TRADING PERFORMANCE CONTINUES TO IMPROVE WITH PROPERTY VALUES RECOVERING IN SECOND HALF OF YEAR

Workspace Group plc ("Workspace") today announces its results for the 12 month period to March 2010. The Company provides space to some 4,000 small and medium sized enterprises across London.

Highlights

Trading

- Like for like occupancy up to 84.7% from 82.9% at March 2009. Overall occupancy up 1.6% to 81.9%.
- Like for like cash rent roll down 5% in year but up 1.6% in last quarter.
- Good levels of enquires and lettings.

Property Portfolio

- Property valuation up 2.3% in the year
- NAV per share 27p, up 23% in last six months
- £101m of property acquired during year.
- £57m of property disposals completed at an income yield of 6.3%.
- Lettable floorspace up 10% to 5.5m sq ft.

Glebe JV acquisition

- £97m of property acquired for £83m, income yield of 7.3%.
- Delivered an immediate 1.5p increase in NAV per share on acquisition.

Results

- Trading profit after interest up 8% to £10.8m.
- Profit before tax £26m compared to loss of £360m in 2009.
- Dividend maintained, scrip alternative offered.

Financing

- In advanced discussions on refinancing of GE debt.

Commenting Harry Platt, Chief Executive of Workspace added:

" Occupancy is continuing to improve and enquires are at a good level. Our brand is recognised and well understood by London's entrepreneurs. Cash rent roll has also begun to recover as pricing has stabilised and we have seen some recovery in property values, although they are still some 36% below their peak.

In December 2009 we re-purchased our former Workspace Glebe joint venture portfolio. This has already been an excellent acquisition that has immediately enhanced both EPS and NAV per share and has significant long term potential.

Our disposals in the year include £15m of realised cash from our added value programme. We continue to make progress on creating and realising further additional value, reflecting the underlying regeneration potential across the portfolio.

The Company is performing well with a resilient and vibrant customer base and we look to the future with confidence".

-ends-

Date: 7 June 2010
For further information:

Workspace Group PLC
Harry Platt, Chief Executive
Graham Clemett, Finance Director
020-7247-7614
e-mail: info@workspacegroup.co.uk
web: www.workspacegroup.co.uk

City Profile
Jonathan Gillen
020-7448-3244

Chairman's Statement

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 focussed 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 5 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 3 years. The Company is also in advanced discussions with a group of lenders in relation to a new £200m 5 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 4 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 9 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
- 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 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 5 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 2 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.

Chief Executive's Statement

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, on each of which we have made significant progress: -

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 £sq. ft	£11.22	£12.64
Capital Value/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 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 JV portfolio. Our property hopper is well developed both to deliver significant increases in alternative use value over the next 2 to 3 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 upon 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.

Business Review

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.

Average number per month	Quarter to March 2010	Quarter to December 2009	Quarter to September 2009	Quarter to June 2009	Prior Year
Enquiries	1,145	1,019	941	931	876
Lettings	87	108	101	105	86

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.

Industry Sector	% of Customers (by number)
Creative Industries	27%
Business and Professional	15%
Wholesale and Retail	14%
Manufacturing	10%
Information and Communication	6%
Health and Social Work	5%
Construction	4%
Other Sectors	19%

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 6 months.

A more detailed analysis of performance by property category is set out below.

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
Ave. Rent psf	£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 9 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 8 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 5 properties with a value of £85m as at March 2010. We target to achieve an occupancy of 90% within 2 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 6 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 5 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%	£0.0m	£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.

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, 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 2 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 §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 (2 stops to the Olympic Park and 4 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 5 year debt facility of £68m provided by Bank of Scotland, with further potential amounts payable over time under a proceed 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 proceed 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 business	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 3 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.

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 redevelopment	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%.

Cashflow

£m	2010	2009
Operating cashflow	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 cashflow 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*	2.0%
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

	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
Workspace Group directly owned portfolio#					
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	£64.6	£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 annual 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	£6.8	£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.

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	20d	**6.7**	(23.9)
Negative goodwill on business combination	20d	**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

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

Consolidated Balance Sheet
As at 31 March

	Notes	2010 £m	2009 £m
Non-current assets			
Investment properties	10	**713.2**	664.1
Intangible assets		**0.4**	0.3
Property, plant and equipment		**3.4**	3.1
Trade and other receivables		**4.9**	-
		721.9	667.5
Current assets			
Trade and other receivables		**4.5**	9.1
Cash and cash equivalents	11	**2.1**	3.7
		6.6	12.8
Current liabilities			
Bank overdraft	12a	**(2.3)**	-
Derivative financial instruments	12d&e	**(22.6)**	(26.2)
Trade and other payables		**(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	12a	**(384.1)**	(359.4)
Deferred tax liabilities	15	**-**	(0.1)
Provisions	16	**-**	(9.5)
Other non-current liabilities		**(0.9)**	-
		(385.0)	(369.0)
Net assets		**287.3**	251.9
Shareholders' equity			
Ordinary shares	17	**114.9**	104.6
Share premium	17	**24.7**	24.6
Investment in own shares	19	**(7.2)**	(5.7)
Other reserves	18	**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

Consolidated Statement of Changes in Equity

	Notes	Attributable to owners of the Parent					
	Notes	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
Revaluation of owner occupied property		-	-	-	0.7	-	0.7
Total comprehensive income		-	-	-	0.7	24.2	24.9
Transactions with owners:							
Share issues	17	10.3	0.1	-	8.7	-	19.1
ESOT shares net purchase	19	-	-	(0.2)	-	-	(0.2)
Transfer of shares	19	-	-	(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	13	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	13	3.7	(1.1)
Cash and cash equivalents at end of year	13	(0.2)	3.7

(1) 2010 includes £2.5m fees relating to 2008/9 rights issue
(2) Costs relating to 2008/09 borrowing facility amendments

Notes to the Financial Statements

For the year ended 31 March

Basis of Preparation

The financial information in this report is abridged and does not constitute the Group's full Financial Statements for the years ended 31 March 2010 and 31 March 2009, and has been prepared under International Financial Reporting Standards (IFRS).

Full Financial Statements for the year ended 31 March 2009 were prepared under IFRS , received an unqualified auditors' report and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies.

Financial Statements for the year ended 31 March 2010 will be presented to the Members at the forthcoming Annual General Meeting; the auditors' report on these Financial Statements is unqualified and does not contain a statement S498(2) or (3) of Companies Act 2006.

1. Analysis of net rental income and segmental information

	2010			2009		
	Revenue £m	Direct Costs £m	Net rental income £m	Revenue £m	Direct Costs £m	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 16)	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

(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.

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	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 staff costs above are net of recharges for staff employed at former joint venture properties.

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).

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	-

(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 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 12(f).

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	(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. 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
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 13).

12. 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 +2.0%	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 G E 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.

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 has 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

13. 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

14. 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.

15. 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.

16. 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)	-

(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.

17. 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 18) 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.

18. 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.

19. 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

20. 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 owner subsidiary of Workspace Group PLC.

At the same time Workspace 12 Limited, a subsidiary of Workspace Glebe Limited, issued 4 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)

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 adjustment have been made:

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 shareholders 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:

	Period ended 11 December 2009 £m
Consideration for acquisition of joint venture [1]	-
Net Assets acquired on business combination (see note 20c)	3.1
Acquisition related costs	(0.7)
Negative goodwill on business combination [2]	**2.4**
Loss after tax (see note 20b)	(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 (See note 16)	5.1
Total credit to the income statement	**14.2**

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).

21. 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 cashflows 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 arrangement.

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 arrangement.

Responsibility Statement

The 2010 Annual Report, which will be issued at the end of June 2010, contains a responsibility statement in compliance with DTR 4.1.12. This states that on 7 June 2010 the date of approval of the Annual Report, the Directors confirm that to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- The Business Review contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, with a description of the principal risks and uncertainties that the Group faces included in a separate section.

The directors of Workspace Group PLC are listed in the Group's 2010 Annual Report. A list of current Directors is maintained on the Group's website: www.workspacegroup.co.uk.