total change in fair value of derivative financial instruments recorded in the income statement was a loss of £0.6m (2009: £26.1m).

Effective from 1 January 2009, the Group has adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data

Level 3 – Use of a model with inputs that are not based on observable market data

The fair values of all the Group's financial derivatives have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and as such are a Level 2 valuation.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
Liabilities	–	22.6	–	22.6
Assets	–	–	–	–

The total fair value calculated equates to 2.0p per share (31 March 2009: 2.5p).

f) Finance leases

Finance lease liabilities are in respect of leased investment property.

Minimum lease payments under finance leases fall due as follows:	**2010 £m**	2009 £m
Within one year	**0.4**	0.4
Between two and five years	**0.8**	1.0
Beyond five years	**21.9**	23.2
	23.1	24.6
Future finance charges on finance leases	**(19.6)**	(20.7)
Present value of finance lease liabilities	**3.5**	3.9

17. Financial instrument risk management objectives and policy
The Group has identified exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Capital risk

The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below:

a) Market risk
Market risk is the risk that changes in market conditions such as interest rates and equity prices will affect the Group's income or valuations.

The Group's exposure to market risk is restricted to that of interest rate changes on its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group finances its operations through a mixture of retained profits and borrowings. The Group borrows at floating rates of interest and then uses interest rate collars and hedges to generate the desired interest and risk profile.

The Group's policy is to fix at least 50% of its borrowings. At 31 March 2010 72% (2009: 70%) of Group borrowings were fixed through the use of interest rate swaps.

All transactions entered into are approved by the Board and are in accordance with the Group's treasury policy. The Board also monitors variances on interest rates to budget and forecast rates to ensure that the risk relating to interest rates is being sufficiently safeguarded against.

Based upon year end variable rate loan balances, a reasonably possible interest rate movement of +/-1% would increase or decrease net interest payable by £1.1m (2009: £1.3m).

b) Credit risk
The Group's main financial assets are cash and cash equivalents and trade and other receivables.

Credit risk is the risk of financial loss if a tenant or a counter party to a financial instrument fails to meet its contractual obligations. The Group's exposure to this risk principally relates to the receivables from tenants, however it has no significant concentration of credit risk.

The Group's exposure to credit risk is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has some 4,000 tenants in over 100 properties generating net rental income. The largest 10 single tenants generate only 6% of net rental roll. As such, the credit risk attributable to individual tenants is low. In general, tenants provide a deposit equivalent to three months rent on inception of lease as security against default.

Monitoring of bad debts and any potential bad debts occurs every month with information being reported to Board level for monitoring as part of the performance monitoring process. The Group's debtor recovery is consistently high and as such is deemed a low risk area.

Cash and cash equivalents and financial derivatives are held with major UK clearing banks.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 £m	2009 £m
Cash and cash equivalents (note 14)	**2.1**	3.7
Trade receivables – current (note 13)	**3.3**	5.2
Trade receivables – non-current (note 13)	**4.9**	–
	10.3	8.9

c) Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure it will always have sufficient funds to meet obligations as they fall due. This is performed via a variety of methods including regular cash flow review and forecasting, monitoring the maturity profile of debt and the regular revision of borrowing facilities.

The Group maintains the following lines of credit to ensure it can effectively manage its liquidity risk; an overdraft facility of £4m available on demand and undrawn facilities on loan balances at 31 March 2010 of £36m (31 March 2009: £38m).

Cash flow is monitored formally on a monthly basis as part of internal performance monitoring with regular daily monitoring and forecasting undertaken to manage day-to-day cash flow. The Board reviews compliance with loan covenants which include agreed interest cover ratios and loan to value, alongside review of available headroom on loan facilities. Details of the Group's covenants can be found in the Business Review section of this report.

17. Financial instrument risk management objectives and policy continued

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities existing as at the balance sheet date. Interest payments are based upon the loan balances and applicable interest rates payable on these at each year end.

31 March 2010

	Carrying Amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial Liabilities						
Bank overdraft	2.3	2.3	–	–	–	2.3
Secured bank loans (note 16b)	380.8	–	–	312.8	68.0	380.8
Interest payable on secured bank loans	–	10.2	10.2	7.3	0.2	27.9
Derivative financial instruments	22.6	11.7	11.7	7.4	0.4	31.2
Finance lease liabilities	3.5	0.4	0.4	0.4	21.9	23.1
Trade and other payables	28.5	28.5	–	–	–	28.5
	437.7	53.1	22.3	327.9	90.5	493.8

31 March 2009

	Carrying Amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial Liabilities						
Secured bank loans (note 16b)	356.0	–	–	–	356.0	356.0
Interest payable on secured bank loans	–	14.6	14.6	14.6	9.6	53.4
Derivative financial instruments	26.2	9.6	9.0	8.8	4.7	32.1
Finance lease liabilities	3.9	0.4	0.3	0.3	23.6	24.6
Trade and other payables	32.3	32.3	–	–	–	32.3
	418.4	56.9	23.9	23.7	393.9	498.4

d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns to shareholders, maintain a good capital structure and reduce the cost of capital.

Capital risk management remained a key area for the Group throughout the financial year. In order to adjust the capital structure, the Group issued new shares via a Rights Issue in March 2009. A further raising of funds via a targeted disposals programme and share placement was undertaken during the year which helped to give improved headroom on loan balances and aid the restructuring of the former Glebe joint venture.

The net funds were used to repay some debt and reduce gearing. This has now enabled the Group to have sufficient headroom on financing and to ensure it is comfortably within loan to value covenants applied on borrowing which range between 75% to 85%.

18. Notes to cash flow statement

Reconciliation of profit/(loss) for the period to cash generated from operations:

	2010 £m	2009 £m
Profit/(loss) for the period	**24.2**	(360.4)
Tax	**1.8**	–
Depreciation	**0.8**	0.7
Amortisation of intangibles	**0.1**	0.1
Profit on disposal of investment properties	**(5.8)**	(9.8)
Net (gain)/loss from change in fair value of investment property	**(1.8)**	325.3
Equity settled share-based payments	**1.0**	0.6
Change in fair value of financial instruments	**0.6**	26.1
Interest income	**(0.1)**	(0.4)
Interest expense	**24.6**	34.7
Share in former joint venture	**(6.7)**	23.9
Negative goodwill on business combination	**(2.4)**	–
Changes in working capital:		
Decrease in trade and other receivables	**1.2**	2.4
(Decrease) in trade and other payables	**(1.2)**	(2.6)
Cash generated from operations	**36.3**	40.6

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

	2010 £m	2009 £m
Cash at bank and in hand	**–**	1.3
Restricted cash – tenants deposit deeds	**2.1**	2.4
Bank overdrafts	**(2.3)**	–
	(0.2)	3.7

19. Analysis of net debt

	At 1 April 2009 £m	Cash flow £m	Non-cash Items* £m	**At 31 March 2010 £m**
Cash at bank and in hand	1.3	(1.3)	–	**–**
Restricted cash – tenants' deposit deeds	2.4	(0.3)	–	**2.1**
Bank overdrafts	–	(2.3)	–	**(2.3)**
	3.7	(3.9)	–	**(0.2)**
Bank loans	(356.0)	58.2	(83.0)	**(380.8)**
Less cost of raising finance	0.5	–	(0.3)	**0.2**
Finance lease obligations	(3.9)	0.4	–	**(3.5)**
	(359.4)	58.6	(83.3)	**(384.1)**
Total	(355.7)	54.7	(83.3)	**(384.3)**

* £83m of debt was acquired on the business combination with the former joint venture. £0.3m relates to amortisation of financing costs.

20. Deferred tax liabilities

	2010 £m	2009 £m
Balance at 1 April	**0.1**	0.2
Deferred tax credit	**(0.1)**	(0.1)
Balance at 31 March	**–**	0.1

If the Group's directly owned investment properties were sold for their revalued amount there would be no potential liability to corporation tax following the Group's conversion to a REIT.

21. Provisions for liabilities and charges

	At 1 April 2009 £m	Credit to income statement £m	**At 31 March 2010 £m**
Provision for tax indemnity[1]	5.1	(5.1)	**–**
Provision for interest shortfall in joint venture[2]	4.4	(4.4)	**–**
	9.5	(9.5)	**–**

Notes:

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 was made for this liability. The reduction reflects the extinguishment of this liability upon loan restructuring and acquisition of the former joint venture in December 2009. This amount has been credited to the Profit on Disposal of Investment Properties line in the Income Statement.
2. **Provision for interest shortfall in former joint venture**
   The Group and its former joint venture partner had guaranteed (jointly and severally) interest shortfalls on the joint venture bank loan, up to a maximum amount of £6m.
   Upon restructuring this was reduced and converted to a £2.4m priority fee repayable during the term of the new loan facility.
   At 31 March 2010 the outstanding balance on this priority fee was £0.9m which is shown as other non-current liabilities on the balance sheet.

22(a). Share capital and premium

	2010 Number	2009 Number
Issued: Fully paid ordinary shares of 10p each	**1,149,459,056**	1,046,116,842

	2010 £m	2009 £m
Issued: Fully paid ordinary shares of 10p each	**114.9**	104.6

	2010 Number	2009 Number
Movements in share capital were as follows:		
Number of shares at 1 April	**1,046,116,842**	174,313,887
Issue of shares	**103,327,509**	871,764,035
Save as You Earn share options exercised	**14,705**	38,920
Number of shares at 31 March	**1,149,459,056**	1,046,116,842

In March 2009 the Group undertook a 5 for 1 rights issue at 10p per share raising £81m net of expenses. This year the Group issued 1.8m shares to the ESOT trust at par and also undertook a placement of 101.5m shares at 19p per share on 11 December 2009 (note 23) which raised £18.8m net of £0.4m expenses.

The £0.1m movement in share premium in the year relates to an over provision for rights issue costs made last year.

22(b). Share-based payments

i) Long Term Equity Incentive Plan (LTIP)

The LTIP scheme is a performance award scheme whereby shares are issued against three Group performance measures which are assessed over the three-year vesting period. These are:

- Absolute TSR
- Relative TSR
- Relative NAV

Under the 2009 LTIP scheme 17,900,696 performance and matching shares were awarded in June 2009 to Directors and senior management (2008 LTIP scheme: 3,701,652). The Directors shares under these schemes are analysed in detail in the Directors' Remuneration Report on page 52.

A binomial model was used to determine the fair value of the LTIP grant for the Absolute TSR and Relative TSR elements of the LTIP scheme.

Assumptions used in the model were as follows:

	2010	2009
Share price at grant	**16p**	127p
Exercise price (pence)	**Nil**	Nil
Average expected life (years)	**3**	3
Risk free rate	**2%**	5%
Expected dividend yield	**5%**	3%
Average share price volatility	**51%**	37%
Fair value per option – Absolute TSR element	**7p**	66p
Fair value per option – Relative TSR element	**8p**	47p

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 16p. The Directors assess the likelihood of meeting the conditions under this element of the scheme on a six-monthly basis. The assessment at year end was that 50 % of the relative NAV element will vest.

The expected Workspace share price volatility was determined by taking account of the daily share price movement over a three-year period. The respective FTSE 250 Real Estate share price volatility and correlations were also determined over the same period. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions and historical experience.

The risk free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the present value of expected future dividend payments to expiry.

ii) Employee share schemes

The Group operates a Save As You Earn (SAYE) share option scheme and an Executive Share Option Scheme (ESOS) for which there have been no grants since 2007. Grants under the SAYE scheme are normally exercisable after three or five years saving. In accordance with UK practice, the majority of options under the SAYE schemes are granted at a price 20% below the market price ruling at the date of grant.

Grants under ESOS are normally exercisable between three and ten years from the date of grant and normally granted at the market price ruling at the date of grant.

Details of the movements for the SAYE and equity-settled ESOS schemes during the year were as follows:

	ESOS		SAYE	
Options outstanding	Number	Weighted exercise price	Number	Weighted exercise price
At 1 April 2009	6,058,082	147p	326,812	161p
Options granted	–	–	489,085	92p
Options exercised	–	–	(51,794)	69p
Options lapsed	(399,093)	167p	(480,498)	138p
At 31 March 2009	5,658,989	145p	283,605	97p
Options granted	–	–	4,405,690	12p
Options exercised	–	–	(14,705)	12p
Options lapsed	(626,820)	145p	(331,519)	81p
At 31 March 2010	**5,032,169**	**145p**	**4,343,071**	**12p**

Of the 5,032,169 (2009: 5,658,989) outstanding ESOS options at 31 March 2010 4,209,912 (2009: 4,434,613) were exercisable immediately.

At 31 March 2010 in total there were 9,375,240 (2009: 5,942,594) SAYE and ESOS share options exercisable on the Company's ordinary share capital. Of these, 3,210,416 were Directors' share options and are disclosed in the Directors' Remuneration Report. 6,164,824 options are held by employees who are not Directors and these are analysed below:

Non-Director options Date of grant	Scheme	Exercise price (Pence)*	Ordinary Shares Number*	Exercisable between	
29 July 2002	ESOS	0.8939	499,027	29.07.2005	29.07.2012
30 June 2003	ESOS	0.8510	456,444	30.06.2006	30.06.2013
30 June 2004	ESOS	1.3583	270,140	30.06.2007	30.06.2014
17 June 2005	ESOS	1.8373	226,810	17.06.2008	17.06.2015
1 September 2005	ESOS	1.9989	80,044	01.09.2008	01.09.2015
15 June 2007	ESOS	3.2824	279,721	15.06.2010	15.06.2017
12 February 2008	ESOS	2.5324	161,898	12.02.2011	12.02.2018
				Exercisable between	
22 July 2003	SAYE	0.684	985	01.09.2010	01.03.2011
20 July 2005	SAYE	1.503	4,177	01.09.2010	01.03.2011
22 July 2008	SAYE	0.917	8,470	01.09.2013	01.03.2014
21 July 2009	SAYE	0.119	3,324,930	01.09.2012	01.03.2013
21 July 2009	SAYE	0.119	852,178	01.09.2014	01.03.2015
Total			**6,164,824**		

* Following the Rights Issue in March 2009 the number of shares and exercise prices were adjusted by the relevant bonus factor.

The exercise of all options, other than those obtained under the Group's Save As You Earn scheme, is dependent upon the Group achieving specified performance targets as disclosed in the Directors' Remuneration Report on page 53.

The fair value of the SAYE share options granted during the year have been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2010 SAYE three-year	**2010 SAYE five-year**	2009 SAYE three-year	2009 SAYE five-year
Weighted average share price at grant	**15p**	**15p**	115p	115p
Exercise price (adjusted)	**12p**	**12p**	92p	92p
Expected volatility	**51%**	**42%**	37%	30%
Average expected life (years)	**3**	**5**	3	5
Risk free rate	**2%**	**2%**	5%	5%
Expected dividend yield	**5%**	**5%**	3%	3%
Possibility of ceasing employment before vesting	**25%**	**25%**	12%	28%

The expected volatility is based on historic volatility over a three or five-year period in line with the term of the option. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. The expected dividend yield is based on the present value of expected future dividend payments to expiry.

Fair values per share of these options were:

	2010	**2010**	2009	2009
	Grant date	**Fair value of award**	Grant date	Fair value of award
SAYE – three-year	**21 July 2009**	**6p**	22 July 2008	38p
SAYE – five-year	**21 July 2009**	**5p**	22 July 2008	43p

iii) Co-Investment Plan

The Group operated a Co-Investment Plans for Directors, the exercise of which depended on the achievement of certain market related performance conditions. No grants were made during the year on this scheme as it has been replaced by a Long Term Equity Incentive Plan (LTIP).

The scheme and performance criteria are fully explained in the Directors' Remuneration Report on page 49.

22(b). Share-based payments continued

iv) Cash settled share-based payments

National Insurance payments due on the exercise of non-approved ESOS options and shares from the LTIP and the Co-Investment Plan are considered cash settled share-based payments.

The estimated fair value of the National Insurance cash settled share-based payments have been calculated using the Black-Scholes model. Inputs to the model for the grants during the year are summarised as follows:

	2010	2009
Share price at 31 March	24p	12p
Exercise price	–	–
Expected volatility	53%	30%
Term of option remaining (years)	2.2	2.2
Risk free rate	2%	2%
Expected dividend yield	5%	2%
Possibility of ceasing employment	10%	10%
Fair value of cash based payment per share	20p	20p

v) Share-based payment charges

The Group recognised a total charge in relation to share-based payments as follows:

	2010 £m	2009 £m
Equity settled share-based payments charged to equity	1.0	0.6
Cash settled share-based payments charged/(credited) to the income statement	0.1	(0.6)
	1.1	–

23. Other reserves

	Owner occupied property £m	Hedging reserve £m	Equity settled share-based payments £m	Merger reserve £m	Total £m
Balance at 1 April 2009	–	(2.9)	2.0	–	(0.9)
Fair value movement on derivatives	–	1.1	–	–	1.1
Charge to income statement	–	1.8	–	–	1.8
Value of employee services	–	–	0.6	–	0.6
Balance at 31 March 2009	–	–	2.6	–	2.6
Arising on share issue	–	–	–	8.7	8.7
Revaluation gain	0.7	–	–	–	0.7
Value of employee services	–	–	1.0	–	1.0
Balance at 31 March 2010	**0.7**	**–**	**3.6**	**8.7**	**13.0**

The revaluation gain on owner occupied property relates to the adoption of the revaluation model to measure owner occupied land and building at valuation rather than historic cost.

The merger reserve was created following the raising of £18.8m of equity through a cashbox share placing structure. As part of the arrangement for the placement, the Company entered into an arrangement with a subsidiary availing itself of statutory merger relief for not recording share premium under the Companies Act 2006. The nominal value of the new ordinary shares of £10.1m was credited to share capital and the remaining consideration of £9.1m less £0.4m costs were recorded as a merger reserve.

24. Investment in own shares

The Company has established an Employee Share Ownership Trust (ESOT) to purchase shares in the market for distribution at a later date in accordance with the terms of the 1993 and 2000 Executive Share Option Schemes, Co-Investment Plan and Long Term Equity Incentive Plan. The shares are held by an independent trustee and the rights to dividends on the shares have been waived except where the shares are beneficially owned by participants. During the year the Trust purchased 1,854,176 shares for a cash consideration of £0.2m. At 31 March 2010, the number of shares held by the Trust totalled 5,748,189 (2009: 3,635,119). At 31 March 2010 the market value of these shares was £1.4m (2009: £0.4m) compared to a nominal value of £0.6m (2009: £0.4m). £1.3m has been transferred to the ESOT relating to shares acquired under the Co-Investment Plan.

	2010 £m	2009 £m
Balance at 1 April	5.7	4.5
Acquisition of ordinary shares	0.2	1.2
Transfer of shares	1.3	–
Balance at 31 March	7.2	5.7

25. Joint venture

a) Background

For the period to 11 December 2009, Workspace Group PLC held 50% of the ordinary share capital of Workspace Glebe Limited. Its interest in this joint venture was equity accounted for in the Group's consolidated financial statements. As the joint venture had net liabilities at 31 March 2009, it was carried at nil value in the balance sheet given there was no commitment to fund the deficit.

On 11 December 2009 Workspace Group PLC acquired the remaining 50% of the share capital of Workspace Glebe Limited from Glebe Two Limited, the former joint venture partner. From this date Workspace Glebe Limited became a wholly-owned subsidiary of Workspace Group PLC.

At the same time Workspace 12 Limited, a subsidiary of Workspace Glebe Limited, issued four ordinary shares to the companies' lenders in consideration for the full release and discharge of £51.4m of its external debt. Workspace Glebe Limited borrowed £15m from Workspace Group PLC, to repay £15m of the remaining debt with the companies' lenders leaving outstanding debt of £68m secured on the investment properties of Workspace Glebe Limited and its subsidiaries.

As part of this restructuring, Workspace entered into a Proceeds Sharing Agreement with the lenders allowing the banks to share in any property disposal proceeds remaining after the repayment of the £68m debt and a priority return to Workspace.

This transaction has been accounted for under the remit of IFRS 3 (revised) 'Business Combinations'. The acquisition has occurred in stages. The revised standard requires that goodwill is determined only at the acquisition date rather than at previous stages. The determination of goodwill requires the previously held equity interest to be adjusted to fair value with any gain or loss recorded in the income statement. Acquisition related costs are expensed to the consolidated income statement. The excess of the consideration transferred over the Group's share of acquisition fair values is recorded as goodwill or where this is less than the fair value of the net assets of the subsidiary in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

b) Group's share of the joint venture assets, liabilities, income and expenses

The Group's share of amounts of each of current assets, long-term assets, current liabilities and long-term liabilities at 11 December 2009 are shown below:

	11 December 2009 £m	31 March 2009 £m
Investment properties	**46.5**	62.1
Current assets	**–**	1.2
Total assets	**46.5**	63.3
Current liabilities	**(5.9)**	(7.2)
Non-current liabilities	**(67.0)**	(67.2)
Total liabilities	**(72.9)**	(74.4)
Net liabilities	**(26.4)**	(11.1)

The Group's 50% share of the joint venture income and expenses up to 11 December 2009 is shown below:

Income and expenses:	**Period ended 11 December 2009 £m**	Year ended 31 March 2009 £m
Revenue	**3.0**	4.6
Direct costs	**(1.1)**	(1.4)
Net rental income	**1.9**	3.2
Administrative expenses	**–**	(0.1)
Change in fair value of investment property	**(16.2)**	(24.8)
Finance costs – interest payable	**(2.6)**	(4.1)
Change in fair value of derivative financial instruments	**0.8**	(4.5)
Loss before tax	**(16.1)**	(30.3)
Taxation	**–**	(0.3)
Loss after tax	**(16.1)**	(30.6)

25. Joint venture continued

c) Fair value adjustments on acquisition

The carrying value prior to acquisition and the applicable fair value adjustments to derive the goodwill calculation upon the business combination of the former Workspace Glebe joint venture is shown below:

	Value pre-business combination £m	Fair value adjustments £m	**Fair value on acquisition £m**
Investment properties[1]	93.0	3.7	**96.7**
Current assets	–	–	**–**
Total assets	93.0	3.7	**96.7**
Current liabilities[2,5]	(50.1)	49.6	**(0.5)**
Financial derivatives[3,5]	(7.8)	3.4	**(4.4)**
Non-current liabilities[4]	(133.9)	48.3	**(85.6)**
Total (liabilities)/assets	(191.8)	101.3	**(90.5)**
Net (liabilities)/assets	(98.8)	105.0	**6.2**

Representing:	
Group share of joint venture net assets	**3.1**
Net assets acquired on business combination	**3.1**

On acquisition the following fair value adjustments have been made:

Notes:
1. Adjustment to investment property valuation to reflect the fair value of the investment properties at acquisition from the previous carrying values.
2. Adjustment to current liabilities represents the elimination of the shareholder loans of £46.1m in a debt for equity swap and waived interest payments of £3.5m.
3. The fair value of the financial derivative held represents the fair value at date of acquisition, reflecting the new nominal principal agreed as part of the refinancing.
4. Adjustment to non-current liabilities represents the discharge of £51.4m debt by the lenders, less the expensing of £0.7m of financing costs associated with the original loan which has been deemed to be extinguished upon refinancing and less a priority fee payable by the end of the loan term of £2.4m (see note 21).
5. The aggregate of the current liabilities and the financial derivatives include shareholder loans of £46.1m which are not included under equity accounting and therefore are excluded from liabilities in the table in part (b) above.

d) Impact on the Income Statement of the business combination

The adjustments arising on the acquisition of the joint venture and their impact on the Income Statement are shown in the table below:

	Notes	**Period ended 11 December 2009 £m**
Consideration for acquisition of joint venture[1]		**–**
Net assets acquired on business combination	25c	**3.1**
Acquisition related costs		**(0.7)**
Negative goodwill on business combination[2]		**2.4**
Loss after tax	25b	**(16.1)**
Revaluation of share in joint venture[3]		**18.4**
Release of interest shortfall guarantee provision		**4.4**
Share in former joint venture profit/(loss) after tax		**6.7**
Release of tax indemnity provision	21	**5.1**
Total credit to the income statement		**14.2**

Notes:
1. The consideration paid for the controlling shares in the joint venture was £1. Acquisition related costs have been expensed.
2. Negative goodwill of £2.4m comprises the excess of the additional share of net assets being acquired over the consideration paid upon gaining control of the joint venture in December 2009, less acquisition costs. Negative goodwill has been credited to the Income Statement.
3. A revaluation adjustment of £29.5m arises when recognising the fair value of assets acquired of £3.1m (previous book value liability of £26.4m). Of this, £11.1m was recognised in the year ended 31 March 2009 resulting in a revaluation gain of £18.4m in the current year.

From the date of the business combination the contribution to the results of the Group has been a profit of £2.0m (including fair value movements).

If the combination had taken place at the start of the year then the contribution to the results would have been a loss of £27.9m (including fair value movements).

26. Related party transactions

Transactions between the Group and its former joint venture are set out below. These are related party transactions as defined in IAS24.

	2010 £m	2009 £m
Transactions year ended 31 March:		
Recharges to former joint venture	**0.4**	0.6
Recharges from former joint venture	**(0.1)**	(0.1)
Balances with former joint venture at 31 March:		
Amounts receivable from former joint venture	**–**	0.9
Loan to former joint venture	**–**	22.3

As from 11 December 2009, the former Workspace Glebe joint venture became a wholly-owned subsidiary of Workspace Group PLC and as such no related party balances are applicable as at 31 March 2010.

27. Capital commitments

At the year end the estimated amounts of contractual commitments for future capital expenditure not provided for were:

	2010 £m	2009 £m
Under contract:		
Purchases, construction or re-development of investment property	**0.4**	4.2
Repairs, maintenance or enhancement of investment property	**1.1**	0.7
	1.5	4.9
Authorised by Directors but not contracted :		
Property, plant and equipment	**0.1**	0.1
Purchases, construction or re-development of investment property	**5.6**	2.4
Repairs, maintenance or enhancement of investment property	**4.4**	2.4
	10.1	4.9
	11.6	9.8

28. Contingent liability

Upon restructuring of the former joint venture Workspace Group PLC entered into a proceeds sharing agreement with Workspace Glebe Limited's lenders allowing the banks to share in any property disposal proceeds remaining after the repayment of the £68m debt and priority fee, and also a return to Workspace for the initial consideration of £15m together with any capital expenditure incurred to the date of disposal to the extent not funded by cash flows of Workspace Glebe itself. All disposals are at the option of the Group. This gives rise to a contingent liability based upon the deemed value liable under this proceeds sharing agreement.

At 31 March 2010 the proceeds sharing contingent liability was calculated at £8.4m. This is based on 31 March 2010 valuation of the former joint venture portfolio of £101m.

The impact of this on EPRA NAV per share would be a decrease of 0.7p. This liability will be reviewed at each six-monthly valuation using the same basis to generate a contingent liability under this proceeds sharing agreement.

29. Principal subsidiary undertakings

Except where indicated otherwise, the Company (incorporated in the UK) wholly owns the following active subsidiary undertakings incorporated in the UK and registered in England and Wales, all of which are consolidated in the Group's financial statements:

Name	Nature of business	Share capital (ordinary shares)
Workspace 11 Ltd	Property investment	88,861,629 shares of £1
Workspace 12 Ltd*	Property investment	1,004 shares of 0.1 pence
Workspace 13 Ltd	Property investment	138,769,656 shares of £1
Workspace 14 Ltd*	Property investment	145,568,460 shares of £1
Workspace 15 Ltd	Property investment	37,772,814 shares of £1
Workspace Glebe Ltd	Property investment	2,000,004 shares of £1
Glebe 3 Ltd*	Property investment	1,000,000 shares of £1
Workspace Holdings Ltd	Holding company	2 shares of £1
LI Property Services Ltd	Insurance agents	100 shares of £1
Anyspacedirect.co.uk Ltd	Property advertising	1 share of £1
Workspace Management Ltd	Property management	2 shares of £1

* The share capital of these subsidiaries is held by other group companies.

A full list of subsidiary undertakings at 31 March 2010 will be appended to the Company's next annual return.

30. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for the year totals £0.5m (2009: £0.5m) representing contributions payable by the Group to the fund and is charged through trading profit.

The Group's commitment with regard to pension contributions range from 6% to 16.5% of an employee's salary and employee contributions range from 3% to 13%. The pension scheme is open to every employee after three months' qualifying service. The number of employees in the scheme at the year end was 103 (2009: 102).

31. Operating lease commitments

The following future minimum lease payments are due under non-cancellable operating leases:

	2010 £m	2009 £m
Motor vehicles:		
Due within one year	0.1	0.1
Due between two and five years	–	0.1
	0.1	0.2

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC (PARENT COMPANY)

We have audited the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2010 which comprise the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 55, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Workspace Group PLC for the year ended 31 March 2010.

Bowker Andrews (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 June 2010

PARENT COMPANY BALANCE SHEET
AS AT 31 MARCH

	Notes	2010 £m	2009 £m
Fixed assets			
Investments in subsidiary undertakings	C	**248.5**	203.0
		248.5	203.0
Current assets			
Debtors	D	**94.8**	138.5
Creditors: amounts falling due within one year	E	**(56.0)**	(80.1)
Net current assets		**38.8**	58.4
Total assets less current liabilities		**287.3**	261.4
Provisions for liabilities and charges	F	**–**	(9.5)
Net assets		**287.3**	251.9
Capital and reserves			
Called up share capital	G	**114.9**	104.6
Share premium account	G	**24.7**	24.6
Investment in own shares	G	**(7.2)**	(5.7)
Merger reserve	G	**8.7**	–
Profit and loss account	G	**146.2**	128.4
Total shareholders' funds		**287.3**	251.9

The financial statements were approved by the Board of Directors on 7 June 2010 and were signed on its behalf by:

H Platt
G Clemett
Directors

The notes on page 85 form part of these financial statements.

Workspace Group PLC
Registered number 2041612

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

A. Accounting policies

Although the Group consolidated financial statements are prepared under IFRS, the Workspace Group PLC Company financial statements are prepared under UK GAAP. The principal accounting policies of the Company are:

(a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Principles (UK GAAP). FRS 29 Financial Instruments – Disclosure (the UK GAAP equivalent of IFRS 7 Financial Instruments – Disclosure) has been adopted by the Company, but the disclosure requirements are met in note 17 of the Group financial statements.

(b) Cash flow statement

The Company has taken advantage of the exemption under FRS 1 not to produce a cash flow statement as one is prepared for the Group financial statements.

(c) Investment in subsidiary undertakings

Interests in subsidiary undertakings are carried in the Company's balance sheet at cost less impairment. Impairment in subsidiaries is taken to the profit and loss account.

(d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax assets and liabilities arise from differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.

In accordance with FRS 19 deferred tax has been recognised in respect of all timing differences which have originated, but not reversed, by the balance sheet date, except that deferred tax has not been recognised on any potential capital gain where a binding sale commitment is not in place.

The Company has not discounted deferred tax assets and liabilities.

(e) Share schemes

Incentives are provided to employees under share option schemes. The Company has established an Employee Share Ownership Trust (ESOT) to satisfy part of its obligation to provide shares when Group employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited.

B. Profit/(loss) for the year

As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit attributable to shareholders, before dividend payments, dealt with in the financial statements of the Company was £25.9m (2009: £76.4m loss).

Auditors' remuneration of £10,000 (2009: £10,000) has been borne by a subsidiary undertaking.

Proposed dividends are disclosed in note 7 to the consolidated financial statements.

C. Investment in subsidiary undertakings

	£m
Balance at 1 April 2009	203.0
Additions in the year	30.2
Part reversal of previous impairment	15.3
Balance at 31 March 2010	**248.5**

During the year the Company acquired 30,227,206 £1 redeemable preference shares in Workspace 13 Ltd as part of an internal loan restructure. The Company also acquired 2 £1 shares in the former joint venture company Workspace Glebe Ltd for £1 as part of a business combination. This Company is now a wholly owned subsidiary.

Refer to note 29 to the consolidated financial statements for the list of subsidiary undertakings.

D. Debtors

	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	**94.8**	129.7
Amounts owed by related parties	**–**	8.8
	94.8	138.5

Amounts due from subsidiary undertakings are unsecured and repayable on demand. Interest is charged to subsidiary undertakings.

E. Creditors: amounts falling due within one year

	2010 £m	2009 £m
Amounts owed to subsidiary undertakings	**54.4**	71.1
Amounts owed to related parties	**–**	5.5
Taxation and social security payable	**0.4**	0.4
Corporation tax payable	**1.2**	0.6
Accruals	**–**	2.5
	56.0	80.1

Amounts due to subsidiary undertakings are unsecured and repayable on demand. Interest is paid to subsidiary undertakings.

The Company is a guarantor for the external loan facilities of subsidiaries (see note 16 to the consolidated financial statements).

F. Provisions for liabilities and charges

	2010 £m	2009 £m
Balance at 1 April 2009	**9.5**	19.5
Provision in the year	**–**	4.4
Release of provision in the year	**(9.5)**	(14.4)
Balance at 31 March 2010	**–**	9.5

The provisions released are in relation to a tax indemnity and an interest shortfall guarantee to the former joint venture (refer note 21 of the consolidated financial statements).

G. Capital and reserves

Movements and notes applicable to share capital, share premium account, investment in own shares and merger reserve are shown in notes 22, 23 and 24 of the consolidated financial statements.

Profit and loss account:	£m
Balance at 1 April 2009	128.4
Profit for the year	25.9
Dividends paid	(8.1)
Balance at 31 March 2010	**146.2**

H. Reconciliation of movements in shareholders' funds

	2010 £m	2009 £m
Profit/(loss) for the financial year	**25.9**	(76.4)
Dividends paid	**(8.1)**	(7.8)
Merger reserve arising on share issue	**8.7**	–
Issue of shares	**10.4**	81.0
Movement on investment in own shares	**(1.5)**	(1.2)
Net movement in shareholders' funds	**35.4**	(4.4)
Opening shareholders' funds	**251.9**	256.3
Closing shareholders' funds	**287.3**	251.9

FIVE YEARS PERFORMANCE
2006-2010

	31 March 2010 £m	31 March 2009 £m	31 March 2008 £m	31 March 2007 £m	31 March 2006 £m
Rents receivable	**49.8**	54.2	51.4	45.6	49.2
Service charges and other income	**16.7**	15.6	15.5	14.3	14.0
Revenue	**66.5**	69.8	66.9	59.9	63.2
Trading profit	**35.3**	38.4	37.0	31.6	37.3
Interest (payable)/receivable^	**(24.5)**	(28.4)	(28.1)	(23.2)	(23.4)
Trading profit after interest	**10.8**	10.0	8.9	8.4	13.9
Profit/(loss) before taxation	**26.0**	(360.4)	(37.0)	112.5	149.0
Profit/(loss) after taxation	**24.2**	(360.4)	(34.7)	193.4	106.6
Earnings per share*	**2.3p**	(134.6)p	(15.2)p	86.5p	48.9p
Dividends per share*	**0.75p**	1.15p	3.43p	3.11p	2.83p
Dividends (total)	**8.6**	7.8	7.8	7.0	6.2
Investment properties	**713.2**	664.1	994.3	1,001.6	962.2
Less: net liabilities	**(39.5)**	(54.1)	(16.1)	(37.9)	(142.2)
Less: net debt	**(386.4)**	(358.1)	(441.4)	(381.1)	(429.7)
Net assets	**287.3**	251.9	536.8	582.6	390.3
Gearing	**134%**	142%	82%	65%	110%
Gearing on EPRA net assets	**125%**	129%	82%	65%	84%
Basic NAV per share*	**£0.25**	£0.24	£2.35	£2.55	£1.78
EPRA NAV per share*	**£0.27**	£0.27	£2.33	£2.52	£2.22

* Earnings per share, dividends per share and net assets per share have been restated to reflect adjustment for the Rights Issue in March 2009.
^ Excludes exceptional items.

KEY PERFORMANCE INDICATORS

Key Property Statistics

	31 March 2010*	31 March 2009	31 March 2008	31 March 2007*	31 March 2006
Number of estates	**105**	106	106	101	104
Lettable floorspace (m sq. ft.)†	**5.5**	5.0	5.2	4.9	5.8
Number of lettable units	**5,156**	4,546	4,611	4,304	4,952
Average unit size (sq. ft.)	**1,067**	1,099	1,118	1,139	1,166
Cash rent roll	**£50.7m**	£50.8m	£52.6m	£47.2m	£46.6m
Average rent per sq. ft.	**£11.22**	£12.64	£11.88	£11.34	£9.58
Overall occupancy	**81.9%**	80.3%	85.8%	84.8%	84.3%
Enquiries (number)	**12,109**	10,515	9,414	7,913	6,623
Lettings (number)	**1,203**	1,035	1,007	1,149	1,054

† Excludes storage space.
* In June 2006 a portfolio of properties totalling 1.2m sq. ft. with a rental income of £7.2m was transferred to a joint venture. In December 2009 these properties were reacquired by the Group with current rental income of £6.1m.

INVESTOR INFORMATION

The report and financial statements, share price information, Company presentations, Corporate Governance, contact details and other investor information on the Group are available on our investor website www.workspacegroup.co.uk/investors

Registrar

All general enquiries concerning ordinary shares in Workspace Group PLC, should be addressed to:

Computershare Services PLC
PO Box 82
The Pavillions
Bridgwater Road
Bristol BS99 6ZZ

Telephone: +44 (0) 870 707 1413

Alternatively, shareholders can contact Computershare online via their free Investor Centre facility. Shareholders have the ability to set up or amend bank details for direct credit of dividend payments, amend address details, view payment history and access information on the Company's share price. For more information or to register please visit www-uk.computershare.com/investor

Registered office and headquarters

Magenta House
85 Whitechapel Road
London E1 1DU
Registered number: 2041612

Telephone: +44 (0) 207 247 7614
Facsimile: +44 (0) 207 247 0157
Email: info@workspacegroup.co.uk

Company Secretary

Carmelina Carfora

The Company's advisers include:

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors

Norton Rose
3 More London Riverside
London SE1 2AQ

Bankers

The Royal Bank of Scotland
Corporate & Institutional Banking
280 Bishopsgate
London EC2M 4RB

Financial Adviser

N M Rothschild
New Court
St Swithin's Lane
London EC4P 4DU

Financial Adviser and Joint Stockbroker

Panmure Gordon & Co. plc
Moorgate Hall
155 Moorgate
London EC2M 6XB

Joint Stockbroker

Investec
2 Gresham Street
London EC2V 7QP

GLOSSARY OF TERMS

Cash rent roll is the current net rents receivable for occupied units.

Earnings per share (EPS) is the profit after taxation divided by the weighted average number of shares in issue during the period.

Employee Share Ownership Trust (ESOT) is the trust created by the Group to hold shares pending exercise of employee share options.

EPRA NAV is a definition of net asset value as set out by the European Public Real Estate Association. It represents net assets after excluding mark to market adjustments of effective cash flow hedges (financial derivatives) and deferred tax relating to revaluation movements, capital allowances and derivatives.

Equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the occupancy of the property and timing of the income receivable. This is approximated by the reversionary yield multiplied by the Group trend occupancy of 90%.

Estimated rental value (ERV) or market rental value is the Group's external valuers' opinion as to the open market rent, which on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review.

Exceptional items are significant items of income or expense that by virtue of their size, incidence or nature are shown separately on the Income Statement to enable a full understanding of the Group's financial performance.

Gearing is the Group's net debt as a percentage of net assets.

Gearing on adjusted net assets is the Group's net debt as a percentage of net assets excluding mark to market derivative adjustments.

Initial yield is the net rents generated by a property or by the portfolio as a whole expressed as a percentage of its valuation.

Interest cover is the number of times net interest payable is covered by operating profit.

IPD is the Investment Property Databank Ltd, a company that produces an independent benchmark of property returns.

LIBOR is the British Bankers' Association London Interbank Offer Rate.

Like-for-like are those properties that have been held throughout a 12-month period and have not been subject to a refurbishment programme in the last 24 months.

Loan to value is the current loan balance divided by the current value of properties secured on the loan.

Market rental values (see ERV).

Net assets per share (NAV) are net assets divided by the number of shares in issue at the period end (excluding shares held in the ESOT).

Net rents are rents excluding any contracted increases and after deduction of inclusive service charge revenue.

Occupancy percentage is the area of space let divided by the total net lettable area (excluding land used for open storage).

Open market value is an opinion of the best price at which the sale of an interest in a property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers).

Profit/(loss) before tax (PBT) is income less all expenditure other than taxation.

Property Income Distribution (PID) is a dividend generally subject to withholding tax that a UK REIT is required to pay from its tax-exempted property rental business and which is taxable for UK resident shareholders at their marginal tax rate.

REIT is a Real Estate Investment Trust as set out in the UK Finance Act 2006 Sections 106 and 107. REITs pay no corporation tax on profits derived from their property rental business.

Rent roll (see cash rent roll)

Rent per sq. ft. is the net rent divided by the occupied area.

Reversion/reversionary income is the increase in rent estimated by the Group's external valuers, where the net rent is below the current estimated rental value. The increases to rent arise on rent reviews, letting of vacant space, expiry of rent free periods or rental increase steps.

Reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value. It is calculated by dividing the ERV by the valuation.

Small and medium-sized enterprises (SMEs) are those businesses with a turnover of less than £1m p.a. or staff of less than 50. Most Workspace customers are SME businesses with staffing of up to 20.

Total shareholder return (TSR) is the return obtained by a shareholder calculated by combining both share price movements and dividend receipts.

Trading profit after interest is net rental income, less administrative expenses, less net interest including amortisation of financing costs.

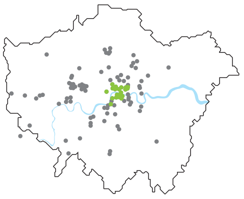
Workspace Group

INVESTING IN WORKSPACE FOR ENTREPRENEURS IN LONDON

CENTRAL LONDON

Property Name	Post Code	Category	Property use	Tenure*	Acreage	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
Central								
◆ 14 Greville St	EC1N 8SB	Like for Like	Business Centre/Offices	f/h	0.1	10,961	247	559
◆ 57/59 Whitechapel Road	E1 1DU	Like for Like	Business Centre/Offices	f/h	0.1	2,760	45	41
■ Archer Street	W1D 7AZ	Like for Like	Business Centre/Offices	f/h	0.1	14,981	493	535
■ Baldwins Gardens – Hatton Sq	EC1N 7RJ	Like for Like	Business Centre/Offices	f/h	0.4	43,383	720	898
● Clerkenwell Workshops	EC1R 0AT	Like for Like	Business Centre/Offices	f/h	0.4	52,174	1,629	2,108
■ E1 Business Centre (formerly Neil House)	E1 6TD	Refurbished	Business Centre/Offices	f/h	0.3	41,384	506	641
● Enterprise Estate, Upper Grnd, & Hatfield	SE1 9PG	Like for Like	Business Centre/Offices	f/h	0.5	73,195	1,764	1,959
■ Exmouth House	EC1R 0JH	Like for Like	Business Centre/Offices	Long l/h	0.4	54,075	1,117	1,405
● Great Guildford Street	SE1 0HS	Like for Like	Business Centre/Offices	f/h	1.6	94,674	1,308	1,491
◆ Holywell Centre	EC2A 4PS	Like for Like	Business Centre/Offices	f/h	0.4	21,794	276	392
◆ Langdale House	SE1 1EN	Like for Like	Business Centre/Offices	f/h	0.1	11,776	227	193
■ Linton House	SE1 0LH	Like for Like	Business Centre/Offices	f/h	0.2	34,216	681	654
◆ Magenta House	E1 1DU	Like for Like	Business Centre/Offices	f/h	0.1	0	200	217
■ Quality Court	WC2A 1HR	Like for Like	Business Centre/Offices	f/h	0.1	17,630	621	768
● Southbank House	SE1 7SJ	Like for Like	Business Centre/Offices	f/h	0.5	62,317	1,447	1,736
◆ St Ives – Ewer Street	SE1 0NR	Held for sale/development	Business Centre/Offices	f/h	0.2	14,401	14	288
◆ Surrey House	SE1 0NZ	Held for sale/development	Business Centre/Offices	f/h	0.2	16,142	8	340
● The Leathermarket	SE1 3ER	Like for Like	Business Centre/Offices	f/h	1.7	123,829	2,269	2,644
■ Westminster Business Square	SE11 5JH	Like for Like	Business Centre/Offices	f/h	1.3	62,968	803	913
■ Whitechapel Technology Centre	E1 1DU	Like for Like	Business Centre/Offices	Mainly f/h	0.9	35,404	655	679
					9.7	**788,064**	**15,028**	**18,459**

9.7
Total acreage



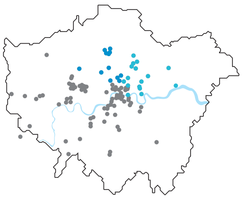
Key
■ Workspace properties
■ Central properties

NORTH AND EAST LONDON

Property Name	Post Code	Category	Property use	Tenure*	Acreage	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
North								
■ Atlas Business Centre	NW2 7HJ	Like for Like	Industrial	f/h	5.8	152,136	1,005	1,324
◆ Belgravia Workshops	N19 4NF	Like for Like	Business Centre/Offices	f/h	0.5	32,324	317	330
■ Bounds Green Industrial Estate	N11 2UL	Like for Like	Industrial	f/h	6.5	123,359	620	934
■ Highbury Grove/Aberdeen Centre	N5 2EA	Like for Like	Business Centre/Offices	f/h	1.9	63,302	581	620
■ Leroy House	N1 3QP	Like for Like	Business Centre/Offices	f/h	0.5	46,924	645	798
◆ Mallard Place	N22 6TS	Like for Like	Industrial	Long l/h	0.3	10,150	0	83
◆ Parma House	N22 6XF	Like for Like	Business Centre/Offices	f/h	0.4	35,031	301	311
◆ Quicksilver Place	N22 6XH	Like for Like	Industrial	Long l/h	0.8	27,810	135	167
■ Spectrum House	NW5 1LP	Like for Like	Business Centre/Offices	f/h	0.7	47,648	476	546
■ The Chocolate Factory	N22 6XJ	Like for Like	Business Centre/Offices	Mainly f/h	2.8	118,412	850	936
◆ The Ivories	N1 2HY	Like for Like	Business Centre/Offices	f/h	0.4	24,802	382	382
■ The Wenlock (formerly Wharf Road)	N1 7EU	Refurbished	Business Centre/Offices	f/h	0.7	27,887	374	583
					21.4	**709,785**	**5,687**	**7,015**
East								
■ 1-13 Stratford Office Village	E15 4EA	Like for Like	Business Centre/Offices	f/h	1.6	51,986	556	1,100
◆ Alpha Business Centre	E17 7NX	Like for Like	Business Centre/Offices	Short l/h	0.8	22,168	265	330
◆ Bow Enterprise Park	E3 3QQ	Held for sale/development	Industrial	f/h	3.5	78,677	395	716
◆ Bow Exchange	E3 3QP	Like for Like	Business Centre/Offices	f/h	0.8	38,124	232	292
◆ Buzzard Creek Industrial Estate	IG11 0EL	Like for Like	Industrial	Long l/h	3.1	42,500	245	328
■ Cremer Business Centre	E2 8HD	Like for Like	Business Centre/Offices	f/h	0.3	41,363	340	473
◆ Fairways	E10 7QT	Like for Like	Industrial	f/h	1.9	47,091	337	364
◆ Greenheath Business Centre	E2 6JL	Held for redevelopment/sale	Business Centre/Offices	Mainly f/h	0.4	56,527	176	334
■ Highway Business Park	E1 9HR	Like for Like	Industrial	f/h	1.1	19,969	226	315
■ Leyton Business Centre	E10 7QP	Like for Like	Industrial	f/h	6.3	123,948	539	505
◆ Leyton Studios	E10 7QE	Like for Like	Industrial	f/h	0.5	18,962	111	121
◆ Mare Street Studios	E8 3QE	Like for Like	Business Centre/Offices	Mainly f/h	0.8	39,947	399	386
■ Marshgate Centre	E15 2NH	Like for Like	Industrial	f/h	2.8	92,674	264	519
● Poplar Business Park	E14 9RL	Like for Like	Industrial	Mainly f/h	4.2	74,755	1,000	1,373
◆ Redbridge Enterprise Centre	IG1 1TY	Like for Like	Industrial	f/h	1.5	20,064	211	227
● Uplands	E17 5QN	Like for Like	Industrial	f/h	12.0	283,197	1,238	1,660
					41.4	**1,051,952**	**6,535**	**9,043**

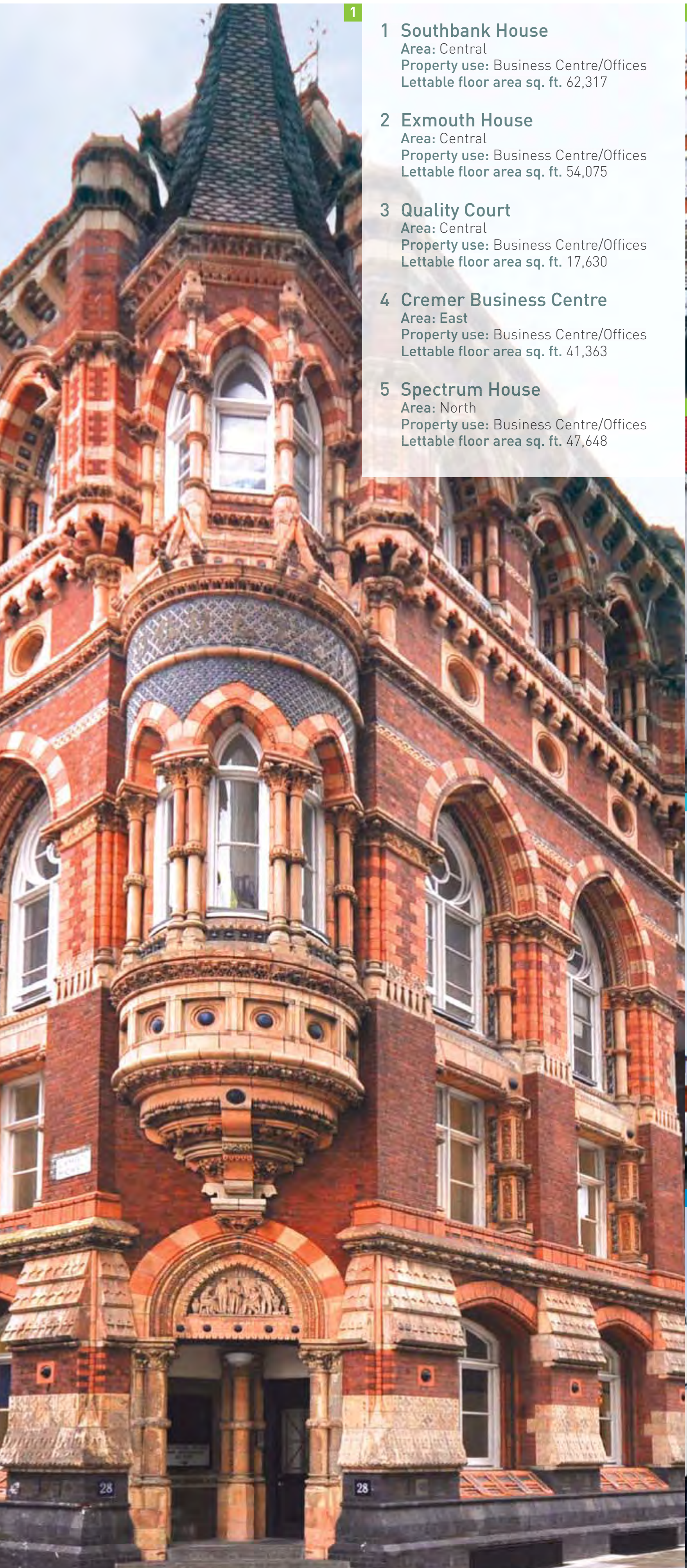
● denotes properties with value over £15m
■ denotes properties with value of between £5m and £15m
◆ denotes properties with value less than £5m
* f/h Freehold, l/h Leasehold
† excludes storage space
Property details correct as at 31 March 2010

62.8
Total acreage



Key
■ Workspace properties
■ North properties
■ East properties

1



1 **Southbank House**
Area: Central
Property use: Business Centre/Offices
Lettable floor area sq. ft. 62,317

2 **Exmouth House**
Area: Central
Property use: Business Centre/Offices
Lettable floor area sq. ft. 54,075

3 **Quality Court**
Area: Central
Property use: Business Centre/Offices
Lettable floor area sq. ft. 17,630

4 **Cremer Business Centre**
Area: East
Property use: Business Centre/Offices
Lettable floor area sq. ft. 41,363

5 **Spectrum House**
Area: North
Property use: Business Centre/Offices
Lettable floor area sq. ft. 47,648

2

3

4

5

Why London?

London has the highest concentration of SMEs in the UK.

London is a world class city acting as a global hub for business and culture.

London has a diverse multi-cultural population with a significant inward migration.

London is the primary engine of future growth in the UK economy with our customers representing the highest concentration of the fastest growing small businesses.

Property portfolio characteristics

105
total number of estates

3.4m sq.ft.
of our lettable space is within 6 miles of the London Eye

5.5m sq.ft.
total lettable floor area

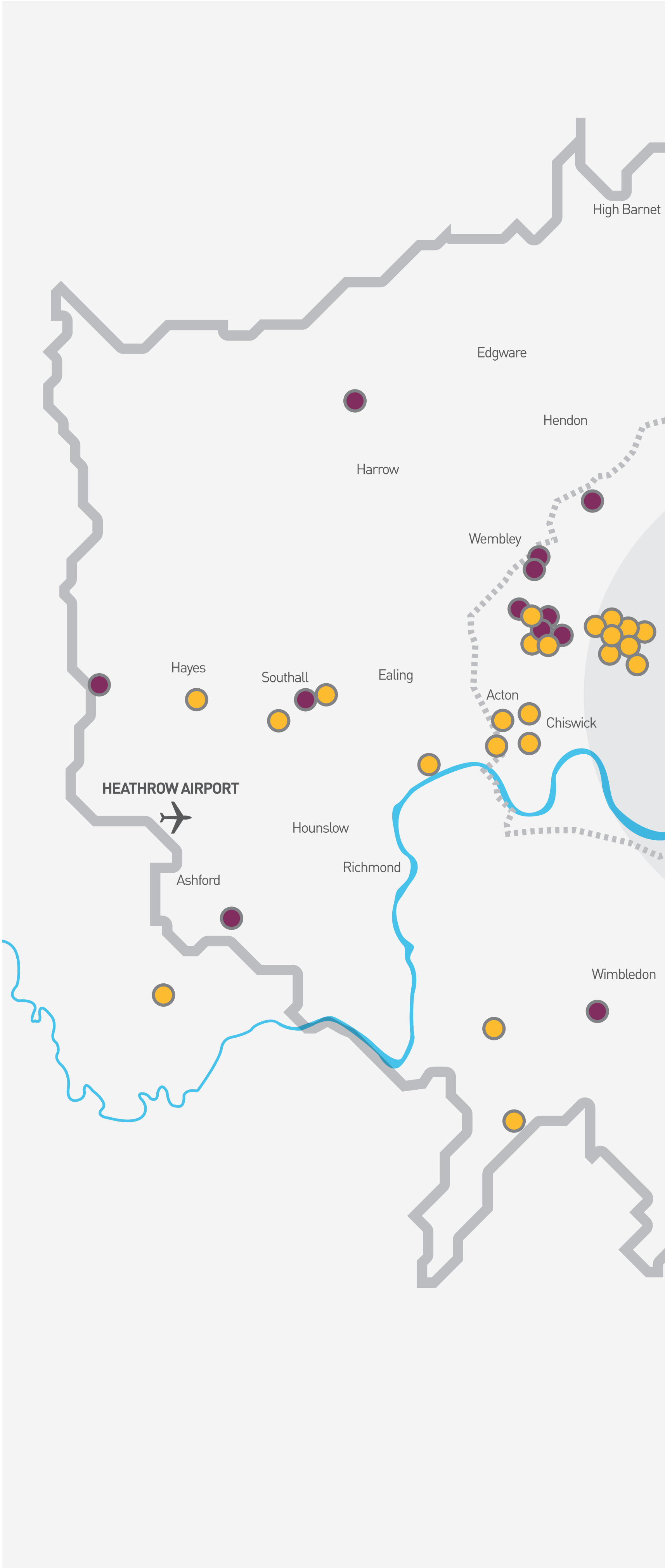
156
total acres of property

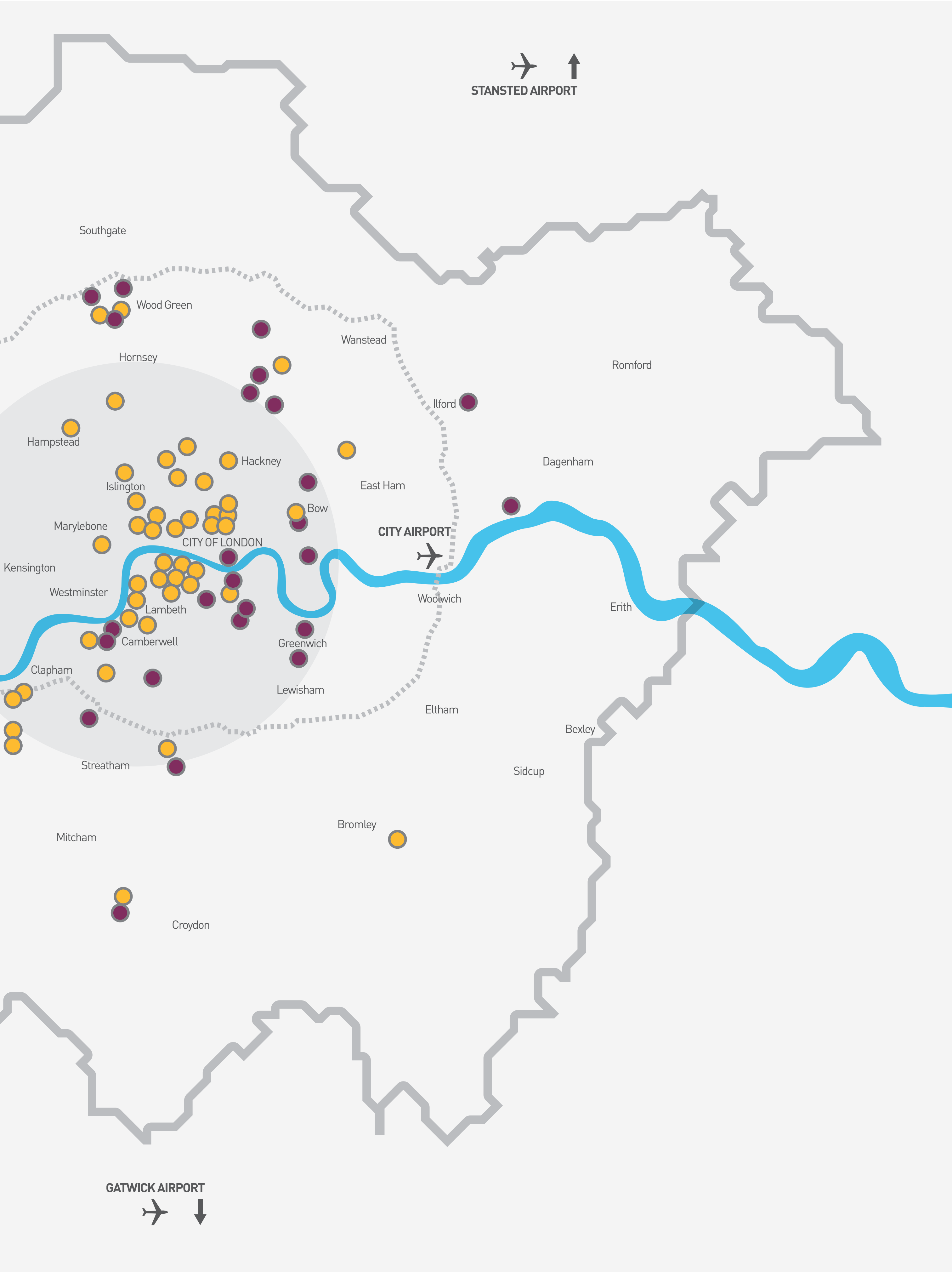
£126per sq.ft.
capital value of portfolio

£11.22per sq.ft.
average rent of portfolio

Key

- Business Centre/Offices
- Industrial property
- Greater London
- North/South circular orbital
- 6 miles radius from London Eye



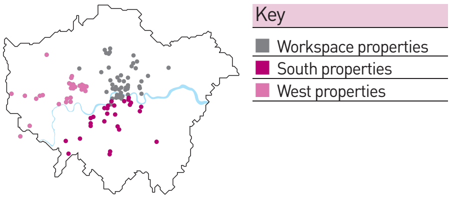

STANSTED AIRPORT
Southgate
Wood Green
Hornsey
Wanstead
Romford
Ilford
Hampstead
Hackney
Dagenham
Islington
East Ham
Bow
Marylebone
CITY AIRPORT
CITY OF LONDON
Kensington
Westminster
Woolwich
Erith
Lambeth
Camberwell
Greenwich
Clapham
Lewisham
Eltham
Bexley
Streatham
Sidcup
Bromley
Mitcham
Croydon
GATWICK AIRPORT

SOUTH AND WEST LONDON

Property Name	Post Code	Category	Property use	Tenure*	Acreage	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
South								
◆ 55 Bendon Valley	SW18 4LZ	Like for Like	Business Centre/Offices	f/h	0.4	19,371	183	217
◆ Alscot Road Industrial Estate	SE1 3AW	Like for Like	Industrial	f/h	0.2	6,370	77	96
■ Avro & Hewlett Hse Havelock Terrace	SW8 4AS	Like for Like	Business Centre/Offices	f/h	0.7	58,288	548	567
■ Bendon Valley Riverside	SW18 4UQ	Like for Like	Business Centre/Offices	f/h	2.0	80,000	694	795
◆ Canterbury Industrial Park	SE15 1NP	Like for Like	Industrial	f/h	1.0	18,893	142	207
■ Creekside (Faircharm Trading Estate)	SE8 3DX	Like for Like	Industrial	f/h	2.3	106,005	458	651
◆ Hamilton Road	SE27 9SF	Like for Like	Industrial	f/h	1.0	23,531	166	213
◆ Homesdale Business Centre	BR1 2QZ	Like for Like	Business Centre/Offices	f/h	0.6	14,043	125	189
● Kennington Park	SW9 6DE	Refurbished	Business Centre/Offices	f/h	6.2	368,106	3,987	5,064
◆ Kingsmill Business Park	KT1 3AP	Like for Like	Business Centre/Offices	Long l/h	1.5	40,151	279	414
■ Lombard Business Centre	CR0 3JP	Like for Like	Business Centre/Offices	f/h	2.2	67,235	433	687
◆ Mahatma Ghandi	SE24 0JF	Like for Like	Industrial	f/h	0.9	16,750	87	219
◆ Michael Manley	SW8 4TU	Like for Like	Industrial	f/h	0.3	5,800	75	71
◆ Morie Street	SW18 1SL	Like for Like	Business Centre/Offices	f/h	0.3	21,687	226	268
■ Parkhall Road Trading Estate	SE21 8EN	Like for Like	Business Centre/Offices	f/h	2.2	1,000	666	924
◆ Pensbury Industrial Estate	SW8 4TL	Like for Like	Industrial	f/h	1.2	19,971	224	214
◆ Progress Park	CR0 4XD	Like for Like	Industrial	f/h	1.8	31,002	267	276
◆ Rainbow Industrial Estate	SW20 0JK	Like for Like	Storage	f/h	4.7	1,000	309	418
◆ Rudolph Place	SW8 1RP	Like for Like	Business Centre/Offices	f/h	0.4	14,609	238	234
◆ Sundial Court	KT5 9RN	Like for Like	Business Centre/Offices	f/h	0.6	26,110	346	349
◆ T Marchant	SE16 3DH	Like for Like	Industrial	f/h	2.1	51,721	251	370
◆ Thurston Road Industrial Estate	SE13 7SH	Held for redevelopment/sale	Awaiting return of commercial space	f/h	0.0	0	0	561
◆ Tower Bridge Block F Business Complex	SE16 4DG	Held for redevelopment/sale	Industrial	f/h	2.7	141,881	0	652
● Tower Bridge Business Complex	SE16 4DG	Like for Like	Business Centre/Offices	f/h	9.9	417,894	2,425	3,244
■ Union Court	SW4 6JP	Like for Like	Business Centre/Offices	f/h	1.9	67,987	596	655
■ Wandsworth Business Village	SW18 4JQ	Held for redevelopment/sale	Business Centre/Offices	f/h	2.1	20,007	51	229
◆ Zennor Road	SW12 0PS	Like for Like	Industrial	f/h	1.9	66,003	283	472
					51.2	**1,832,738**	**13,135**	**18,255**
West								
◆ 2 Cullen Way	NW10 6JZ	Like for Like	Industrial	f/h	0.1	3,641	17	35
◆ 10 Cullen Way	NW10 7JF	Like for Like	Industrial	f/h	0.2	10,304	33	59
◆ 28-30 Park Royal Road	NW10 7LF	Like for Like	Business Centre/Offices	f/h	0.7	28,175	223	268
◆ 330 Ladbroke Grove	W10 5AS	Like for Like	Business Centre/Offices	f/h	0.1	2,000	34	34
■ Acton Business Centre	NW10 6TD	Like for Like	Industrial	f/h	2.0	50,361	456	533
◆ Arches Business Centre	UB2 4AU	Like for Like	Business Centre/Offices	f/h	1.5	40,725	299	322
◆ Artesian Close Industrial Estate	NW10 8RW	Like for Like	Industrial	f/h	1.2	15,814	197	213
◆ Artesian Land	NW10 8JP	Like for Like	Industrial	f/h	0.0	4,500	18	0
◆ Barratt Way Industrial Estate – Harrow	HA3 5TJ	Like for Like	Industrial	f/h	2.3	48,506	284	388
■ Canalot Studios	W10 5BN	Like for Like	Business Centre/Offices	f/h	0.7	30,414	581	600
■ Charles House	UB2 4BD	Like for Like	Industrial	f/h	2.0	75,576	668	784
◆ Chiswick Studios	W4 5PY	Like for Like	Business Centre/Offices	f/h	0.5	14,244	161	191
◆ Enterprise, Hayes	UB3 1DD	Held for redevelopment/sale	Business Centre/Offices	f/h	1.0	90,826	245	395
◆ Europa Studios	NW10 6ND	Like for Like	Business Centre/Offices	f/h	0.6	23,582	293	368
■ Grand Union Centre	W10 5AS	Held for redevelopment/sale	Business Centre/Offices	f/h	1.6	50,672	482	642
◆ Horton Road	UB7 8JD	Like for Like	Industrial	f/h	1.9	41,495	205	193
◆ Ladbroke Hall	W10 6AZ	Like for Like	Business Centre/Offices	f/h	0.6	15,219	170	244
◆ Littleton House	TW15 1UU	Like for Like	Business Centre/Offices	f/h	1.4	38,499	160	312
◆ Long Island House	W3 0RG	Like for Like	Business Centre/Offices	f/h	0.2	29,968	167	294
◆ Maple Industrial Estate	TW13 7AW	Like for Like	Industrial	Long l/h	1.2	18,210	167	223
■ Pall Mall Deposit	W10 6BL	Like for Like	Business Centre/Offices	f/h	0.6	49,610	740	823
◆ Park Royal Business Centre	NW10 7LQ	Like for Like	Business Centre/Offices	f/h	0.5	30,347	277	344
◆ Park Royal House	NW10 7JH	Like for Like	Business Centre/Offices	f/h	0.1	10,203	59	79
◆ Q West	TW8 0GP	Refurbished	Business Centre/Offices	Long l/h	0.9	40,401	-57	393
■ The Barley Mow Centre	W4 4PH	Refurbished	Business Centre/Offices	f/h	0.9	74,577	1,054	1,478
■ The Light Box	W4 5PY	Like for Like	Business Centre/Offices	f/h	1.9	75,698	741	1,046
◆ The Shaftesbury Centre	W10 6BN	Like for Like	Business Centre/Offices	f/h	0.1	12,595	162	247
● Westbourne Studios	W10 5JJ	Like for Like	Business Centre/Offices	Long l/h	0.1	56,770	1,356	1,610
◆ Westwood Business Centre	NW10 6NB	Like for Like	Industrial	f/h	2.7	47,415	321	477
◆ Windmill Place	UB2 4NJ	Like for Like	Business Centre/Offices	f/h	0.7	25,779	267	380
					28.3	**1,056,126**	**9,779**	**12,974**

● denotes properties with value over £15m
■ denotes properties with value of between £5m and £15m
◆ denotes properties with value less than £5m
* f/h Freehold, l/h Leasehold
† excludes storage space
Property details correct as at 31 March 2010

79.5
Total acreage



1

1. **Long Island House**
   Area: West
   Property use: Business Centre/Offices
   Lettable floor area sq. ft. 29,968

2. **Europa Studios**
   Area: West
   Property use: Business Centre/Offices
   Lettable floor area sq. ft. 23,582

3. **The Barley Mow Centre**
   Area: West
   Property use: Business Centre/Offices
   Lettable floor area sq. ft. 74,577

4. **Acton Business Centre**
   Area: West
   Property use: Industrial
   Lettable floor area sq. ft. 50,361

5. **Chiswick Studios**
   Area: West
   Property use: Business Centre/Offices
   Lettable floor area sq. ft. 14,244

2

3

4

5

OUTSIDE LONDON

Property Name	Post Code	Category	Property use	Tenure*	Acreage	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
◆ Clyde House, Maidenhead	SL6 8BR	Like for Like	Business Centre/Offices	Long l/h	1.6	29,652	261	276
◆ Harlow Enterprise Centre, Harlow	CM20 2HS	Like for Like	Industrial	f/h	1.8	51,851	306	418
					3.4	81,503	567	694

PROPERTY SUMMARY

Property Name	Acreage	Lettable floor area sq. ft.†	Net Rent Roll of occupied units £000s	ERV £000s
Outside London	3.4	81,503	567	694
Central	9.7	788,064	15,028	18,459
North	21.4	709,785	5,687	7,015
South	51.2	1,832,738	13,135	18,255
East	41.4	1,051,952	6,535	9,043
West	28.3	1,056,126	9,779	12,974
Total as at 31 March 2010	**155.5**	**5,520,168**	**50,732**	**66,440**

◆ denotes properties with value less than £5m
* f/h Freehold, l/h Leasehold
† excludes storage space
Property details correct as at 31 March 2010

Poplar Business Park
Area: East
Property use: Industrial
Lettable floor area sq. ft. 74,755

Tower Bridge Business Complex
Area: South
Property use: Business Centre/Offices
Lettable floor area sq. ft. 417,894

Workspace Group

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

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

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

Properties featured on front cover:

Top left: Canalot Studios
Area: West
Property use: Business Centre/Offices
Lettable floor area sq. ft. 30,414

Top right: Pall Mall Deposit
Area: West
Property use: Business Centre/Offices
Lettable floor area sq. ft. 49,610

Bottom: Canterbury Court at Kennington Park
Area: South
Property use: Business Centre/Offices

FIND OUT MORE ABOUT WORKSPACE

Key Investor Publications
1. Annual Report 2010
2. Annual Report 2009
3. Annual Report 2008
4. Sustainability Report 2008


1.


2.


3.


4.

Customer Publications
1. The Beginners' Guide to finding the right business space
2. HUB Magazine

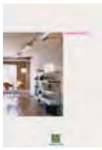

1.

2.

Stakeholder Publications
1. My Life, My Work, My Space
2. Changing Environments
3. Dynamic Environments
4. Changing Spaces

1.


2.


3.

4.

Promotional Publications
1-4 Property Marketing Brochures:
1. Canterbury Court
2. The Wenlock
3. Barley Mow Centre
4. The start-up business pack


1.

2.

3.


4.

Online
- Business Space Search
- Enquiries
- TradeLink

www.workspacegroup.co.uk

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-2524
© 1996 Forest Stewardship Council
FSC

This Report is printed on materials which are FSC certified from well-managed forests.

These materials contain ECF (Elemental Chlorine Free) pulp and are 100% Recyclable.

Designed by Carnegie Orr (a Workspace Group customer) 020 7610 6140.

Workspace Group

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

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