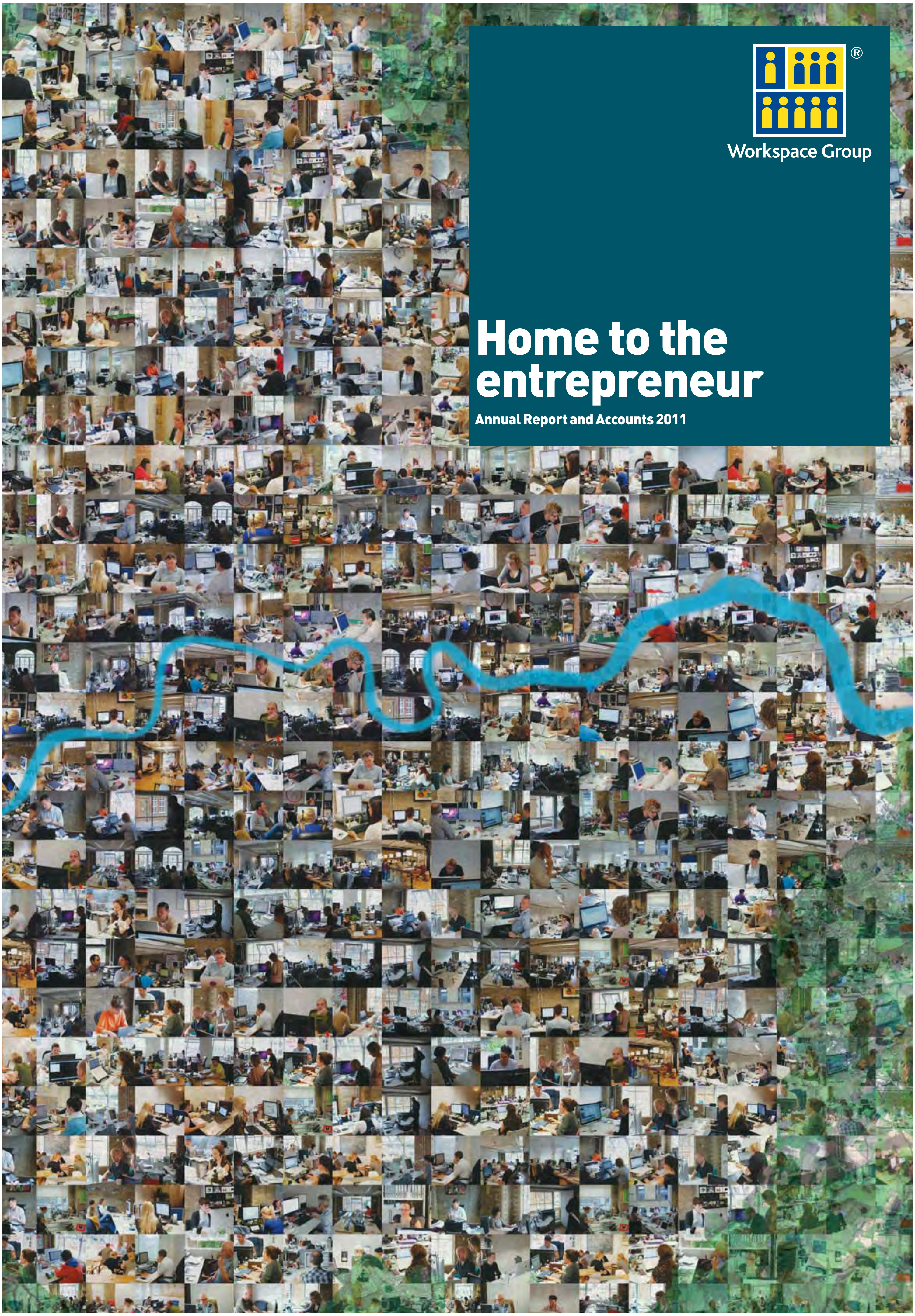


Workspace Group

# Home to the entrepreneur

**Annual Report and Accounts 2011**

## Contents



# Who we are

**Workspace is home to the entrepreneur. Workspace is a property based company, with around 100 estates across London. We provide space and services to the small and growing businesses that drive the UK economy.**

**Our culture is focused on excellent service and, like our customers, we use our entrepreneurial skills to create value for our stakeholders. We have a clear strategy for taking the Group forward and a solid platform for growth.**

**This Report is also available online:**
www.workspacegroupplc.co.uk/investors2011

# 2011 Highlights



## Trading

**960**

Good levels of enquiries (averaging 960 per month) and lettings (averaging 88 per month) through the year

**86.2%**

Like-for-like occupancy 86.2%, up from 83.6% at March 2010

**3.9%**

Like-for-like cash rent roll up 3.9% in the year to £40.1m

## Property Portfolio

**4.7%**

Underlying property valuation up 4.7% (£32m) in the year

**7.8%**

Like-for-like income yield 7.8% (7.9% at March 2010)

**29.5p**

EPRA Net asset value per share 29.5p, up 10% from 26.7p at March 2010

## Financial Results

**£14.1m**

Trading profit after interest up 31% to £14.1m

**£53m**

Profit before tax £53m, up from £26m last year

**10%**

Total dividend up 10% to 0.825p per share, 1.5 times covered by underlying earnings

## Regeneration

**Partnership agreed for redevelopment of Wandsworth Business Village**

**Mixed use planning consent achieved at Bow Enterprise Park**

**Re-designation of 7 acres at Tower Bridge Business Complex for residential use**

## Financing

**£325m of debt facilities refinanced**

**Average maturity of debt now 4 years, with no debt falling due in next 3 years**

**Average cost of debt reduced to 5.3% (2010: 6.7%)**

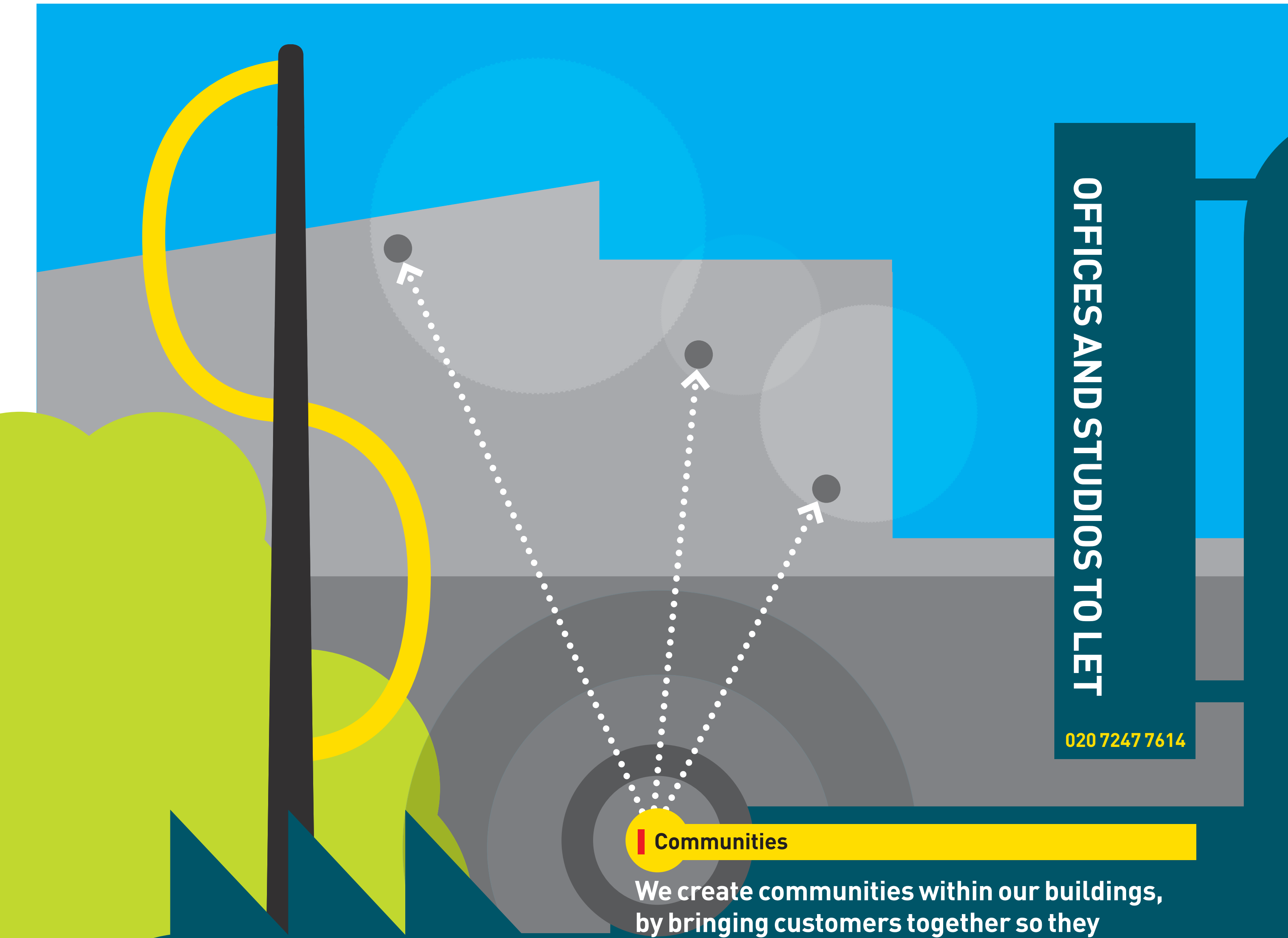
## BlackRock Workspace joint venture

**£100m joint venture established with BlackRock UK Property Fund, seeded with £35m of Workspace property**

# What we do

Workspace owns and manages space across London. We let this space to growing businesses on flexible terms and provide our customers with a range of additional services.

By helping our customers succeed, we boost employment and support the creativity that will drive the UK economy forward. This, in turn, drives more demand for what we do.




## Communities

**We create communities within our buildings, by bringing customers together so they can trade and collaborate. We also create communities within our brand, by linking customers between buildings and with non-tenant customers. These communities boost our customers' businesses and help us drive occupancy and rents, by increasing demand for our properties.**

**Our buildings and customers are also rooted in their local communities. We build links with these communities through local organisations and public bodies. We often have a cluster of buildings in a particular area, making Workspace and our customers an important part of the locality.**

We deliver high-quality service, allowing our customers to focus on growing their businesses.

By actively managing our properties to improve rents and occupancy, we receive a sustainable income stream.

We rent space on flexible terms. A typical lease is for two to three years, with a three-month break clause. This enables customers to expand or contract as they need and allows us to redevelop sites, as we look to maximise their value.

Our properties are often in areas of medium-term regeneration, with scope for intensification or change of use.

## Brand

**Our service quality, the flexibility of our offering and our marketing efforts have given us a strong and widely recognised brand.**

**We leverage this brand by understanding our customers' evolving needs and developing new services, on our own or with partners. Our core skills also allow us to create value by providing services to third parties.**

# 2-3 years

A typical Workspace lease is for 2-3 years

## Sustainability

Sustainability is part of our everyday approach. Workspace helps businesses to flourish, creating employment and boosting the economy in their local areas.

We also reuse old buildings, carefully manage our environmental footprint and work with our customers and partners to reduce their environmental impact.

**Our properties:**

- range from business centres to light industrial estates
- offer simple, interesting space, with good amenities and a vibrant atmosphere
- are in areas of London that are attractive to our customers
- are usually close to good transport links

# 3

A typical Workspace lease break clause is three months

# Our Customers and Market

Our market is small and medium-sized enterprises (SMEs) in London. Our 4,000 customers are typically growing businesses, owned and led by entrepreneurs and employing around 30,000 people.

## A typical Workspace customer has fewer than 20 staff and stays with us for four to six years. They reflect the diversity of London's economy and many are in the creative industries, which are a key contributor to economic growth.

**A typical customer:**

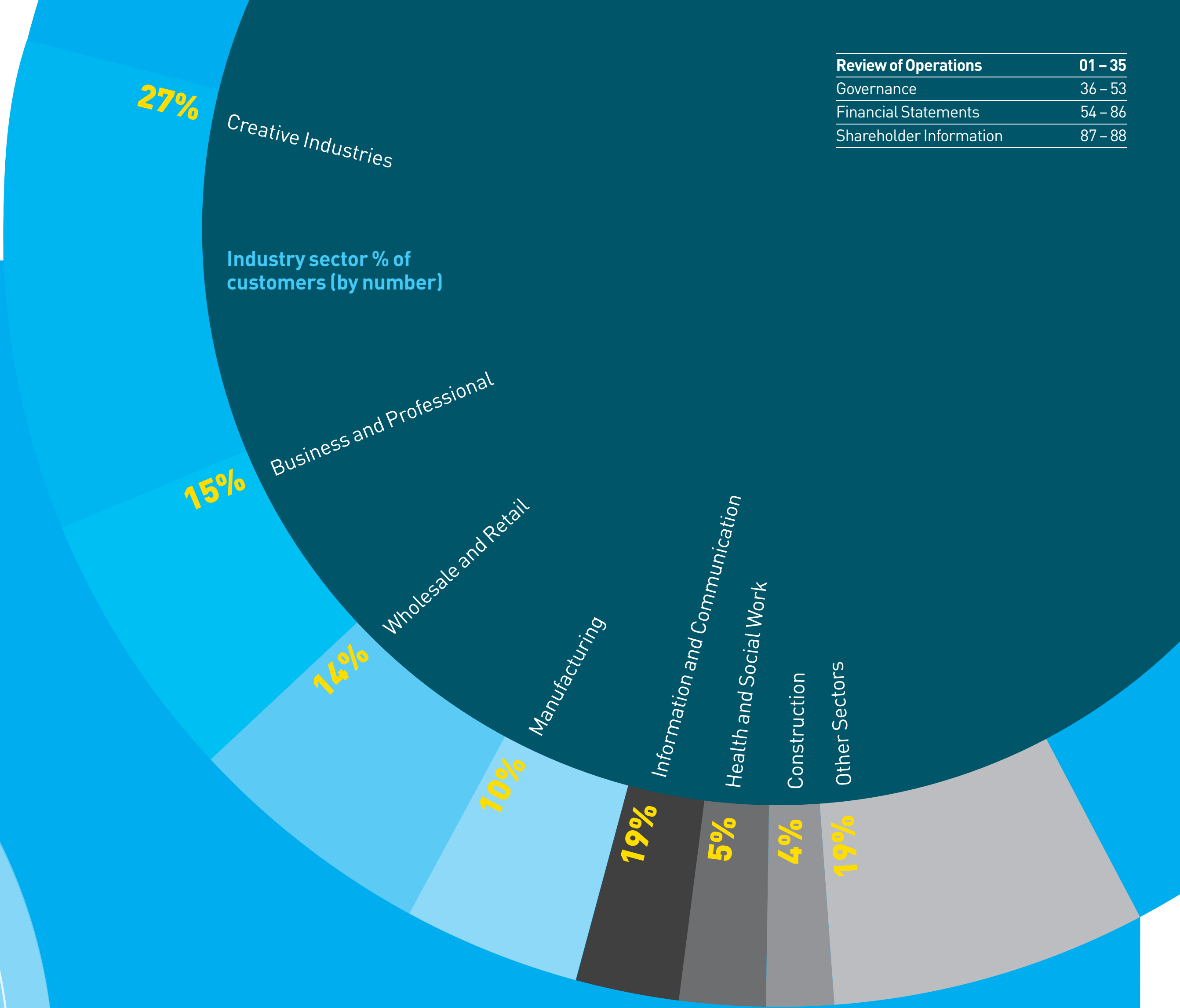
**<20**
has fewer than 20 staff

**4-6**
stays with us for 4-6 years

**Many of our customers are run by serial or portfolio entrepreneurs and as growing businesses develop, they often split into new businesses, creating more demand for us.**

Our market is also highly fragmented and not well served by traditional landlords. We have the scale to be efficient, compete effectively and offer flexibility to our customers. This scale is a barrier to entry, as competitors would find it difficult to build a portfolio that matched ours.

Industry sector % of customers (by number)




The ongoing churn in the SME sector means there are always new businesses looking for space.

**Why this market?**

**We understand growing businesses and have structured our offering to their needs, giving us a strong position in an attractive and dynamic market.**

# Focused on London

London is the prime driver of UK economic growth and a global hub for business and culture. With 160-180,000 SMEs, London has the UK's densest, most-diverse and most-active population of fast-growing businesses. This makes it the most attractive part of the SME market and gives us ample scope to expand.

**94**
**Total number of estates**

**3.3m**
**sq. ft. of our lettable space is within 6 miles of the London Eye**

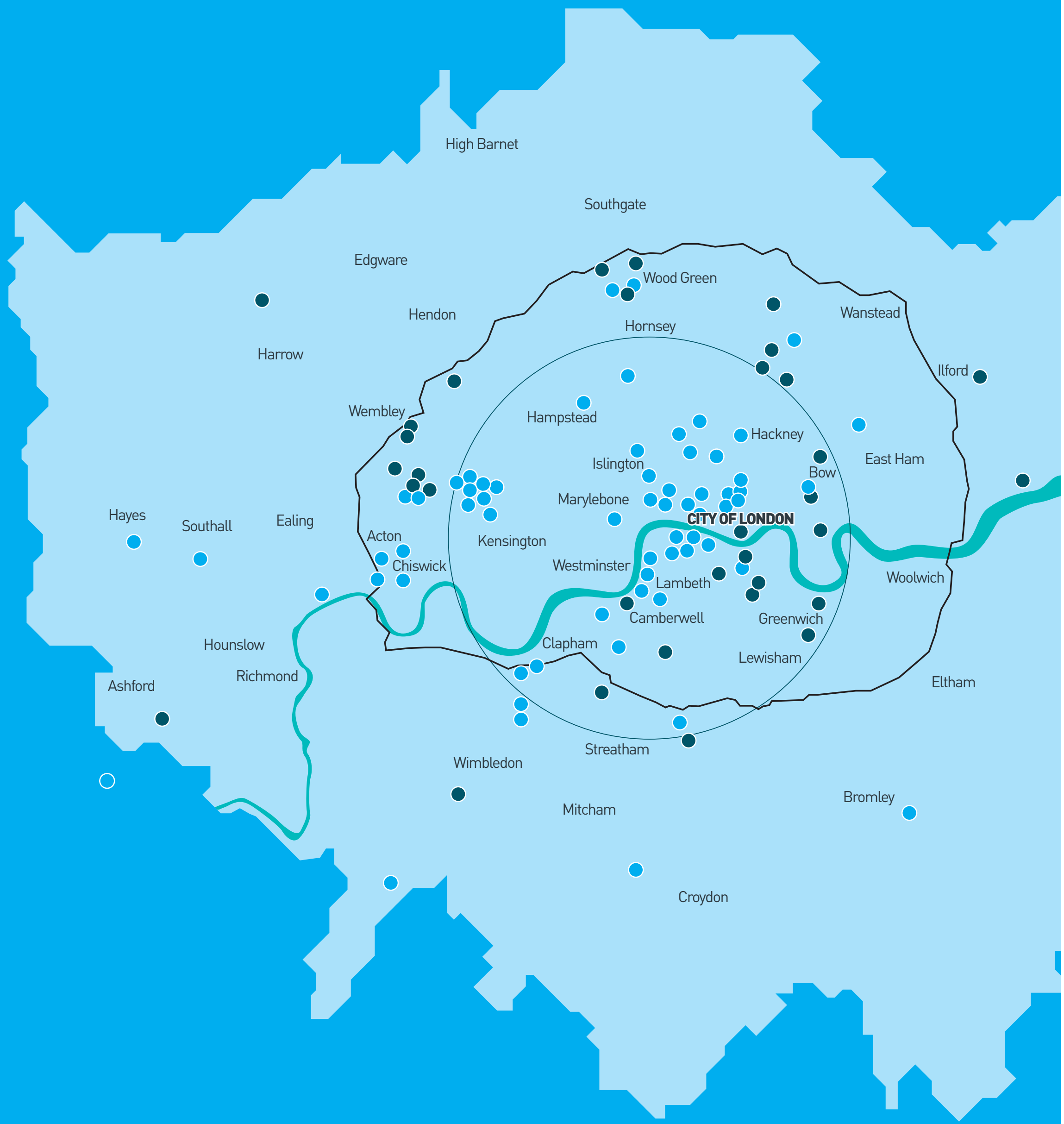
**£137**
**Capital value per sq. ft.**

**144**
**Total acres of property**

**5.1m**
**Total lettable floor area (sq. ft.)**

**£11.47**
**Average rent per sq. ft.**

(BlackRock joint venture properties are excluded from the above)




## London's other benefits include:

- **the UK's highest rate of business start-ups**
- **a younger and better-educated population**
- **a greater proportion of migrants, who tend to be more risk-taking and often create new businesses**

As London continues to expand, the shortage of land will promote intensification and change of use, further increasing the value of our assets.

# Chairman's Statement



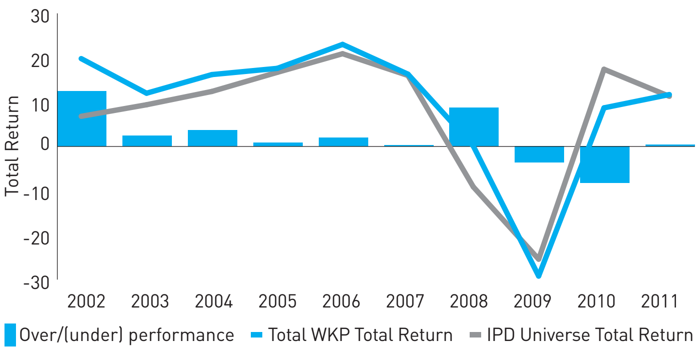
**Tony Hales CBE**
Non-Executive Chairman

This was a year of good progress for Workspace Group across a number of fronts. We delivered a strong operational performance, added value to the estate through active asset management, built on our brand strength, refinanced much of our debt and created a new joint venture with BlackRock to add further growth potential. This success was reflected in the reported growth in profit and net asset value per share and lower gearing.

Workspace has great assets, comprehensive systems, outstanding customer relationships and a valuable brand. We have also shown that our business model positions us well, benefiting us during upturns in the London market and proving resilient operationally when market conditions are difficult. Operational cash flow has been remarkably consistent, ensuring dividends have been maintained throughout the recent downturn.

I will be retiring as Chairman at the next Annual General Meeting, after more than eight years in the role. Strong governance is a guiding principle at Workspace and the recruitment of my successor was conducted by Bernard Cragg, our Senior Independent Director. I am delighted to be handing over a Group in robust shape to my very capable and experienced successor, Daniel Kitchen. Danny has had extensive experience in the property industry and is currently Non-Executive Chairman of Irish Nationwide Building Society and a Non-Executive Director of Minerva PLC, LXB Retail Properties PLC and Kingspan Group PLC. During the year the Board also welcomed Jamie Hopkins, who joined on 7 June 2010 as a Non-Executive Director, replacing Rupert Dickinson who retired at the conclusion of the last AGM.

**IPD comparison** (%)




The Group resumed its outperformance of the IPD universe in 2011, after two years of underperformance, and prior to this a long period of outperformance.

Harry Platt, our Chief Executive, will be 60 in September and has indicated that he would like to retire in 2012. Harry has been an excellent leader of Workspace for 15 years and will continue to be so until he hands over to his successor. I have personally enjoyed and admired his strong personal values and commitment to building Workspace. The Board will now manage an orderly transition of Chief Executive. Harry leads an executive team which has been strengthened over the last 4 years, giving the Board considerable confidence in its ability to drive forward the future strategy. Our management team has both breadth and depth not just at Board and Executive Committee level but deep into operations and functions, and has the skills and collective spirit and enthusiasm to lead the Group forward to create further value for shareholders.

Workspace is a sustainable business, in the broadest sense of the word. We help new businesses succeed, creating employment and regenerating communities. The UK depends for its future on the small business sector to promote economic growth and we at Workspace have an important part to play in promoting that growth, while delivering good returns to our shareholders. London is undoubtedly one of the world's great cities and its economic prospects remain stronger than for most of the UK and indeed Europe. This is our market and our focus on London has been and will continue to be a distinguishing feature of your Group.

Given the Group's performance and prospects the Board is recommending a final dividend of 0.55p (a total of 0.825p for the year) per share, an increase of 10% on the prior year. This resumes the progressive dividend policy that the Group previously delivered.

I want to take this opportunity to thank everyone at Workspace for their contribution to a successful year and to wish them, our customers and shareholders every success in the future.

Tony Hales

Tony Hales CBE
Non-Executive Chairman


**Related subjects:**
Sustainability **p.30**
Corporate Governance **p.38**
Five Years Performance **p.86**

# Chief Executive's Strategic Review

It has been a year of significant progress on a number of fronts. We are now well positioned to take the Group forward to its next stage of growth.

**Results**

Workspace delivered a strong performance in 2010/11. We achieved good growth through the year, with a continuing high level of enquiries, a resilient customer base of new and growing businesses and positive momentum in both occupancy and rental income. This, together with progress on our regeneration schemes, supported the growth in the valuation of our properties during the year, without the benefit of any significant shift in yield. We also have a strengthened balance sheet following the refinancing of our debt facilities.

In last year's report, we set out four priorities. These were to:

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

We have made good progress against each of these priorities in the last year. Details of our performance are set out in the business review.

**People and culture**

Workspace employs enthusiastic, committed and well-trained people, whose diversity reflects that of London itself. Our management team, and our people as a group, have real strength and depth.

Our culture is centred on customer service and entrepreneurialism. Everyone who works for us is rewarded partly on trading performance and partly on the service quality we deliver. The majority of our people participate in the Save as You Earn Share Scheme. These factors align them to the needs of both customers and shareholders.

**Vision**

Our vision is to be the leading provider of flexible space and services that enable growing businesses to succeed.

Becoming the leading provider is not about the absolute size of our business. It is based on:

- the quality of our customer service
- the value and recognition of our brand
- the ability to create communities, both within a property and across our brand, and
- having the scale to offer flexibility to our customers and to be efficient.

Our aim is to create value by increasing earnings, dividends and asset values. With 4,000 customers, over 100 estates on 150 acres of freehold land in London and a clear brand and management strength, we have a solid platform for doing so.

The Government recognises the value of SMEs and sees them as vital to creating employment and driving further economic recovery. We also expect more business creation, for example as people leave the public sector.

Our strategy is actively managed and maintained by our Executive Committee and senior management.

**Executive Committee:**

**1. Harry Platt**
**Chief Executive**

**2. Graham Clemett**
**Group Finance Director**
Go to **page 20** for a detailed review of operations in 2011.

**3. Angus Boag**
**Development Director**
Go to **pages 16–19** to find out how we have maximised alternative use in our portfolio during 2011.

**4. Chris Pieroni**
**Operations Director**
Go to **page 14** to find out how we have applied our strategy to The Leathermarket.


## Our vision

**To be the leading provider of flexible space and services that enable growing businesses to succeed.**

## Our strategy

**We have a four-part strategy for achieving our vision. This strategy has evolved but its fundamental focus remains the same as in previous years – to be an entrepreneurial, customer-centred, property-based business.**

**Our strategy is to deliver superior returns to all our stakeholders by:**

1. **Owning properties that are attractive to our customers and intensively managing these properties to drive occupancy and rents.**
2. **Maximising the value of our London based property portfolio and its wider opportunities for regeneration.**
3. **Understanding our customers and enhancing our brand by responding to customers' evolving needs, including by partnering with other organisations.**
4. **Working sustainably as part of everyday business for us, our customers and our partners.**

Other trends are also beneficial. Planning policies towards brownfield sites in London support intensification and change of use. Our properties contribute to work-led regeneration, which fits the Government's localism agenda. And our sites are often in areas of change, which will benefit from investment in London's infrastructure such as the East London line, Crossrail and the Olympics.

In addition, the UK economy is seeing structural changes as digital and creative businesses increase in importance. Our properties are highly attractive to these sectors and they are well-represented among our customers.

Workspace is therefore strongly positioned in the right part of the market – growing businesses in London. We will continue to enhance our performance by driving underlying occupancy to reach our 90% target and promoting the regeneration of our properties.

### Strategy

We have a four-part strategy for achieving our vision. This strategy has evolved but its fundamental focus remains the same as in previous years – to be an entrepreneurial, customer-centred property-based business.

Our strategy is to deliver superior returns to all our stakeholders by:

1. Owning properties that are attractive to our customers and intensively managing these properties to drive occupancy and rents.
2. Maximising the value of our London based property portfolio and its wider opportunities for regeneration.
3. Understanding our customers and enhancing our brand by responding to customers' evolving needs, including by partnering with other organisations.
4. Working sustainably as part of everyday business for us, our customers and our partners.

## 1. Owning properties that are attractive to our customers and intensively managing these properties to drive occupancy and rents

### Background

Workspace owns properties ranging from business centres to light industrial estates in areas of London that appeal to our customers. A full list of our properties is included at the back of this Report.

We actively manage our properties to increase occupancy and rents, for example by:

- providing flexible lease structures to meet customers' needs
- reviewing rents across the portfolio on a weekly basis, to ensure they reflect the latest market conditions and occupancy levels, and
- investing in our properties, so we can attract higher-value customers and grow our rental income.

Building customer communities is also important to us. We do this within properties and between properties, to help our customers trade with each other and to grow their businesses. Our customers value these communities, which increase the attractiveness of our properties to them.

### How we measure our performance

We measure our performance against a number of metrics, in particular:

- the number of enquiries and lettings per month
- the level of rents and occupancy
- growth in trading profit, and
- the increase in capital values resulting from our activities.

Our performance in 2010/11 is set out in the business review under "Priority 1: to increase occupancy and rental income" on page 20 and "Financial performance" on pages 24 and 25.

### Priorities and Targets for 2011/12

Our priorities for the next financial year are to:

- continue to attract new enquiries and lettings
- increase like-for-like occupancy towards our target of 90%, which is our most effective occupancy level to drive value
- grow rents through higher occupancy and investing in our estates and brand
- further increase our trading profit and capital values
- launch further local community websites at our business centres, to keep customers informed and help them collaborate.

## 2. Maximising the value of our London based property portfolio and its wider opportunities for regeneration

### Background

We own almost 150 acres of freehold land in London. Our properties are often in areas of regeneration, which supports change in use or intensification and gives us the opportunity to add value.

We look to maximise the value of our portfolio by:

- selling sites with planning consent for alternative use and recycling the cash into our business
- partnering with developers to create mixed-use sites, with the developer building new, higher-specification and often larger commercial space for us, without any cash investment on our part
- redeveloping sites to increase their size, for example by adding floors or extensions, and
- repositioning sites, by upgrading and redesigning them to attract higher-value customers, allowing us to grow our rental income.

### How we measure our performance

We measure our performance by reviewing the progress of planning and development initiatives across the portfolio.

Our progress in 2010/11 is explained in the business review on page 22, under "Priority 3: to continue to work and churn the asset base to realise its full potential".

### Priorities and Targets for 2011/12

Our priorities for the next financial year are to progress our existing initiatives and to continue to review our portfolio and drive up its value through innovative approaches to alternative use, redevelopment and repositioning. In particular, during the year we target significant progress in regeneration initiatives at Highbury Grove, Highway Business Park, Bow Enterprise Park, Poplar Business Park and Tower Bridge Business Complex.


**1. James Newland**
**Divisional Director**
Responsible for: the acquisition and sale of investment properties and Property Manager for BlackRock Workspace Property Trust.

**2. Mark Weatherald**
**Asset Manager**
Responsible for: asset management across the North, West and East portfolio.

**3. Claire Dracup**
**Head of Support Services**
Responsible for: HR, Health & Safety and Operations Support Teams to implement the Group's corporate policy and standards.

### 3. Understanding our customers and enhancing our brand by responding to customers' evolving needs, including by partnering with other organisations

**Background**

Workspace is a customer-focused business, employing people who are committed to high-quality service. This, along with our marketing efforts, has given us a strong brand, which we can leverage through offering new services which help our existing customers and attract new ones.

We conduct quarterly exit surveys with our customers, which allow us to:

- gauge customer satisfaction and identify issues we need to address
- understand what new services our customers want, and
- develop thought leadership on the needs of growing businesses.

**How we measure our performance**

We measure our performance using the customer satisfaction surveys discussed above, and by monitoring the take up by our customers of our new initiatives and products.

Our performance in 2010/11 is set out in the business review under "Priority 4: to utilise and exploit our brand more fully" on page 24.

**Priorities and Targets for 2011/12**

Our priorities for the next financial year are to:

- continue to deliver high-quality customer service,
- monitor the take up of Club Workspace at Clerkenwell and The Leathermarket, and decide on the pace of its roll out to other centres
- improve our range of IT services and increase our revenues from them.

### 4. Working sustainably as part of everyday business for us, our customers and our partners

**Background**

Sustainability is part of our everyday business. We develop properties which support work-led regeneration by allowing businesses to flourish, create employment and boost their local areas. Many of our properties are historic manufacturing buildings, with more people working in them now than ever in the past.

In addition, we carefully manage our environmental footprint and work with our customers and partners to reduce their environmental impact. We also place the safety and security of our customers at the heart of our service.

**How we measure our performance**

We measure our performance using a number of metrics, such as our carbon dioxide emissions and the proportion of waste diverted from landfill. Our performance in 2010/11 is set out in the sustainability section on pages 30 and 31.

**Priorities for 2011/12**

Our priorities for the next financial year are to continue to increase the profile of our sustainability agenda, to further reduce our environmental impact and to maintain the safety and security of our customers.

H. Platt

**Harry Platt**
Chief Executive

**1. John Robson**
**Asset Manager**
Responsible for: asset management across the South and Central portfolio.

# Our Strategy in Action

**The case studies on the following pages are just three examples of how we put our strategy into action.**

**Each shows how, like our customers, we use our entrepreneurial skills to create value. And they explain some of the ways we create and strengthen communities, both within our buildings and in the areas around them.**

**The case studies also demonstrate how sustainability is central to what we do, and outline the way we manage key risks associated with each property.**

**Property background**
- Acquired in 1993, largely derelict and with 40% occupancy
- Refurbished and invested in over a number of years
- Retained the building's character

## The Leathermarket, SE1

**We own properties that are attractive to our customers and intensively manage these properties to drive occupancy and rents.**

**At The Leathermarket, we:**
- **turned the building into a vibrant centre for dynamic creative businesses, with occupancy at 90% and a rent roll of £2.4m (up 6% in 2010/11)**
- **enhanced The Leathermarket community through new platforms such as its dedicated website, which showcases businesses and events.**

**The Leathermarket also shows how we understand our customers and enhance our brand by responding to their evolving needs, through:**
- **continuing to create new services, such as IT and broadband products for existing customers, and business lounges (called Club Workspace) for a wider customer group, and**
- **developing both these services in partnership with other companies.**

**Working sustainably**
We have worked sustainably by:
- recycling a historic building and bringing it back to economic use, preventing the environmental impact of constructing a new one
- creating a sustainable business centre, with more people now employed at The Leathermarket than when it was a tannery.

**Risk Management**
Our work at The Leathermarket has addressed the risk of:
- declining property values, by increasing rents and enhancing the building's fabric
- declining occupancy levels, by creating an attractive environment for customers.

**Related subjects:**
Risk Management **p.27**
Sustainability **p.30**

**Customer:**
Maverick

**Type of business:**
Advertising and Design

Workspace's flexible offering enabled Maverick to grow its business by taking more space at The Leathermarket.

**Customer:**
Last Exit

**Type of business:**
Digital Agency

Workspace has helped Last Exit to grow, by bringing creative businesses together so they can collaborate.

**Cu**
Outstan

**Type**
O

Outstanding
independe
promotion

**Here are three stories from The Leathermarket business community in 2011.**

**Hear more stories from The Leathermarket community: workspacegroupplc.co.uk/investors2011**

**Club Workspace:**
Members of the Club Workspace marketing team

The Club Workspace business lounges will serve a new group of customers and create opportunities for Workspace.

**Cu**
Light & Des

**Type**
Light

Providing l
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**Property background**
- Original business centre was low-density and needed investment
- Located in an area key to Wandsworth Council's regeneration plans

## Wandsworth Business Village, SW18

**We maximise the value of some properties by obtaining consent for a change in use and partnering with a developer to create a mixed-use site.**

**At Wandsworth Business Village, we:**
- **obtained planning consent to change the site from employment to mixed use**
- **partnered with Mount Anvil, who will develop and sell 209 apartments and build us a 60,000 sq. ft. business centre, without any cash investment from us**
- **increased the property's capital value and doubled our potential rental income**
- **positioned Workspace to benefit if apartment prices rise, as we will receive 50% of any sales proceeds above £50m.**

**Working sustainably**
We have worked sustainably by:
- improving Wandsworth town centre by supporting the local economy
- creating a new, highly attractive business centre that will help customers succeed and generate employment
- improving environmental performance, through a combined heat and power plant that will serve both the business centre and the apartments.

**Risk Management**
Our approach to redeveloping the site has addressed the risk of:
- declining property values, by creating a higher-value business centre
- declining occupancy levels, by creating an attractive centre in an area of proven demand
- over-running development costs, since Mount Anvil is responsible for delivering the new centre
- low return on investment, since we have not had to commit any new capital
- rising energy costs, because of the development's combined heat and power plant and other environmental benefits.

**Portfolio properties with similar potential:**
- Aberdeen Centre
- Grand Union Centre
- Bow Enterprise Park
- Poplar Business Centre
- Marshgate Centre
- Creekside

**Related subjects:**
Risk Management **p.27**
Sustainability **p.30**

**Here are two stories about our development at Wandsworth Business Village.**

**To find out more go to workspacegroupplc.co.uk/investors2011**

**Angus Boag:**
Workspace Group

**Development Director**
The redevelopment of Wandsworth demonstrates Workspace's skill in identifying and extracting value from its portfolio.

**Rebekah Paczek:**
Public affairs agency

**Type of business:**
Consulting

Workspace's approach to community engagement reflects its belief that it is an integral part of that community.

**Property background**
- Acquired in 2003
- One of a cluster of sites, with Westbourne Studios and Pall Mall Deposit close by
- Part of the site originally occupied by single-storey, low-rental sheds, unsuitable for higher-value customers

## Canalot Studios, W10

**Another way we can maximise the value of a property is by obtaining planning consent, selling part of the site for alternative use and recycling some or all of the proceeds in creating new lettable space.**

**At Canalot Studios, we:**
- **obtained consent for a change of use for the lower value part of the site**
- **sold the consented site to Nido for redevelopment as student housing**
- **received cash proceeds of £6.25m**
- **the ground floor of 5,000 sq. ft. will be returned to us at no cost, as part of the business centre**
- **recycling part of these proceeds in adding a 17,000 sq. ft. rooftop extension to the business centre and upgrading the building, to more closely align it to the needs of creative customers**
- **increasing our potential rental income by around £600,000 per year.**

**Working sustainably**
We have worked sustainably by:
- increasing density and bringing in students, which will help local businesses and make the area more sustainable
- improving Canalot's environmental performance, by including energy-reduction measures and helping customers cut their energy use.

**Risk Management**
Our approach to redeveloping the site has addressed the risk of:
- declining property values, by creating a higher-value business centre
- declining occupancy levels, by expanding and improving a centre in an area of proven demand
- low returns on investment, since we are only reinvesting part of the proceeds we received
- rising energy costs, because of the development's energy-saving benefits.

**Portfolio properties with similar potential:**
- Great Guildford Street
- Greenheath Business Centre

**Related subjects:**
Risk Management **p.27**
Sustainability **p.30**

**Here are three stories from the Canalot Studios business community in 2011.**

**Hear more stories from the Canalot Studios community: workspacegroupplc.co.uk/investors2011**

**Barbara Acheampong:**
Workspace Group

**Centre Manager:**
Upgrading and expanding the building will create a new and sophisticated working environment for Canalot's customers.

**Customer:**
BOSS

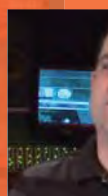
**Type of business:**
Back office support solutions

Workspace has supported BOSS's growth, by introducing clients and suppliers they otherwise would not have met.

**Customer:**
Green Row

**Type of business:**
PR

Canalot's unique culture, supportive community and flexible space makes it ideal for creative businesses.



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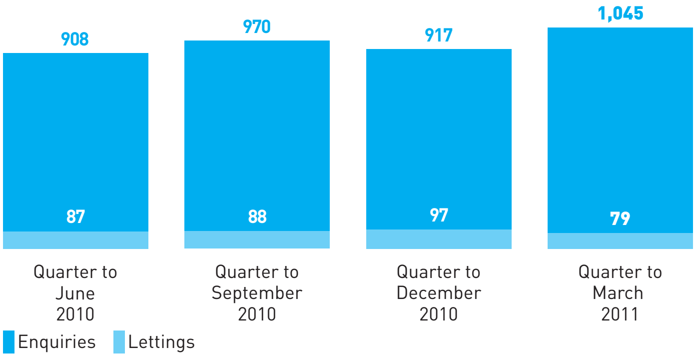
# Business Review

## Business highlights

| | |
|---|---|
| **Enquiries** (average per month) | 960 |
| **Lettings** (average per month) | 88 |
| **Underlying increase in value of property portfolio** | +4.7% |
| **Current portfolio value** | £719m |
| **Cash rent roll** | £48.9m |
| **Like-for-like occupancy** | 86.2% |
| **Overall occupancy** | 83.6% |

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




We have four clear priorities:

### Priority 1: To increase occupancy and rental income

There continues to be strong demand from small and growing businesses across London to lease space on flexible terms; enquiries averaged 960 per month and lettings 88 per month over the last year. Good levels of enquiries and lettings have continued during the first two months of the current financial year.

| Average number per month | Quarter Ended March 2011 | December 2010 | September 2010 | June 2010 |
|---|---|---|---|---|
| Enquiries | **1,045** | 917 | 970 | 908 |
| Lettings | **79** | 97 | 88 | 87 |

### Portfolio performance

The overall occupancy across the portfolio at 31 March 2011 was 84.1% (March 2010: 81.9%) and cash rent roll was £52.0m (March 2010: £50.7m). The contracted rent roll was £2.3m higher than the cash rent roll, at £54.3m (March 2010: £53.9m).

The difference between the cash and contracted rent rolls relates to stepped rental increases (£1.7m), rent free periods (£0.5m) and rent discounts (£0.1m). £1.2m of contracted rent roll is due to be converted to cash rent roll in the six months ending September 2011.

For consistency in reporting these lead indicators, the overall rent roll and occupancy statistics at March 2011 include the properties which were sold to the BlackRock Workspace joint venture in February 2011. Excluding these properties, total occupancy at March 2011 was 83.6% and cash rent roll was £48.9m.

A more detailed analysis of performance by property category is set out in the following sections.

### Like-for-like Portfolio (80 properties valued at £543m)

This category contains the majority of the property portfolio. It excludes properties purchased in the last 12 months and any properties that have been subject to major refurbishment in the last 24 months (the time it would normally take to reach our target occupancy level of 90%). The comparatives have been restated to exclude the properties we sold into the BlackRock Workspace joint venture in February 2011.

| Like-for-like | March 2011 | December 2010 | September 2010 | June 2010 | March 2010 |
|---|---|---|---|---|---|
| Occupancy | **86.2%** | 86.1% | 85.3% | 84.0% | 83.6% |
| Cash rent roll | **£40.1m** | £39.1m | £39.1m | £38.6m | £38.6m |
| Average rent per sq. ft. | **£11.89** | £11.58 | £11.63 | £11.66 | £11.69 |




**1. Canterbury Court at Kennington Park, SW9**
Kennington Park is the highest value property in our portfolio (£57m at March 2011).

**2. Canalot Studios, W10**
During the coming year we are focusing on the refurbishment projects at Kennington Park, Great Guildford Street and Canalot Studios.

**3. Bow Enterprise Park, E3**
At Bow Enterprise Park E3, an industrial estate of 77,000 sq. ft., we received planning consent in February 2011 for 550 flats and 60,000 sq. ft. of commercial space.

Like-for-like occupancy improved through the year and was up 2.6% in total, to 86.2%. We have seen reduced levels of rent free incentives and discounts on new lettings and increased pricing at some of our more central locations. The combined effect of these improvements was a 3.9% (£1.5m) increase in the cash rent roll in the year.

Our target for like-for-like occupancy is 90%, a level that gives us greater opportunity to increase pricing. We are 3.8% away from this in overall terms, although 39 of the 80 properties at March 2011 were already at or exceeded this 90% occupancy target.

**Refurbishment Portfolio (5 properties valued at £106m)**
These are properties which we have either refurbished in the last 24 months, are currently refurbishing or have acquired in the last year. We target occupancy of 90% within two years of reopening a refurbished building.

| | Occupancy | | Cash rent roll | |
|---|---|---|---|---|
| Refurbishment | **March 2011** | March 2010 | **March 2011** | March 2010 |
| Kennington Park | **75%** | 77% | **£3.8m** | £4.0m |
| Other | **76%** | 74% | **£3.2m** | £2.9m |

Included in this category are the refurbishment projects at Kennington Park, Great Guildford Street and Canalot Studios. The other properties in this category comprise Q West, acquired in October 2009, and Barley Mow where the refurbishment was completed in November 2009.

Kennington Park is the highest value property in our portfolio (£57m at March 2011). This seven-acre site, close to Oval underground station, is being repositioned on a phased basis from a closed industrial site used mainly for storage to a thriving open location for a wide range of small and growing businesses. This long-term regeneration project is progressing well.

There are 11 separate buildings on the Kennington site and the first redevelopment was of the Canterbury Court building (102,000 sq. ft.), which we completed in January 2008. We have now almost completed the refurbishment of the adjacent Chichester and Chester House buildings (24,000 sq. ft.), at a total cost of £3.7m, which will provide a broad range of studio-style units over two floors. Our head office will also relocate to Chester House in July 2011 which will enable completion of the sale of our existing head office building, Magenta House, for a student housing development.

In addition to the five properties in this category we have planning consent for additional commercial space and refurbishment at a further seven of our properties that are currently in the like-for-like category. In due course as we proceed with these schemes they will be moved to the refurbishment category.

**Other (9 properties valued at £70m)**
These are properties where occupancy has been affected by our redevelopment plans on the site (such as where landlord breaks are in place to achieve vacant possession) or where we are running down occupancy ahead of disposal.

| Other | **March 2011** | March 2010 |
|---|---|---|
| Occupancy | **75%** | 76% |
| Cash rent roll | **£1.8m** | £2.2m |

Included in this category are three properties valued at £41.3m at March 2011 where we are progressing with mixed use redevelopment schemes. In each case, we will receive a new purpose-built business centre as part of the proceeds of the sale of the residential component of the scheme. At Grand Union we have outline planning consent and at Bow Enterprise Park we recently received detailed planning consent. At Wandsworth Business Village, we received planning consent in 2010 and have started on the redevelopment in partnership with a residential developer, Mount Anvil, with completion targeted for mid-2014.

Also included in this category is the northern part of the Tower Bridge Business Complex valued at £14.7m at March 2011 where we have achieved a re-designation for residential use.

### Priority 2: To continue to drive value from our existing property portfolio

The valuation of our property portfolio increased by 4.7% over the last year, excluding the impact of capital expenditure and disposals. A summary of the movements in valuation through the year is set out below:

| | £m |
|---|---|
| Portfolio valuation at 31 March 2010 | 717 |
| Property disposals, including into BlackRock joint venture | (40) |
| Capital expenditure | 10 |
| Property valuation surplus: | |
| – quarter to June 2010 | 6 |
| – quarter to September 2010 | 9 |
| – quarter to December 2010 | 6 |
| – quarter to March 2011 | 14 |
| Less: Surplus on disposals | (3) |
| Portfolio valuation at 31 March 2011 | 719 |

A more detailed breakdown of the valuation at March 2011 by property category is set out below. Properties have added redevelopment value when we have obtained, or are well advanced with obtaining, planning approval for an intensification of existing use or for alternative use.

| Valuation at March 2011 | Existing Use Valuation* | Existing Use Yield* | Added value | Total Valuation | Total ERV |
|---|---|---|---|---|---|
| Like-for-like properties | £514m | 7.8% | £29m | £543m | £48.1m |
| Refurbishment properties | £93m | 7.5% | £12m | £106m | £9.0m |
| Other properties | £32m | 5.6% | £38m | £70m | £4.3m |
| Total | £639m | 7.7% | £79m | £719m | £61.4m |

* The existing use valuation excludes added redevelopment value and the existing use yield is the cash rent roll return on the existing use valuation.

The movement in like-for-like income yield and estimated rental value (ERV) over the year are set out below:

| Like-for-like | **March 2011** | September 2010 | March 2010 |
|---|---|---|---|
| Existing use income yield | **7.8%** | 7.8% | 7.9% |
| Estimated Rental Value (ERV) | **£48.1m** | £48.5m | £48.8m |

There has been little movement in the like-for-like income yield on our portfolio through the year and only a marginal decline in rental values. In recent months we have seen evidence of new lettings being achieved at rental levels ahead of the March 2011 ERVs.

The total net initial yield on our whole portfolio, as calculated by our valuers CBRE, is 6.8% (March 2010: 7.1%) and the equivalent yield is 8.4% (March 2010: 8.8%). The reduction in net initial yield is a result of the increase in added redevelopment value with only a marginal reduction in the existing use income yield.

The capital value per sq. ft. is £137 (March 2010: £126), lower than the replacement value for the buildings alone (excluding the value of the land) with rents averaging £11.47 per sq. ft. (March 2010: £11.22).

A summary of the movements in added redevelopment value through the year is set out below:

| | £m |
|---|---|
| Added value at 31 March 2010 | 55 |
| Value added on new schemes in year | 12 |
| Increase in value of existing schemes | 12 |
| Added value at 31 March 2011 | 79 |

The redevelopment value added on new schemes in the year relates to the planning consents received for new commercial space at Kennington Park (£4.5m) and Exmouth House (£1.0m) and the re-designation of Tower Bridge to mixed use (£6.6m).

The increase in the added value of existing schemes is a result of the planning consent now received at Bow Enterprise Park (£4.4m), the conditional sale of the car park at Ewer Street for student housing (£2.7m), which completed in April 2011, and commencement of the mixed use redevelopment at Wandsworth Business Village (£5.3m).

### Priority 3: To continue to work and churn the asset base to realise its full potential

During the year we completed £44m of disposals and contracted for a further £13m of conditional disposals, which should complete in 2011/12. The overall exit income yield on this £57m of disposals would be 5.9%. This compares to £55m of disposals made in the previous year at an exit yield of 6.3%. Disposals during the last year comprised £35m of properties sold into our joint venture with BlackRock and £9m of other disposals.

#### BlackRock Joint Venture

In February 2011, we established a joint venture with the BlackRock UK Property Fund. Workspace holds a 20.1% equity interest in the joint venture, which is called the BlackRock Workspace Property Trust (BWPT).

BWPT's objective is to invest up to £100m in high-yielding, multi-let office and industrial properties in and around London, where there is potential for rental growth and added value from active asset management. Workspace is responsible for sourcing and recommending investment opportunities and will be the property manager for BWPT's assets. We will receive asset management and investment fees, together with a performance fee based on BWPT's relative performance against a comparator IPD index. The Trust was seeded with eight properties from Workspace, sold at the December 2010 valuation of £35.1m. We are currently reviewing a range of potential acquisitions.

#### Other disposals

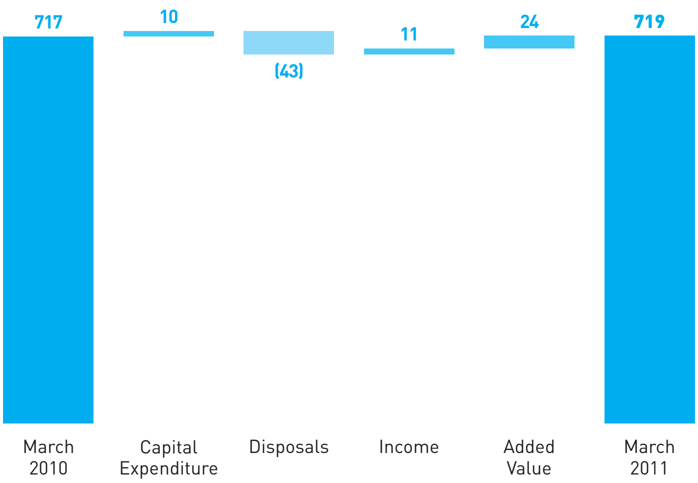
We continually focus on opportunities to extract added value from our property portfolio. Particularly attractive is the disposal of low or non-income generating tracts of land, allowing us to reinvest the proceeds in our core business. A summary of completed and contracted disposals is set out below:



**1. Tower Bridge Business Complex, SE16**
The value added on new schemes in the year relates to the planning consents received for new commercial space at Kennington Park (£4.5m) and Exmouth House (£1.0m) and the re-designation of Tower Bridge to mixed use (£6.6m).

**2. Exmouth House, EC1**
At Exmouth House, we received planning consent in September 2010 for an additional 8,000 sq. ft. of commercial space on a new floor.

**Movement in Property Valuation** (£m)




| Property | Status | Timing | Price | Use |
|---|---|---|---|---|
| Langdale House | Sold | Jul 2010 | £4.3m | Commercial |
| Unit 5, 2 Cullen Way | Sold | Jan 2011 | £0.3m | Commercial |
| Surrey House | Sold | Jan 2011 | £4.7m | Hotel |
| Ewer Street Car Park | Sold | April 2011 | £3.9m | Student Housing |
| Magenta House | Contracted – subject to vacant possession | Aug 2011 | £4.0m | Student Housing |
| Alscot Road | Contracted – subject to vacant possession | H1 2011 | £1.7m | Residential |
| Greenheath Car Park | Contracted – subject to planning | H1 2011 | £3.4m | Residential |

In addition, we are working on a wide range of work-led regeneration opportunities with local authorities across London:

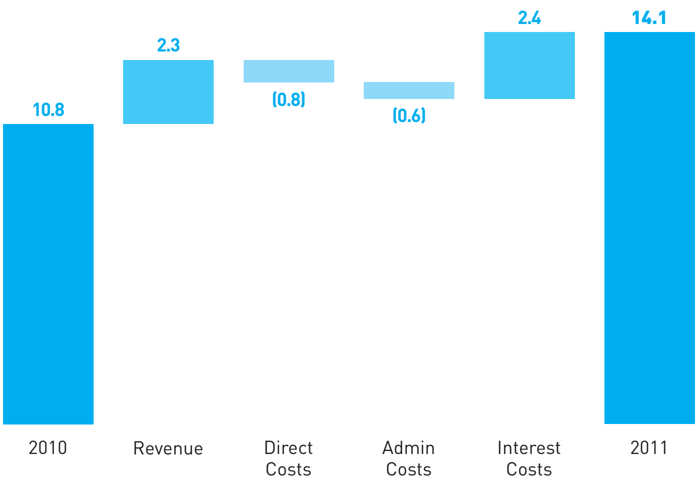
- At Baldwin Gardens EC1, we received planning consent in August 2010 for a new 62,000 sq. ft. commercial building, replacing the existing 43,000 sq. ft. building.
- At Exmouth House EC1, we received planning consent in September 2010 for an additional 8,000 sq. ft. of commercial space on a new floor.
- At Bow Enterprise Park E3, an industrial estate of 77,000 sq. ft., we received planning consent in February 2011 for 550 flats and 60,000 sq. ft. of commercial space.
- At Poplar E14, an industrial estate of 75,000 sq. ft., we submitted a planning application for 345 flats and 62,000 sq. ft. of commercial space, with a determination expected shortly.
- At Wandsworth Business Village SW18, where we have planning consent for 209 flats and 80,000 sq. ft. of commercial space, we have entered into an agreement with Mount Anvil for the redevelopment of the estate. Site clearance has commenced and the scheme is expected to be completed in mid 2014. Workspace will receive a new 60,000 sq. ft., business centre, retain the freehold of the site and receive 50% of any proceeds from the sale of the privately sold flats in excess of £50m; in consideration for granting a 999-year lease to Mount Anvil on the scheme's residential component. We would envisage a similar partnership model for the redevelopment schemes at Highbury Grove, Bow Enterprise Park and Grand Union.
- At Great Guildford Street SE1, a 93,000 sq. ft. business centre, we received planning consent in October 2010 for a new entrance hall configuration. This will enable us to upgrade the space at this business centre, to take advantage of the Bankside area's regeneration. We have now submitted a further planning application for 40,000 sq. ft. of new commercial space on an additional floor that we will look to build alongside the repositioning of the entrance hall.
- At Kennington Park SW9, we have received planning consent for 50,000 sq. ft. of retail and gym use in the basement of Canterbury Court and an additional 12,000 sq. ft. floor on Chichester/Chester House.
- At Tower Bridge SE16, following extensive consultation and discussions with the local authority over the last two years, the London Borough of Southwark has re-designated the seven-acre north part of the estate from preferred industrial use to residential use, for up to 1,070 units. We are preparing a planning application and will submit it later this year.



**1. Clerkenwell Workshops, EC1 and The Leathermarket, SE1**
Launching our first two Club Workspace business lounges, at Clerkenwell Workshops and The Leathermarket.

**2. Poplar Business Park, E14**
At Poplar E14, an industrial estate of 75,000 sq. ft., we submitted a planning application for 345 flats and 62,000 sq. ft. of commercial space, with a determination expected shortly.

**Movement in Trading Profit after Interest** (£m)




## Priority 4: To utilise and exploit our brand more fully

Our brand strength across London's small business community is underpinned by a high satisfaction rating from our customers. In our recently completed annual customer survey, 88% of our customers said they would recommend Workspace to other businesses. Our 4,000 customers employ some 30,000 people and each business has relationships with up to 10 others, so our reputation and brand are critical assets.

We are working hard to strengthen and extend the reach of our brand. Recent activity includes:

- Rolling-out community web interest sites at our business centres, which contain a rich variety of text and video content. These sites help our customers to network day-to-day and give peer-to-peer business advice. There are now 11 micro sites up and running.
- Using our marketing expertise more widely, we launched anyspacedirect.co.uk in 2010. This website markets small business space for a number of property owners direct to SMEs across the UK. It now hosts around 1,000 properties and receives over 26,000 hits a month.
- Opened our first two Club Workspace business lounges, at Clerkenwell Workshops and The Leathermarket in May 2011. These provide a club-type monthly membership for those entrepreneurs and small businesses that do not yet require permanent business space. Members can utilise the business lounge facilities for a fixed monthly fee. We plan to launch further business lounges across our portfolio over the next two years.
- All of the properties in the BlackRock joint venture are managed and branded by Workspace. As we acquire new properties around London this will further extend the reach of our brand.

## Financial performance

### Trading

| £m | 2011 | 2010 |
|---|---|---|
| Net rental income | **45.9** | 44.4 |
| Staff and other administrative costs | **(8.6)** | (8.0) |
| Share-based incentive costs | **(1.1)** | (1.1) |
| Net interest cost | **(22.1)** | (24.5) |
| Trading profit after interest | **14.1** | 10.8 |
| | | |
| Property valuation gain | **30.8** | 1.8 |
| Workspace Glebe joint venture adjustments | **–** | 14.2 |
| Other items | **7.9** | (0.8) |
| Profit for the year before tax | **52.8** | 26.0 |

Profit before tax has increased significantly to £52.8m from £26.0m last year. The largest element of this improvement is the increase in the property valuation.

Trading profit after interest is up 31% (£3.3m) in the year to £14.1m. The main components of this increase were:

- Net rental income is up 3.3% (£1.5m) with the full year benefit from the Glebe portfolio acquired in December 2009 offset by disposals. Empty rates reduced from £1.7m to £1.0m as occupancy levels improved.
- Staff and other costs are up 7.5% (£0.6m). This comprised inflationary cost increases, excluding staff salaries which were flat, and an increase in bonus costs reflecting the improved trading performance.

– Interest costs fell by £2.4m during the year, with the average interest cost running at 5.3% compared to 6.7% last year. We have 74% of our borrowings fixed at an average rate of 3.8%, with the remainder of our debt at 1 or 3 months' LIBOR, which are currently at historic lows. Our interest rate hedging has been structured with the intention of being able to maintain a stable interest rate over the medium term at 5.5% to 6.0% even as short-term LIBOR rates recover to their longer term levels.

Other items include the increase in the mark to market value of our hedging instruments (£5.3m) and the profit on the property disposals made in the year (£2.8m).

### Cash flow

| £m | 2011 | 2010 |
|---|---|---|
| Operating cash flow | **37.9** | 36.3 |
| Net interest paid | **(21.8)** | (25.2) |
| Net cash from operations | **16.1** | 11.1 |
| | | |
| Dividends to shareholders | **(8.2)** | (8.1) |
| Share placing proceeds (net of costs) | **–** | 18.8 |
| Rights Issue costs (proceeds in 2009) | **–** | (4.3) |
| Capital expenditure | **(9.4)** | (5.9) |
| Property acquisitions | **–** | (4.0) |
| Property disposal proceeds | **43.9** | 57.1 |
| Investment in BlackRock Workspace joint venture | **(7.4)** | – |
| Corporation tax | **(2.1)** | – |
| Hedging amendments | **(6.5)** | (8.6) |
| Loan facility arrangements fees and costs | **(3.8)** | – |
| Loan facility restricted cash | **(5.0)** | – |
| Other | **(1.0)** | (1.8) |
| | **16.6** | 54.3 |
| Acquisition of Glebe joint venture (including debt) | **–** | (83.0) |
| Decrease/(increase) in net borrowings | **16.6** | (28.7) |

The Group continues to generate a strong operating cash flow in line with trading profits. Bad debts continue to be maintained at very low levels and amounted to £0.2m in the year (2010: £0.3m).

As previously highlighted, we have increased the level of refurbishment activity during the year with £2.8m of capital expenditure at Kennington Park on the refurbishment of the Chichester and Chester House buildings. The level of expenditure will increase further during the next year as we progress on the refurbishment projects at Canalot Studios and Great Guildford Street.

Corporation tax of £2.1m paid in the year was the REIT entry charge for the former Glebe joint venture properties which we purchased in December 2009.

A number of interest rate hedging contracts were amended or cancelled during the year, as a result of the reduction in the level of debt and the Bayern Club refinancing. The Bayern Club refinancing also has an adverse working capital impact due to a rolling three month delay on the release of surplus rental income until the interest payment has been made each quarter. The Bayern Club facility is provided by Bayern LB, Deutsche Pfandbriefbank, Santander and Nationwide.

### Balance Sheet and Financing

| £m | 2011 | 2010 |
|---|---|---|
| Investment properties | **713** | 713 |
| Investment in BlackRock Workspace joint venture | **7** | – |
| Net borrowings | **(367)** | (383) |
| Interest-rate swaps | **(11)** | (23) |
| Other net liabilities | **(8)** | (20) |
| Net assets | **334** | 287 |
| | | |
| EPRA NAV per share | **29.5p** | 26.7p |
| Loan to value (LTV) | **50%** | 53% |

We have three banking facilities, details of which are set out below:

| | Facility amount £m | **Drawn at March 2011 £m** | Term | Margin over LIBOR |
|---|---|---|---|---|
| **RBS*** | | | | |
| Term/revolving facilities | 125 | **95** | June 2015 | 2.50%/ 2.75% |
| Overdraft | 4 | **4** | On demand | 2.25% |
| **Bayern Club** | | | | |
| Term facility | 200 | **200** | June 2015 | 2.25% |
| **Lloyds BoS** | | | | |
| Term facility | 68 | **68** | December 2014 | 1.25% |
| **Total** | 397 | **367** | | |

* A new RBS facility to June 2015 was signed in June 2011.

We test the covenants on each of our facilities every quarter. We continue to have in excess of 20% headroom on all our valuation and interest related covenants.

### Dividend

Reflecting improved trading performance during the year, the Board proposes a final dividend of 0.55p per share. Combined with the interim dividend, this would take the total dividend for the year to 0.825p per share, an increase of 10% on prior year. The final dividend will be paid as a Property Income Distribution (PID) to all shareholders on the shareholder register as at 15 July 2011.

### Share consolidation

We are proposing at the forthcoming AGM a resolution for a 1 for 10 share consolidation. Based on the current issued share capital of the Company this would reduce the number of shares in issue from 1.15 billion to 115 million.

# Key Statistics

| | Quarter ending 31 March 2011 | Quarter ending 31 December 2010 | Quarter ending 30 September 2010 | Quarter ending 30 June 2010 | Quarter ending 31 March 2010 |
|---|---|---|---|---|---|
| **Workspace Group Portfolio** | | | | | |
| Number of estates | **94** | 104 | 104 | 105 | 105 |
| Lettable floorspace (million sq. ft.)† | **5.1** | 5.4 | 5.5 | 5.5 | 5.5 |
| Number of lettable units | **4,856** | 5,175 | 5,175 | 5,205 | 5,156 |
| ERV | **£61.4m** | £65.1m | £65.6m | £66.1m | £66.4m |
| Reversionary yield* | **8.5%** | 8.8% | 9.0% | 9.1% | 9.3% |
| Cash rent roll of occupied units | **£48.9m** | £51.0m | £51.0m | £51.2m | £50.7m |
| Average rent per sq. ft. | **£11.47** | £11.10 | £11.19 | £11.26 | £11.22 |
| Overall occupancy | **83.6%** | 84.4% | 83.2% | 82.7% | 81.9% |
| Like-for-like lettable floor space (million sq. ft.) | **3.9** | 3.9 | 3.9 | 3.9 | 3.9 |
| Like-for-like cash rent roll | **£40.1m** | £39.1m | £39.1m | £38.6m | £38.6m |
| Like-for-like average rent per sq. ft. | **£11.89** | £11.58 | £11.63 | £11.66 | £11.69 |
| Like-for-like occupancy | **86.2%** | 86.1% | 85.3% | 84.0% | 83.6% |
| **BlackRock Workspace Property Trust** | | | | | |
| Property valuation (£m) | **£35m** | – | – | – | – |
| Number of estates | **8** | – | – | – | – |
| Number of lettable units | **281** | – | – | – | – |
| ERV | **£3.4m** | – | – | – | – |
| Lettable floorspace (million sq. ft.)† | **0.3** | – | – | – | – |
| Cash rent roll of occupied units | **£3.1m** | – | – | – | – |
| Average rent per sq. ft. | **£10.57** | – | – | – | – |
| Overall occupancy | **92.1%** | – | – | – | – |
| **Financial performance** | | | | | |
| Property valuation (£m) | **719** | 741 | 732 | 725 | 717 |
| Net assets (£m) | **334** | – | 300 | – | 287 |
| EPRA NAV per share (p) | **29.5** | – | 27.6 | – | 26.7 |
| Net rental income interest cover (cumulative) | **2.07x** | – | 2.04x | – | 1.81x |
| Trading interest cover (cumulative) | **1.63x** | – | 1.59x | – | 1.44x |
| Gearing (%) on EPRA net assets | **106%** | – | 123% | – | 125% |
| Loan to value (%) | **50%** | – | 54% | – | 53% |
| Available borrowing facilities (£m) | **30** | – | 21 | – | 36 |

† Excludes storage space
* Based on ERV divided by valuation

# Managing our Risks



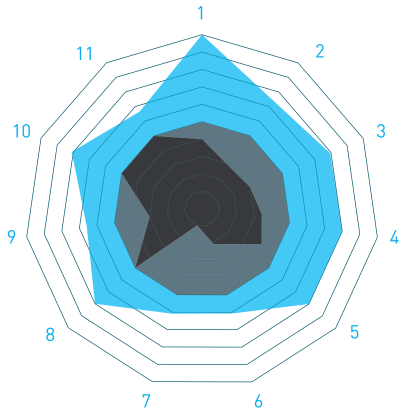
During the year we have taken steps to refine and enhance our risk management process to ensure it is integrated with our management and day-to-day activities and also to focus the Board on our key strategic risks.

## Operational Risk

The Executive Committee have responsibility for managing and reviewing our operational risks. Risks and mitigating actions are evaluated monthly. The highest rated risks in each operational area are summarised below. These graphs are used internally to monitor the inherent risk rating of each risk, the residual risk rating after the impact of controls and mitigating activities, and how this compares to our appetite for risk.

### Finance and IT – High Rated Risks

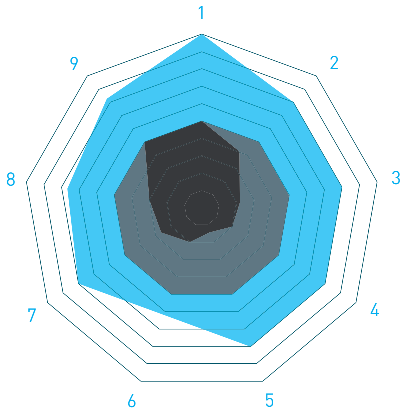
- Inherent Risk
- Risk Appetite
- Residual Risk




1. Insufficient funding
2. Breach of borrowing covenants
3. REIT conditions breached
4. Misstatement in financial results
5. Interest rate exposure
6. Direct Debit collection process fails
7. Tenant defaults
8. Fraud in treasury activities
9. Data security
10. Major failure of IT systems
11. IT systems not fit for purpose

### Operations – High Rated Risks

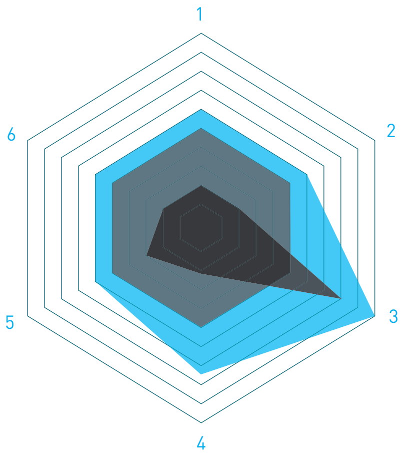
- Inherent Risk
- Risk Appetite
- Residual Risk




1. Failure to achieve targeted value from acquisitions
2. Failure to identify and maximise all asset management opportunities
3. Failure to achieve growth in rental values
4. Fall in occupancy levels
5. Staff/tenant health & safety
6. Space is mis/under priced
7. Failure to recruit/retain staff with appropriate skills
8. Failure to achieve budget targets
9. Workspace brand and reputation

### Property – High Rated Risks

- Inherent Risk
- Risk Appetite
- Residual Risk




1. Acquisition due diligence process fails to identify a property cost or risk
2. Added value activity fails to enhance property valuation
3. Valuation yields move out/economic and market factors adversely impact on valuation
4. Independent valuers misstate values
5. Overpaying for property
6. Disposals do not achieve fair value

## Strategic Risk

The key strategic risks are monitored by the Board and are defined as those which could prevent us from achieving our business goals. Our current strategic risks and key mitigating actions are as follows:

**Key**
- High risk (red)
- Medium risk (amber)
- Low risk (green)

| Risk category | Risk | Mitigating activities | Residual Risk |
|---|---|---|---|
| **Finance Risk** | Lack of funding resulting in inability to meet business plans, satisfy liabilities or breach of covenants. | – Funding requirements for business plans are reviewed regularly.<br>– Regular dialogue with main lenders.<br>– Options for alternative sources of funding monitored.<br>– Financial ratios and covenant headroom monitored and regularly reported to the Board.<br>– Working capital forecasts stress tested and regularly reported to the Board. | Low risk (green) |
| **Valuation Risk** | Value of our properties declining as a result of external market or internal management factors. | – Independent valuations conducted quarterly by CB Richard Ellis.<br>– Alternative use opportunities pursued across the portfolio and planning consent progressed.<br>– Market yields and pricing of property transactions monitored closely across the London market.<br>– Headroom on Loan to Value banking covenants is maintained and reviewed. | Medium risk (amber) |
| **Occupancy Risk** | Demand by SMEs for our accommodation declining as a result of social, economic or competitive factors. | – Weekly monitoring of occupancy levels and update of pricing at each estate.<br>– Quarterly customer satisfaction surveys.<br>– Weekly monitoring of reasons for customers vacating and exit interviews conducted.<br>– On-site staff maintain regular contact with customers and local monitoring of competitors offering space.<br>– Extensive marketing using the 'Workspace' brand.<br>– Flexibility offered on deals by dedicated in-house marketing and letting teams.<br>– External research conducted on the SME sector to understand trends in demand. | Low risk (green) |
| **Development Risk** | Plans being inhibited as a result of regulations. Risk of cost overrun. | – Regular monitoring of Government announcements and active involvement in industry responses.<br>– Alignment of our regeneration proposals with the London Plan and local strategic plans.<br>– Timing of actual developments can be deferred with properties retained for existing rental use. | Low risk (green) |

| Risk category | Risk | Mitigating activities | Residual Risk |
|---|---|---|---|
| **Property Investment** | Acquisitions do not generate the expected valuations or rent roll resulting in losses. | – Thorough due diligence conducted ahead of any property acquisitions.<br>– Regular monitoring of acquisition performance against target returns. | |
| **Transactional Risk** | Joint ventures or other ventures with third parties do not deliver the expected return. | – Potential joint ventures reviewed and monitored before agreed.<br>– Regular review of performance of joint ventures throughout term. | |
| **Regulatory Risk** | Failure to meet regulatory requirements leading to fines or tax penalties or the introduction of new requirements that inhibit activity. | – REIT conditions monitored and tested on a regular basis and reported to the Board.<br>– Close working relationship maintained with HMRC and all relevant issues openly disclosed. | |
| **Business Interruption Risk** | Major events mean that Workspace is unable to carry out its business for a sustained period. | – Business Continuity plans in place and tested.<br>– Back-up systems at remote locations and remote working capabilities. | |
| **London** | Changes in the political, infrastructure and environmental dynamics of London lead to reduced demand from SMEs. | – Regular monitoring of the London economy, research reports and the commissioning of research.<br>– Regular meetings with the Greater London Authority. | |
| **Reputational Risk** | Failure to meet customer and external stakeholder expectations. | – Customer surveys undertaken and results acted upon.<br>– Training and mystery shopper initiatives undertaken.<br>– Regular communication with stakeholders. | |
| **Energy Risk** | Reductions in energy usage are not achieved resulting in excessive costs under the carbon reduction commitment. | – Initiatives to encourage tenants to reduce energy consumption.<br>– Installation of energy meters to review and monitor energy consumption and ongoing upgrading of lighting and heating.<br>– Full compliance with CRC regulations. | |


### Sustainability highlights

| | |
|---|---|
| **Waste diverted through recycling programmes** | **4,513** tonnes |
| **Customer satisfaction level achieved in 2010/11** | **84**% |
| **Number of installations of security equipment installed in 2010/11** | **28** |

## Sustainability is a driver of value

Sustainability is part of our everyday approach. We improve sustainability in its broadest sense, by helping businesses to flourish, create employment and boost the economy in their local areas. This, in turn, creates opportunities and growth for us. We embarked on our sustainability journey a decade ago, well before most companies and we have found that understanding our environmental impact and managing it effectively is of great importance to our customers.

We believe that the whole lifecycle of a building is important in judging its sustainability. By reusing old premises we save all of the significant carbon emissions involved in new construction which offsets the fact that older buildings are generally less energy efficient in operation than brand-new properties. We also choose sites convenient for public transport and many customers cycle or walk, reducing the carbon footprint of travel to and from the office.

While our recycled buildings are inherently sustainable, we can do more to minimise the environmental impact of our business, by implementing green management procedures, engaging with our 4,000 customers and working with them to reduce energy usage and waste from their operations. By doing so, we help both our customers and Workspace realise the benefits of sustainability.

**Details of our performance against our targets can be found online:**
www.workspacegroup.co.uk/sustainability

## Our priorities

**We have four core sustainability priorities:**

- **Carbon management**. We look to understand our energy use and identify improvements, so we reduce our costs and carbon dioxide emissions, and perform well in the CRC Energy Efficiency Scheme.
- **Waste management**. We work to improve our recycling rates and reduce waste sent to landfill, so that we cut our landfill tax costs.
- **Customer satisfaction**. We aim to meet our customers' needs and help them improve their sustainability, so that we retain our customers and maintain our rental income.
- **Customer safety and security**. We look to protect our customers and improve our health and safety policy, so that we retain and attract customers and safeguard our reputation.

## How we manage sustainability

Our sustainability governance structure drives the implementation of our initiatives, empowers our people and helps develop key decisions about future initiatives.

| | Responsibility |
|---|---|
| **Harry Platt**<br>Chief Executive | Oversight of our sustainability programme. |
| **Sustainability Committee**<br>The Committee is made up of our target owners and is chaired by Angus Boag, Development Director. | Discussing the implementation of our strategy and identifying opportunities.<br><br>Reporting to the Board on our progress. |
| **Target owners**<br>Targets are allocated to individuals at the beginning of each year. | Implementing our sustainability targets. |

## Performance in 2010/11

- **Carbon management.** We looked to improve our CRC Energy Efficiency Scheme performance by implementing energy efficiency measures on key sites, including automatic meters, new building management systems, voltage optimisation and low energy lighting. We are also working with customers to introduce green leases and establishing joint action plans with them to decrease their energy use. We successfully completed and planned several major energy efficiency capital projects and are rolling out the installation of automatic meters across our portfolio which will assist us in identifying and targeting properties where we can reduce energy consumption. The low and no-cost management measures, including green lease and joint action plans with tenants, were more challenging with our highly diverse tenant mix and large number of unique buildings. We will focus more of our efforts on training and supporting centre managers to manage buildings more efficiently in 2011/12, including adding clauses to performance agreements where appropriate.
- **Waste management**. Our centre managers have continued to engage with our customers to increase recycling rates. We avoided over £216,000 in landfill costs in 2010/11 across our portfolio, by diverting 4,513 tonnes of waste through recycling programmes and converting our waste to energy.
- **Customer satisfaction**. Customer satisfaction and loyalty are key to the sustainability of our income stream and we targeted a customer experience score of 80% on our annual survey. We once again outperformed this benchmark by achieving an 84% approval rating with our customers in 2010/11.
- **Customer safety and security**. During the year, we provided an improved remote monitoring service on 28 estates, 15 estates are now supported by mobile patrol personnel, and we increased and improved remote fire alarm systems on 26 estates. We aim to improve customer confidence in security on site from 74% in 2010/11 by rolling out similar security measures across additional sites in the coming year.

We fully achieved eight of our ten targets for 2010/11 and partially achieved one. This high level of achievement reflects a focus on core business essentials in our target setting process. Details of our performance against these targets can be found on our sustainability website, www.workspacegroup.co.uk/sustainability/

Achievement of the target to reduce energy use could not be evaluated at the time of this Report, as suppliers provide final energy statements for the year in July. We will publish a full evaluation on our sustainability website by 15 August 2011, along with our 2010/11 total carbon emissions.

## Initiatives for 2011/12

Building on our success in 2010/11, we will continue to focus on how sustainability can enhance our business performance in 2011/12. Our Sustainability Committee, supported by our strategic advisors Upstream Sustainability Services, identified 16 potential initiatives, rooted in our core customer-facing business for this financial year. These include:

- Creating an economic sustainability barometer that can be applied to all business centre types and conveys our sustainability message to stakeholders (customers, planning and neighbourhood groups, investors and government).
- Commissioning embodied carbon research, to establish the business and environmental benefits and value of preserving current building stock rather than developing new stock.
- Providing sustainable procurement training for our staff.
- Introducing sustainability related targets into the performance agreements for key staff, aligned with the 2011/12 sustainability programme and linked to bonuses.
- Improving the recycling rate average across all centres to 55% and working towards zero waste to landfill by 2013.
- Installing a system to obtain real-time, digital energy monitoring for all sites. Actively using consumption information to improve site management and communicate with tenants.
- Increasing the percentage of customers who receive e-billing to 50% (currently 25%) by making this the default choice for centre managers and tenants.
- Establishing a central community fund for our centres to support local initiatives.

We will carefully review the business value, sustainability impact and resources required for each initiative to ensure we deliver value to all of our stakeholders. Success in delivering these initiatives forms part of the annual performance and remuneration assessment for each initiative leader.

# The Board & Executive Committee

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## The Board of Directors

**1. Name:** Antony Hales CBE BSc
**Appointment:** Non-Executive Chairman

**Committee memberships:**
Chairman of the Nominations Committee and a member of the Remuneration Committee.

**Background and relevant experience:**
Tony Hales was appointed to the Board in November 2002 and was appointed as Non-Executive Chairman in December 2002. 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.

**Current external appointments:**
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.

**2. Name:** Harry Platt MA MRTPI
**Appointment:** Chief Executive

**Background and relevant experience:**
Harry Platt 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.

**3. Name:** Graham Clemett BSc ACA
**Appointment:** Group Finance Director

**Background and relevant experience:**
Graham Clemett 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.

**4. Name:** Bernard Cragg BSc ACA
**Appointment:** Senior Independent Non-Executive Director

**Committee memberships:**
Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

**Background and relevant experience:**
Bernard Cragg was appointed to the Board in June 2003. He was previously Chairman of Datamonitor PLC and i-mate PLC, 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.

**Current external appointments:**
He is a non-executive director of Astro Overseas Limited and Astro Malaysia Holdings SDN BHD and the Senior Independent Director of Mothercare PLC and Progressive Digital Media PLC.

**5. Name:** Jamie Hopkins
**Appointment:** Non-Executive Director

**Committee memberships:**
A member of the Remuneration, Audit and Nominations Committees.

**Background and relevant experience:**
Jamie Hopkins was appointed to the Board in June 2010. He was previously Chief Executive and a Non-Executive Director of Mapeley PLC.

**Current external appointments:**
He is currently a Director of Chester Properties.

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**6. Name: John Bywater FRICS**
**Appointment: Non-Executive Director**

**Committee memberships:**
Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

**Background and relevant experience:**
John Bywater was appointed to the Board in June 2004. He was previously an Executive Director of Hammerson PLC and retired in March 2007.

**Current external appointments:**
He is Managing Director of Caddick Developments Ltd, a Non-Executive Director of British Waterways and Realis Estates, a private property company; a Non-Executive of Low Carbon Workspace Limited and a Trustee of Opera North.

**7. Name: Daniel Kitchen**
**Appointment: Non-Executive Director**

**Background and relevant experience:**
Daniel Kitchen was appointed to the Board on 6 June 2011 and subject to election by shareholders at the AGM, to be appointed as Chairman. He was previously Deputy Chief Executive at Heron International plc and prior to that was Finance Director at Green Property for eight years.

**Current external appointments:** He is currently Non-Executive Chairman of Irish Nationwide Building Society and a Non-Executive Director of Minerva PLC, LXB Retail Properties PLC and Kingspan Group PLC.

## Executive Committee

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

**8. Name: Angus Boag MSc CEng MICE**
**Appointment: Development Director**

**Background and relevant experience:**
Angus Boag 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.

**9. Name: Chris Pieroni BA (Hons) MSc (Econ) PhD (Cantab) ACSI**
**Appointment: Operations Director**

**Background and relevant experience:**
Chris Pieroni 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.

# Discover More of our Business Communities

**Westbourne Studios**
westbournestudios.com

**Clerkenwell Workshops**
clerkenwellworkshops.com

**Biscuit Factory**
biscuitfactoryse16.co.uk

**Kennington Park**
kenningtonpark.co.uk

**The Light Box**
thelightboxw4.co.uk

**The Leathermarket**
theleathermarket.co.uk

**Southbank House**
southbankhousese1.co.uk

**Canalot Studios**
canalotstudios.co.uk

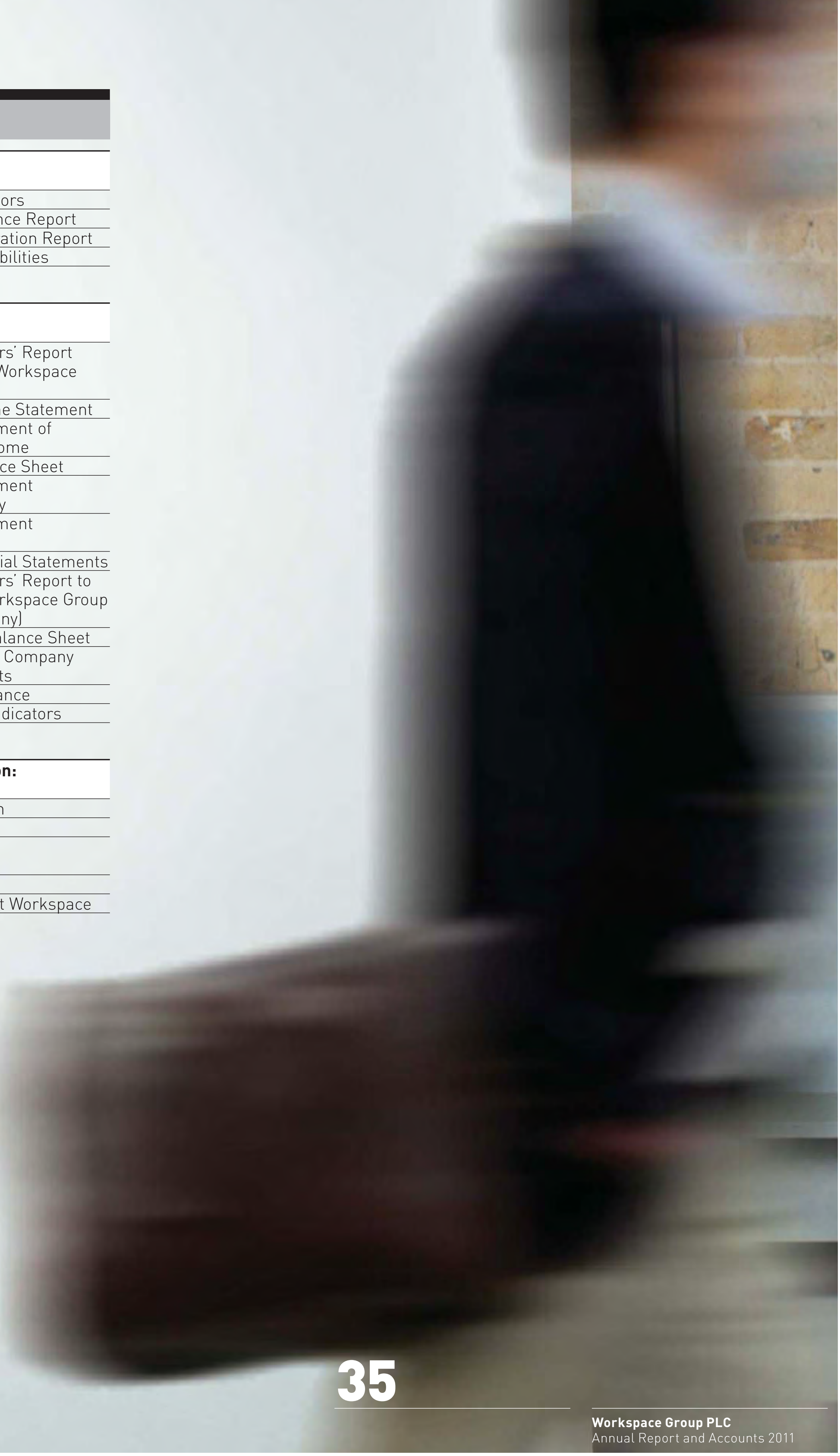
**Barley Mow Centre**
thebarleymowcentre.co.uk

**Chocolate Factory/ Parma House**
chocolatefactorywoodgreen.co.uk

parmahouse.co.uk

**Pall Mall Deposit**
pallmalldeposit.co.uk

# Governance, Financial Statements and Shareholder Information



## Contents

### Governance:



### Financial Statements:



### Shareholder Information:

# 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 2011. 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 Activity and Business Review

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 2011 the Company had 11 active subsidiaries, six of which are property investment companies owning properties in Greater London. The other five companies are Workspace Management Limited which acts as manager for all the Group's property investment companies and the BlackRock Workspace Property Trust; LI Property Services Limited which procures insurance on behalf of the Group; Anyspacedirect.co.uk Limited which operates a web-based service for businesses in search of commercial space to rent in the UK. Workspace Holdings Limited and Workspace Glebe Limited are intermediate holding companies. A full list of the Company's trading subsidiaries appears on page 81.

Significant events which occurred during the year are detailed in the Chairman's Statement on page 7, the Group Chief Executive's Review on pages 8 to 12 and the Business Review on pages 20 to 25.

## 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 35.

## 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 38 to 43 and in the Remuneration Report on pages 44 to 52.

## Profit and dividends

The Group's profit after tax for the year attributable to shareholders amounted to £53.5m (2010: £24.2m).

The interim dividend of 0.275p (2010: 0.25p) was paid in February 2011 and the Board is proposing to recommend the payment of the final dividend of 0.55p (2010: 0.50p) per share to be paid on 5 August 2011 to shareholders whose names are on the Register of Members at the close of business on 15 July 2011. This makes a total dividend of 0.825p (2010: 0.75p) for the year.

## Going Concern

The Group's activities, strategy and performance are explained in the Chief Executive's Review on pages 8 to 12 and the Business Review on pages 20 to 25.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 55 to 81.

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 £713.4m (2010: £713.2m) and owner occupied property of £3.9m (2010: £2.7m). The Group's investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors, at 31 March 2011 at open market value.

## Directors

With the exception of Mr Hopkins and Mr Kitchen who were appointed as Directors on 7 June 2010 and 6 June 2011 respectively, the Directors of the Company, who all held office throughout the year, are shown on pages 32 and 33.

## 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.

## Directors' conflict of interest

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 50 to 52.

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with Workspace Group PLC, they are required to notify the Board in writing or at the next Board Meeting.

## Employment policies

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them in a variety of formats. The Company has a monthly newsletter and Group intranet, which contains stories of interest and success around the Group. Furthermore, the Group has implemented a series of Director-led staff briefings designed to keep employees well informed of the performance and objectives of the Group. These briefings are held quarterly and serve as an informal forum for employees to ask questions about the Company. These have been particularly useful over the last year to keep staff appraised on the relocation of the Head Office to Kennington. A staff forum has also been established to improve communication and consultation with employees.

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.

Share Schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Company's Savings Related Share Option Scheme (SAYE).

The Group is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community at large. We are an organisation which uses everyone's talents and abilities, where diversity is valued.

The Group remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective.

## Share capital and control

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 47 to 52.

As at 31 March 2011, the Company's issued share capital comprised of a single class of 1,152,731,338 ordinary shares of 10p each. Details of the Company's issued share capital are set out on page 75.

## Share consolidation

The Board intends to propose a 1 for 10 consolidation of the Company's ordinary shares. The purpose of the share consolidation is to reduce the total number of shares now in issue following the rights issue undertaken in 2009 and to increase the likely price of the Company's shares to a figure more appropriate for a listed company of its size and nature in the UK market. Based on the current issued share capital of the Company, there would be approximately 115m ordinary shares in issue, following the share consolidation, reduced from approximately 1.15bn at present. The share consolidation is subject to approval by shareholders at the Annual General Meeting to be held on 28 July 2011.

## Substantial shareholdings in the Company

As at 31 May 2011, 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 |
|---|---|---|
| Mr N Roditi* | 310,013,445 | 26.89% |
| F&C Asset Management Plc | 114,525,949 | 9.94% |
| BlackRock Inc | 88,822,780 | 7.71% |
| Columbia Wanger Asset Management | 87,878,100 | 7.62% |
| Legal & General Investment Management | 63,667,496 | 5.52% |
| Newton Investment Management Limited | 56,356,279 | 4.89% |
| Standard Life Investments | 37,861,878 | 3.28% |

* 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 (2010: £nil). Charitable contributions within the UK amounted to £85,604 (2010: £172,768) 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.

## 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 2011 the Group's average payment term from the date of invoice was 34 days (2010: 33 days). The Parent Company has made no trade purchases.

## Financial 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 38 to 43.

## 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.

## 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 25th Annual General Meeting of the Company will be held at Chester House, Kennington Park, 1-3 Brixton Road, London SW9 6DE on Thursday 28 July 2011 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
3 June 2011

## STRUCTURE OF THE BOARD AND BOARD COMMITTEES

### THE BOARD

The Board has a number of standing committees 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.

| Remuneration Committee | Audit Committee | Nominations Committee | City Committee | Executive Committee |
|---|---|---|---|---|
| – All aspects of the remuneration of the Executive Directors<br>– Recommending the Chairman's remuneration | – Ensures the integrity of financial reporting and audit processes<br>– Maintenance of a sound internal control and risk management system | – Recommends to the Board candidates for appointment as Executive and Non-Executive Directors of the Company<br>– Assess what new skills; knowledge and experience are required on the Board | – Reviews the quarterly, interim and annual reports and associated announcements prior to their review by the Audit Committee and the Board | – Address Group-wide issues and initiatives<br>– Review and approve capital expenditure; disposals and certain acquisitions<br>– Monitoring of the operating and financial results against plans and budgets<br>– Effectiveness of risk management and control procedures |

The Board is committed to maintaining high standards of corporate governance. Working with honesty and integrity are vital to building a sustainable business for all of our stakeholders.

Throughout the year ended 31 March 2011, the Company fully complied with the Code provisions set out in section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008. The application of the principles contained in the Combined Code is described below. Detailed reports on Directors' remuneration and the Audit Committee can be found on pages 44 to 52 and pages 39 and 40.

## Directors

**The Board**

During the year ended 31 March 2011, the Board of Directors comprised:

| | |
|---|---|
| Tony Hales | Non-Executive Chairman |
| Harry Platt | Chief Executive |
| Graham Clemett | Finance Director |
| Bernard Cragg | Senior Independent Non-Executive Director |
| John Bywater | Independent Non-Executive Director |
| Jamie Hopkins | Independent Non-Executive Director |
| Rupert Dickinson | Independent Non-Executive Director |

Notes
– Mr Hopkins was appointed on 7 June 2010.
– Mr Dickinson retired from the Board on 27 July 2010.

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 Jamie Hopkins bring independence of judgment and character to the Board and to the committees on which they sit. They are independent of management and are free from any business or other relationships which could interfere with the exercise of their judgment. 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 £2m. 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 financial strategy. Other day-to-day operational decisions are delegated by the Board to the Executive Committee.

The Board normally meets seven times per year and supplementary meetings are held as and when necessary.

In July 2010 the Board renewed the contract of John Bywater for a further three years having served six years.

Biographical details of the Directors at the date of this report are set out on pages 32 and 33 together with details of their membership of Board Committees.

**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 the division of responsibilities has been clearly established. The Chairman is responsible for leadership of the Board, ensuring its effectiveness and that it operates in the interests of shareholders.
The Chairman facilitates the effective contribution of the Non-Executive Directors and ensures all Directors receive accurate, timely and clear information. The Chairman is not involved in an executive capacity in any of the Group's activities. 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 accountable to the Board for the financial and operational performance of the Group and the determination of the strategy and achievement of its objectives.

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 Committees
The Board has a number of standing committees, namely the Remuneration, Audit, Nominations, City Committee and the Executive 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 interest.

### Remuneration Committee
1. 2. 3. 4.

| Number of meetings during the year | Scheduled | Attended |
|---|---|---|
| 1. John Bywater (Chairman) | 8 | 8 |
| 2. Bernard Cragg | 8 | 7 |
| 3. Tony Hales | 8 | 8 |
| 4. Jamie Hopkins | 8 | 4 |

The Remuneration Committee consists of all of the Non-Executive Directors and is chaired by John Bywater. Under its terms of reference the Committee meets at least twice a year. During the year under review the Committee met eight times. It is responsible for all aspects of the remuneration of the Executive Directors. 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.

Further details of the Remuneration Committee, remuneration policy and of the remuneration of each Director are set out in the Remuneration Report.

### Audit Committee
1. 2. 3.

| Number of meetings during the year | Scheduled | Attended |
|---|---|---|
| 1. Bernard Cragg (Chairman) | 3 | 3 |
| 2. John Bywater | 3 | 3 |
| 3. Jamie Hopkins | 3 | 2 |

The Audit Committee comprises all the Non-Executive Directors, except the Chairman, and is chaired by Bernard Cragg. During the year under review the Committee met three times. It ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management systems.

Bernard Cragg, the Chairman of the Audit Committee, is a Chartered Accountant and the Board is satisfied that he has the required 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.

During the year, the Committee met in private sessions with PricewaterhouseCoopers LLP ('PwC') in the absence of management at least twice.

During the year the Committee was responsible for reviewing, and reporting to the Board, on a range of matters including:
- the 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;
- the review of fraud risk.

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 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.

The Committee has a rolling agenda that ensures that the Committee receives appropriate information far enough in advance to enable it to fulfil its responsibilities. This includes not only information from management but also detailed reports from the external auditor.

## External Auditors

The Audit Committee recognises that the independence of the Group's external auditor is of paramount importance to shareholders and the Audit Committee terms of reference establish a process for monitoring and approving the nature and the level of related fees for non-audit services (e.g. accounting, tax or due diligence work) paid to the Group external auditors.

The Group uses the external auditor for relevant financial work for a variety of reasons, including their knowledge of the Group, the audit-related nature of the work and the need to maintain confidentiality.

At each meeting, the Committee will be advised of any significant non-audit work awarded to the external auditor since the previous meeting and the related fees. At the annual May meeting, the Committee receive a report of fees, both audit and non-audit from PwC for the past financial year. The Committee will consider in detail the nature and level of non-audit services provided by PwC and the related fees. The Committee may challenge and in some instances refuse proposals in respect of non-audit work to be performed by the external auditor.

In addition, the Committee will assess the threats of self review by the external auditors, self interest, advocacy and familiarity – these are set out below and considered in relation to PwC's services:

1. **A self review threat – this is where in providing a service the PwC audit team could potentially evaluate the results of a previous PwC service.**
   The Committee specifically will not allow the auditors to:
- Do anything that is a management responsibility (e.g. such as setting performance targets or determining employees' actual compensation).
- Provide accounting or book-keeping services.
- Prepare financial statement disclosure items.

2. **A self interest threat – where a financial or other interest (of an individual or PwC) will inappropriately influence an individual's judgement or behaviour.**
   The Committee will specifically perform the following:
- If the external auditor is to be considered for the provision of non-audit services, their scope of work and fees must be approved in advance by the CFO and the Committee Secretary and, in the case of fees in excess of £50,000 for a single project, by the Committee (or if approval is required before the next meeting, by the Committee Chairman). For larger assignments in excess of £100,000 this would involve a competitive tender process unless there are compelling commercial or timescale reasons to use the external auditor or another specific accountancy firm.
- It does not accept significant contingent fee arrangements with the external auditors.

3. **An advocacy threat – this is where PwC or PwC personnel promote an audit client's position to the extent where PwC's objectivity as auditor is compromised.**
   The Group will not use PwC in an advocacy role.

4. **A familiarity threat – this is where because of a too long or too close a relationship, the external auditor's independence is affected.**
   The Committee will prohibit the hiring of former employees of the external auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chairman of the Audit Committee gives prior consent. Annually, the Committee will be advised of any new hires caught by this policy. In addition, PwC will rotate their audit partner every five years.

The Committee will monitor on an ongoing basis the relationship with the external auditor to ensure its continuing independence, objectivity and effectiveness. By reference to the external auditor's litigation record, financial assets, structure of the firm and the level of its professional indemnity insurance cover, the Committee will determine the external auditor's financial stability and assesses the likelihood of its being able to meet any liabilities arising from the audit engagement.

Further details of the Audit Committee and its activities are set out in the Audit Committee Report.

Fees paid to PwC can be found in note 3 on page 64.

## Nominations Committee


| Number of meetings during the year | Scheduled | Attended |
|---|---|---|
| 1. Tony Hales (Chairman) | 3 | 3 |
| 2. John Bywater | 3 | 2 |
| 3. Bernard Cragg | 3 | 3 |
| 4. Jamie Hopkins | 3 | 1 |

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 the selection process. Initial meetings are held generally by the Chairman and the Chief Executive with prospective candidates and a shortlist of individuals is selected to meet with other Nominations Committee members and other Executive Directors. The Nominations Committee then meets and decides which candidate, if any, will be recommended to join the Board. This process was used for the appointment of Jamie Hopkins as Non-Executive Director, with Hanson Green acting as recruitment consultant.

This year the Committee also handled the process of succession for the Chairman. On this issue the Committee was chaired by Bernard Cragg, the Senior Independent Director and was assisted by recruitment consultant, Spencer Stuart. The Nominations Committee duly recommended to the Board that Daniel Kitchen be appointed as a Non-Executive Director and subject to election by shareholders at the AGM, to be appointed as Chairman of Workspace Group PLC to succeed Tony Hales on his retirement at the conclusion of the AGM.

The Board has succession plans in place for both the Board and the Executive Committee. As the Committee continues to evaluate the skills and abilities required, it will actively seek to bring more diversity onto the Board.

## 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 facilitates and assists 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 Committee has met 11 times during the year ended 31 March 2011.

The Company also operates a Development Board and an Operations Board which comprise various members of the Executive Committee and the senior management team.

The responsibilities of the Executive Committee members include:

**Harry Platt, Chief Executive**
Strategic management; investor relations; health and 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; rent reviews and renewals.

**Angus Boag, Development Director**
Planning consents; development of assets; valuations; acquisitions and disposals; sustainability and environmental strategy.

## Board and Committee 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** | 8 | 3 | 8 | 3 |
| **Chairman** | | | | |
| Tony Hales | 8 | – | 8 | 3 |
| **Executive Directors** | | | | |
| Harry Platt | 8 | – | – | – |
| Graham Clemett | 8 | – | – | – |
| **Non-Executive Directors** | | | | |
| Bernard Cragg | 8 | 3 | 7 | 3 |
| John Bywater | 8 | 3 | 8 | 2 |
| Jamie Hopkins[1] | 5 | 2 | 4 | 1 |
| Rupert Dickinson[2] | 3 | 1 | 3 | 0 |

Notes:
1. Jamie Hopkins was appointed as a Non-Executive Director on 7 June 2010.
2. Rupert Dickinson retired as a Director on 27 July 2011.

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

A tailored induction programme is provided for each new Director. Overall, the aim of the induction programme is to introduce new Directors to the Group's business and its governance arrangements. Such inductions typically include meetings with senior management, site visits and presentations of key business areas and other relevant documentation. 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 and corporate governance issues as they arise. 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 held four 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. The process comprised the Company Secretary issuing a detailed questionnaire covering the Board and its Committees to Board members. The questionnaire covered issues such as effectiveness of meetings, how well strategy is tested and developed, board composition and succession planning and risk management controls. The responses to the questionnaire were collated independently by the Company Secretary, who then prepared reports for each of the chairmen of the Board and relevant Committees. The responses were discussed at the Board and the relevant 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.

During 2011/12 the Board intends to engage an external party to undertake formal evaluation of its performance.

## Re-election of Directors

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. However, the Company is adopting the requirements of the UK Corporate Governance Code (June 2010) (formerly the UK Combined Code) in relation to Directors' appointments and in particular the annual re-election of all Directors. Therefore in accordance with provision B.7.1 of the UK Corporate Governance Code all the Directors, except for Mr Hales, will retire at the AGM and being eligible, offer themselves up for re-election.

As previously announced, Tony Hales will be retiring as a Director at the forthcoming Annual General Meeting and will not be seeking re-election.

Mr Kitchen was appointed as a Non-Executive Director with effect from 6 June 2011. He will subsequently be appointed as Non-Executive Chairman at the conclusion of the Annual General Meeting.

Mr Kitchen therefore stands for election at the forthcoming AGM. He is currently Non-Executive Chairman of Irish Nationwide Building Society and a Non-Executive Director of Minerva PLC, Director of LXB Retail Properties PLC and Kingspan Group PLC.

Mr Platt and Mr Clemett have service contracts and details can be found on page 49.

None of the Non-Executive Directors have service contracts.

The appointment of Mr Hales may be terminated by either he or the Company giving twelve months notice in writing.

The appointment of Mr Bywater, Mr Cragg and Mr Kitchen may be terminated by any one of them or the Company giving six months' notice in writing.

Mr Jamie Hopkins was appointed as a Non-Executive Director during the year and his appointment may be terminated by either the Company or by Mr Hopkins giving three months notice in writing.

Biographies for the Directors can be found on pages 32 and 33.

## 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 is chaired by the Operations Director and attended by 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'. PKF are appointed by the Risk Committee to undertake specific projects to review particular areas of the business.
- a programme of site audit visits, covering a significant proportion 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 'whistleblowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice. There is also a process in place for staff to report operational risks and issues to the Risk Committee.

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.

The Group has also considered the requirements of the Bribery Act 2010 and taken steps to ensure that it has adequate procedures as set out by the Act.

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 with no significant failings or weaknesses identified.

Further information on the Group's risks is detailed on pages 27 to 29.

## Takeover directive

Share capital structures are included in the Directors' Report on page 37.

## Going Concern

Going Concern disclosures are included in the Directors' Report on page 36.

## Relations with shareholders

A copy of the Annual report and Accounts is sent to all shareholders. It is also available on the Company's website, which additionally contains up to date information on the Group's activities and published financial results and presentations.

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. 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 2011, 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
3 June 2011

# Directors' Remuneration Report

This Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee (the 'Committee'). The Committee adopts the principles of good governance as set out in the Combined Code on Corporate Governance 2008 ('Combined Code') and complies with 'the UKLA Listing Rules and relevant requirements of Schedule 421 to the Companies Act 2006.

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 from the Chairman;
- Directors' remuneration details for the year ended 31 March 2011;
- Principles of executive remuneration policy;
- Remuneration components for executives;
- Membership and role of the Remuneration Committee;
- Annual Bonus, LTIP awards and other share option plans;
- Service Agreements of Executive Directors;
- The Chairman and Non-Executive Directors;
- Supplementary Information on Directors' Remuneration;
- Wider Group remuneration policy.

## Overview from the Chairman

The Committee is sensitive to the need to set Directors' remuneration having regard to pay and conditions in the Group as a whole and believes that the approach it has taken is fair and reasonable in light of current market practice, and is in the best interests of shareholders. Our key principles are set out below.

The Committee strives to ensure that shareholders' interests are served by ensuring that a significant part of the Executive Directors' remuneration is variable and is therefore determined by the Group's success. This is achieved through bonus deferral, encouraging voluntary investment in Workspace shares, setting stretching performance targets applicable for the LTIP and monitoring compliance with executive shareholding requirements.

## Directors Remuneration Details for the year ended 31 March 2011

**Overview of the Executives' Remuneration Structure and Alignment with Strategy**

| Element | Purpose | Delivery | Summary details |
|---|---|---|---|
| **Base Salary** | To reflect market value of the role, an individual's performance and contribution. | Payable in cash.<br><br>Pensionable. | Reviewed annually, with any increases normally effective from 1 April.<br><br>Following a review by the Remuneration Committee, the salaries for Executive Directors were increased by 2% with effect from 1 April 2011, in line with the rest of the Company. |
| **Annual Bonus Scheme** | To encourage and reward the achievement of Group financial and corporate targets and strategic business objectives.<br><br>Part of the bonus may be deferred. | The maximum annual cash bonus that could be earned by Executive Committee members is 120% of salary.<br><br>Non Pensionable.<br><br>The Remuneration Committee retains the flexibility to vary the mix of cash and deferred bonus from year to year. For 2010/11, the Remuneration Committee has set a minimum deferral requirement of 25% of bonus earned. | The performance targets are aligned to four distinct elements: Trading profit before tax (50%);<br><br>Capital return from the portfolio versus a defined comparator index compiled by IPD (30%);<br><br>Customer satisfaction which is based on survey results (10%); and achievement of personal objectives (factor in the range of 0.67 to 1.33).<br><br>The Committee retains the discretion to mandate deferral of a percentage of bonus earned (which will vest after two years, subject to continued employment) or allow executives to make an equivalent investment in the LTIP. |
| **Long Term 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.<br><br>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.<br><br>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 share scheme. |

All executives and senior managers have business and personal objectives which are set at the beginning of the financial year and are aligned to the strategy.

During this year's review, the Committee reaffirmed that a minimum deferral or investment each year into Workspace shares is appropriate and set a minimum deferral requirement of 25% of the bonus earned. The preferred mechanism for meeting this requirement is for participants to invest in the LTIP as this enhances the long-term performance focus. However, the Committee retains the discretion to mandate deferral of 25% of the bonus earned (which will vest after 2 years, subject to continued employment) or allow executives to make an equivalent investment in the LTIP. Consideration has also been given to the proposed Government changes to pension tax relief, and the Company has introduced the flexibility to continue with the DC contributions or pay cash allowances in lieu of pension when it is more tax efficient to do so. Such changes are at no additional cost to the Company.

The Committee believes the remuneration policy reinforces effective risk management by aligning Executive Directors' interests with the long-term interests of shareholders through bonus deferral and investment in Workspace shares, regular awards of performance shares vesting on long-term TSR and NAV growth, with TSR underpinned by Remuneration Committee discretion and the use of executive share ownership guidelines.

During 2011/12, the Committee will continue to monitor the remuneration policy's alignment with business priorities and objectives, whilst ensuring that our remuneration framework continues to motivate, reward and retain our senior management in order to deliver the business strategy.

Directors' remuneration details are explained in the table below which is then followed by the remuneration policy framework.

| **Normally received or awarded** | **Alignment with strategy** | **Harry Platt** | | **Graham Clemett** | |
|---|---|---|---|---|---|
| | | **2011** | **2010** | **2011** | **2010** |
| Paid on a four weekly basis throughout the year. | Salaries are set below median.<br>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.<br>Ensures that Directors' and shareholders' interests are closely aligned. | £339.4k<br>25%[2] deferral requirement | £165.3k<br>40%[1] of bonus deferred | £232.3k<br>25%[2] deferral requirement | £156.4k<br>40%[1] of bonus deferred |
| Normally awarded in June following the reporting financial year end. | NAV return and TSR measured against an industry specific comparator group rewards sectoral outperformance.<br>Growth in the absolute TSR underpinned by relative TSR provides alignment with shareholders' interests.<br>Performance criteria aligned with the strategy. | Performance Award 90%<br>Matching Award 90% | Performance Award 90%<br>Matching Award 90% | Performance Award 90%<br>Matching Award 90% | Performance Award 90%<br>Matching Award 90% |
| Received during the year. | Provides a sound basis on which to attract and retain executives of a high calibre. | £23.9k | £77.6k | £17.5k | £52.9k |

Notes:
1. For the financial year ended 31 March 2010, the Remuneration Committee decided to defer 40% of the bonus. Mr Platt invested the deferred element of the bonus earned in Company shares and Mr Clemett made an equivalent investment in the LTIP.
2. For the financial year ended 31 March 2011, the Remuneration Committee set a minimum deferral requirement of 25% of bonus earned.
3. Following the review by the Remuneration Committee of Executive salaries, it was agreed that the salaries for both Mr Platt and Mr Clemett be increased by 2% to £337.4k and £221.6k respectively with effect from 1 April 2011.

# Directors' Remuneration Report
continued

## 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 2012. Consequently, our remuneration policy remains focused on the following key elements described in detail below:

**Alignment to the Company Strategy**
The Company's remuneration policy reinforces the Company's goals, providing effective incentives for exceptional Company and individual performance.

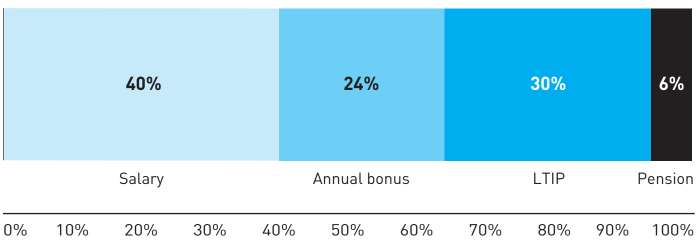
**Attract, motivate and retain talent**
Remuneration packages are designed to attract, retain and motivate Executive Directors of the highest calibre who have the experience, skills and talents to manage and develop the business successfully.

**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 2011 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.

**Executive Director pay mix** (% of total remuneration by fair value)




## Remuneration components for executives

**Base salary and benefits**
The Committee reviews base 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 2011. Taking into consideration the current economic environment and pay rises made to the majority of employees, the Committee considered it appropriate that an increase of 2% be made to the executive salaries. Salaries were last increased in April 2008. The next salary review date for Executives will be 1 April 2012.

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. No further employer pension contributions will be made to Mr Platt, but he will receive, instead a cash allowance in lieu of pension at no additional cost to the Company.

## Membership and role of the Remuneration Committee

**The members of the Remuneration Committee**
In the reporting year the Committee consisted of the following Non-Executive Directors:

- John Bywater (Chairman)
- Bernard Cragg
- Tony Hales
- Jamie Hopkins (from June 2010)
- Rupert Dickinson (retired July 2010)

## Role of the Remuneration Committee

The Remuneration Committee's responsibilities are set out in its terms of reference, which are available in the Investor section of the Company's website www.workspacegroup.co.uk. These responsibilities include:

- Recommending the Company policy on remuneration for the Executives and certain senior managers.
- Setting and reviewing the composition and level of remuneration of Executives and selected senior managers including terms and conditions of employment and any changes. In doing so, the Committee has regard for reward levels and practices across the Group.
- Reviewing incentive plans annually to ensure they remain appropriate to the Company's current circumstances and prospects and that, in particular, the policies adopted are aligned and based on the creation of value for shareholders and provide appropriate incentives for management to achieve this objective.
- Reviewing the Chairman's fees.

The Committee met eight times during the year under review. Attendance by individual Committee members at meetings is detailed in the Corporate Governance Report on page 39.

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, Chief Executive and Finance Director are excluded from discussions regarding their own remuneration. The Company Secretary attends each meeting as Secretary to the Committee.

## Advisers

For the year under review, the Committee continued to retain the services of Kepler Associates and PricewaterhouseCoopers LLP as independent external advisers. Kepler Associates provided advice on executive remuneration matters and aspects associated with the LTIP and provides no other services to the Company. The advice PwC provides on remuneration is limited to administrative matters and the tax treatment of share option schemes and deferred share awards. The Company continually assesses ongoing advice provided by its advisers on remuneration matters.

## 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.

During the year, the Committee reviewed the scheme and concluded that a minimum deferral or investment each year into Workspace shares remains appropriate. For 2010/11 the Committee set a minimum deferral requirement of 25% of the bonus earned.

The preferred mechanism for meeting this requirement is participant investment in the LTIP. However, the Committee will retain the discretion to mandate deferral of 25% of bonus earned (which will vest after two years, subject to continued employment) or allow executives to make an equivalent investment in the LTIP. For 2010/11 the Committee will allow Executives to make an equivalent investment in the LTIP.

## Bonus for the year ended 31 March 2011

The targets applicable for the year ended 31 March 2011 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 | Graham Clemett |
| Trading profit before tax | 50% | 50% | 50% |
| Capital return from the portfolio versus a defined comparator index compiled by IPD | 30% | 25.5% | 25.5% |
| 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) | 1.2 | 1.25 |
| Maximum bonus potential | 120% | 102.6% | 106.9% |

## 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 1/3, 1/3, 1/3 on three-year relative NAV, relative TSR and absolute TSR. In addition, for any shares to vest on TSR, the Committee must satisfy itself that the recorded TSR is a genuine reflection of the underlying business performance of Workspace, and for awards granted in 2010, for any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the Comparator group by over +1.5% p.a. over the performance period.

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 most appropriate for Workspace and that use of absolute TSR underpinned by relative TSR provides transparency for executives and shareholder alignment (as this element will only vest if there is outperformance of sector peers).

In the event of a change of control, LTIP awards would normally be pro-rated for time and performance, in line with best practice.

### 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 performance zone 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 National Insurance 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 and participants.

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 reviewed the performance conditions in advance of grant of the 2010 awards. The 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 is 11% p.a. to 20% p.a. over the period to 31 March 2013 (with three months averaging).

In addition, the Committee introduced a requirement that for any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of its comparator group by +1.5% per annum over the performance period.

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 11,112,334 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 51.

**LTIP Award 2011**
The Committee intends to make the following awards to Executive Directors following the release of the Company's preliminary results announcement on 6 June 2011 with similar performance conditions as for 2010 LTIP awards.

| 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.

| | 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*1 | |
| 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% |
| **Awards made in June 2010*2** | | | | | | |
| Threshold | 51st percentile | 20% | Median | 20% | 11% p.a. | 20% |
| Maximum | 75th percentile | 100% | Median + 7.5% p.a. | 100% | 20% p.a. | 100% |

**Notes**
*1. There will be a pro-rata vesting of awards between the 'threshold' and 'maximum' performance levels.
*2. For the 2010 LTIP award, for any shares to vest on absolute TSR, the Company's TSR must exceed the median TSR of the comparator group by +1.5% p.a. over the performance period.

## Co-Investment Plan
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 2007 did not satisfy the performance conditions and the awards lapsed. Details are shown on page 52.

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 51 and 52. 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.

## 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. The agreements provide for 12 months' notice by all the Executive Directors with the exception of Mr Platt whose agreement provides for 12 months' notice which shall be reduced to 3 months if notice is served by him during the period for 30 December 2011 to 27 April 2012 (inclusive).

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 and amended on 12 May 2011. 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 Company intends to review its practice for service contracts in relation to new hires in light of developments in best practice.

## 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 2011 and are currently at 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.

The fee payable to Mr Kitchen will be £125,000.

## 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.

| Name | Date of letter | Unexpired term as at June 2011 | Date of appointment/ last reappointment at AGM | Notice period |
|---|---|---|---|---|
| A J Hales | December 2008 | 6 months | 2009 | 12 months |
| B Cragg | June 2009 | 12 months | 2008 | 6 months |
| J Bywater | July 2010 | 26 months | 2009 | 6 months |
| J Hopkins | June 2010 | 24 months | 2010 | 3 months |

## Performance Review

Figure 1: **Value of £100 invested on 31 March 2001**

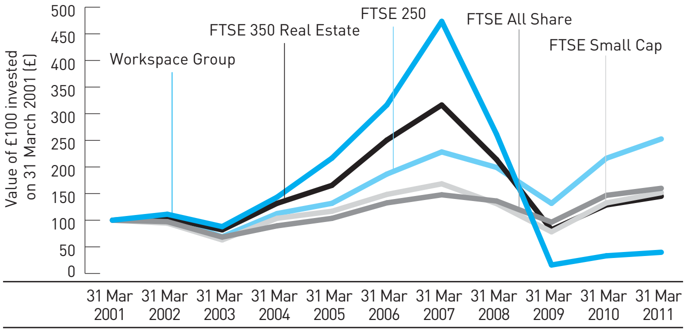



Figure 2: **Value of £100 invested on 31 March 2009**

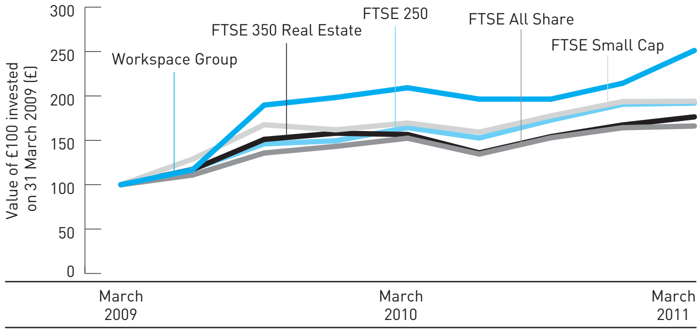



Figure 1 above compares the total shareholder return performance (TSR) of the Group with benchmark indices. Given the differing benchmarks used for such performance measurement your Board has decided to undertake this comparison against all of the FTSE 250, FTSE All Share, FTSE Small Cap and FTSE 350 Real Estate indices. In the opinion of the Directors, these indices are the most appropriate against which the total shareholder return of Workspace Group PLC should be measured.

Figure 2 above compares the TSR performance of the Group against benchmark indices over the last two years.

## Directors' Emoluments (Audited)

| | Fees 2011 £000 | Base salary 2011 £000 | Performance bonus 2011 £000 | Other benefits 2011 £000 | **Total emoluments 2011 £000** | **Pension scheme contributions 2011 £000** | Total emoluments 2010 £000 | Pension scheme contributions 2010 £000 |
|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | |
| H Platt[1] (Chief Executive) | – | 330.8 | 339.4 | 23.9 | **694.1** | **54.6** | 519.1 | 54.6 |
| G Clemett (Finance Director) | – | 217.3 | 232.3 | 17.5 | **467.1** | **35.9** | 390.7 | 35.9 |
| | – | 548.1 | 571.7 | 41.4 | **1,161.2** | **90.5** | 909.8 | 90.5 |
| **Non-Executive Directors** | | | | | | | | |
| A J Hales (Chairman) | 100.0 | – | – | – | **100.0** | **–** | 100.0 | – |
| B Cragg[2] | 45.0 | – | – | – | **45.0** | **–** | 45.0 | – |
| J Bywater[2] | 45.0 | – | – | – | **45.0** | **–** | 45.0 | – |
| J Hopkins[3] | 32.8 | – | – | – | **32.8** | **–** | – | – |
| R Dickinson[4] | 12.9 | – | – | – | **12.9** | **–** | 40.0 | – |
| | | | | | | | | |
| | 235.7 | – | – | – | **235.7** | **–** | 230.0 | – |
| | 235.7 | 548.1 | 571.7 | 41.4 | **1,396.9** | **90.5** | 1,139.8 | 90.5 |

Notes:
1. No further employer pension contributions will be made to Mr Platt, but he will receive, instead a cash allowance of £55,600 per annum in lieu of pension at no additional cost to the Company.
2. Messrs Cragg and Bywater received a fee of £5,000 for acting as chairman of the Audit and Remuneration Committee respectively.
3. Mr Hopkins was appointed as a Director on 7 June 2010.
4. Mr Dickinson retired as a Director on 27 July 2010.
5. For 2010/2011 the Committee has set a minimum deferral requirement of 25% of the bonus earned. Equivalent to £84,850 and £58,073 for Messrs Platt and Clemett respectively.

## Directors' interests in shares

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

| Director | **31 March 2011** | 31 March 2010 |
|---|---|---|
| A J Hales | **7,805,555** | 7,135,263 |
| H Platt | **4,027,919** | 3,846,478 |
| G Clemett | **795,715** | 652,864 |
| J Bywater | **31,190** | 30,463 |
| B Cragg | **646,316** | 646,316 |
| R Dickinson | **See note 1** | 73,200 |
| J Hopkins | **39,110** | Nil |

1. Interest in shares for Mr Dickinson as at the date of his retirement on 27 July 2010 was 73,200.
2. Mr Hopkins acquired 39,110 shares on 4 March 2011.

Directors' interests in Incentive Plans and Share Options are disclosed on pages 51 and 52.

There have been no changes in the interests in the period between 31 March 2011 and 3 June 2011.

## Supplementary Information on Directors' Remuneration

### Long-Term Equity Incentive Plan 2008 (Audited)

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

| | | Interests in shares as at 1 April 2010 (post Rights-Issue adjustment) | | | Lapsed during the year | | Interests in shares as at 31 March 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date awarded | Performance | Invested | Matching | Performance | Matching | Performance | Invested | Matching |
| 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 | – | – | 2,067,188 | 609,819 | 2,067,183 |
| | 06/07/2010 | – | – | – | – | – | 1,446,429 | 354,375 | 1,446,429 |
| 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 | – | – | 1,697,656 | 400,644 | 1,358,115 |
| | 06/07/2010 | – | – | – | – | – | 950,292 | 232,821 | 950,292 |

Notes:
1. Awards will vest subject to the satisfaction of performance conditions detailed on page 48 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.
   In July 2010 in respect of 90% of annual salary based on a share price at date of award of 20.58 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.
   In 2010, Executive Directors invested an amount equal to 45% of their net annual basic salary in invested shares. Matching awards were granted to participants who purchased invested shares.
5. Participants are entitled to dividends payable on the Invested Shares. The Invested Shares which are beneficially owned by participants are included in the table detailing Ordinary Shares held by Directors on page 50 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.
7. The three year performance period of 2008 LTIP awards ended on 31 March 2011. The Remuneration Committee concluded that the performance conditions had not been satisfied and that the awards should therefore not vest.

## Share Options (Audited)

Outstanding Options for the Directors of the Company as at 31 March 2011, granted pursuant to the Company's 2000 Share Option Scheme:

| Director | At 01/04/2010 | Granted during the year | Lapsed during the year | At 31/03/2011 | 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 | A |
| | 545,603[1] | – | – | 545,603 | £0.8939 | 29.07.2005 | 29.07.2012 | B |
| | 363,282[1] | – | – | 363,282 | £0.8510 | 30.06.2006 | 30.06.2013 | C |
| | 183,642[1] | – | – | 183,642 | £1.3583 | 30.06.2007 | 30.06.2014 | C |
| | 109,287[2] | – | – | 109,287 | £1.8373 | 17.06.2008 | 17.06.2015 | E |
| | 95,946[2] | – | (95,946) | – | £3.2824 | 15.06.2010 | 15.06.2017 | E |
| | 76,260[3] | – | – | 76,260 | £0.1190 | 01.09.2012 | 01.03.2013 | D |
| G Clemett | 146,913[2] | – | (146,913) | – | £3.0378 | 25.06.2010 | 25.06.2017 | E |
| | 76,260[3] | – | – | 76,260 | £0.1190 | 01.09.2012 | 01.03.2013 | D |
| **Total[5]** | **1,830,072** | **–** | **(242,859)** | **1,587,213** | | | | |

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. Options granted in 2006 did not meet performance criteria and lapsed in full.
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 in March 2009.
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.

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

| Basis of grant | Terms for exercise |
|---|---|
| A. 1 times total earnings | EPS growth of RPI plus 3% p.a. compound |
| B. 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) |
| C. 1 times salary | EPS growth of RPI plus 5% p.a. compound |
| D. Per Inland Revenue Rules | SAYE options with no terms for exercise |
| E. 2 times salary for Mr Clemett<br>1 times salary for Mr Platt | 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 3 June 2011.

### 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 2010 Invested | Matching | Market value of shares at date of award | Matching shares lapsed during the year | Interests in shares as at 31 March 2011 Invested | Matching | Vesting dates of outstanding Matching shares |
|---|---|---|---|---|---|---|---|---|
| H Platt[1,2,3] | 12/06/2007 | 11,826 | 26,673 | £4.013 | (26,673) | 11,826 | – | 12/06/2010 |
| G Clemett[1,2,3] | 26/06/2007 | 22,173 | 50,012 | £4.045 | (50,012) | 22,173 | – | 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 50 of this Report.
2. No Awards were made during the year.
3. Awards made on 12 June 2007 and 26 June 2007 lapsed as they did not meet the performance conditions. The invested shares are beneficially owned by the participants.

### 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 |
| 2010 | 21.4 | 3,329,083 |
| 2010 | 23.3 | 673,049 |
| | | **12,842,220** |

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 2011 was £2.7m compared with a book cost of £8.0m.

The ESOT also holds 1,680,102 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 36 and 37. 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 2011 was 27 pence. During the year, the price of the Company's shares varied between 19.3 pence and 27.5 pence.

By Order of the Board
**John Bywater**
Chairman of the Remuneration Committee
3 June 2011

# Directors' Responsibilities



## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under 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 Group and the Company and of the profit or loss of the 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 whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 32 and 33 and 38 to 41 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, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Business Review and Managing our Risk Sections on pages 20 to 29 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

# 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 2011 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 Statement of Directors' Responsibilities set out on page 53, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### 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 2011 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 Statement set out on pages 38 to 43 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
- a corporate governance statement has not been prepared by the Parent Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 36, in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

### Other matter

We have reported separately on the Parent Company financial statements of the Parent Company financial statements of Workspace Group PLC for the year ended 31 March 2011 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
3 June 2011

# Consolidated Income Statement
## For the year ended 31 March

| | Notes | 2011 £m | 2010 £m |
|---|---|---|---|
| Revenue | 1 | **68.8** | 66.5 |
| Direct costs | 1 | **(22.9)** | (22.1) |
| **Net rental income** | 1 | **45.9** | 44.4 |
| Administrative expenses | 3 | **(9.7)** | (9.1) |
| **Trading profit** | | **36.2** | 35.3 |
| Other income | 2a | **0.1** | 0.3 |
| Other expenses | 2a | **–** | (1.2) |
| Profit on disposal of investment properties | 2b | **2.8** | 5.8 |
| Change in fair value of investment properties | 10 | **30.8** | 1.8 |
| **Operating profit** | 3 | **69.9** | 42.0 |
| Finance income | 4 | **0.1** | 0.1 |
| Finance costs | 4 | **(22.2)** | (24.6) |
| Change in fair value of derivative financial instruments | 4 | **5.3** | (0.6) |
| (Losses)/gains from share in joint ventures | 24 | **(0.3)** | 6.7 |
| Negative goodwill on business combination | 24 | **–** | 2.4 |
| **Profit before tax** | | **52.8** | 26.0 |
| Taxation | 6 | **0.7** | (1.8) |
| **Profit for the year after tax and attributable to equity shareholders** | | **53.5** | 24.2 |
| Basic earnings per share (pence) | 8 | **4.7p** | 2.3p |
| Diluted earnings per share (pence) | 8 | **4.6p** | 2.2p |
| EPRA earnings per share (pence) | 8 | **1.3p** | 0.7p |

# Consolidated Statement of Comprehensive Income
## For the year ended 31 March

| | Notes | 2011 £m | 2010 £m |
|---|---|---|---|
| Profit for the financial year | | **53.5** | 24.2 |
| Revaluation of owner occupied property | 12 | **1.2** | 0.7 |
| Total comprehensive income attributable to equity shareholders | | **54.7** | 24.9 |

The notes on pages 59 to 81 form part of these financial statements.

# Consolidated Balance Sheet
## As at 31 March

| | Notes | 2011 £m | 2010 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 10 | **713.4** | 713.2 |
| Intangible assets | 11 | **0.4** | 0.4 |
| Property, plant and equipment | 12 | **4.6** | 3.4 |
| Investment in joint venture | 24 | **6.7** | – |
| Trade and other receivables | 13 | **4.9** | 4.9 |
| | | **730.0** | 721.9 |
| **Current assets** | | | |
| Trade and other receivables | 13 | **8.3** | 4.5 |
| Cash and cash equivalents | 14 | **2.3** | 2.1 |
| | | **10.6** | 6.6 |
| **Current liabilities** | | | |
| Bank overdraft | 16a | **(3.2)** | (2.3) |
| Derivative financial instruments | 16d & e | **(10.9)** | (22.6) |
| Trade and other payables | 15 | **(28.0)** | (28.5) |
| Current tax liabilities | | **–** | (2.8) |
| | | **(42.1)** | (56.2) |
| **Net current liabilities** | | **(31.5)** | (49.6) |
| **Non-current liabilities** | | | |
| Borrowings | 16a | **(363.8)** | (384.1) |
| Other non-current liabilities | 20 | **(0.9)** | (0.9) |
| | | **(364.7)** | (385.0) |
| **Net assets** | | **333.8** | 287.3 |
| **Shareholders' equity** | | | |
| Ordinary shares | 21a | **115.3** | 114.9 |
| Share premium | | **25.0** | 24.7 |
| Investment in own shares | 23 | **(8.0)** | (7.2) |
| Other reserves | 22 | **15.0** | 13.0 |
| Retained earnings | | **186.5** | 141.9 |
| **Total shareholders' equity** | | **333.8** | 287.3 |
| EPRA net asset value per share | 9 | **29.5p** | 26.7p |

The financial statements were approved and authorised for issue by the Board of Directors on 3 June 2011 and were signed on its behalf by:

**H Platt**
**G Clemett**
Directors

The notes on pages 59 to 81 form part of these financial statements.

# Consolidated Statement of Changes in Equity



| | Attributable to owners of the Parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital £m | Share premium £m | Investment in own shares £m | Other reserves £m | Retained earnings £m | Total £m |
| Balance at 1 April 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 | 10.3 | 0.1 | – | 8.7 | – | 19.1 |
| ESOT shares net purchase | – | – | (0.2) | – | – | (0.2) |
| Transfer of shares | – | – | (1.3) | – | – | (1.3) |
| Dividends paid | – | – | – | – | (8.1) | (8.1) |
| Share based payments | – | – | – | 1.0 | – | 1.0 |
| Balance at 31 March 2010 | 114.9 | 24.7 | (7.2) | 13.0 | 141.9 | 287.3 |
| Profit for the year | **–** | **–** | **–** | **–** | **53.5** | **53.5** |
| Revaluation of owner occupied property | **–** | **–** | **–** | **1.2** | **–** | **1.2** |
| Total comprehensive income | **–** | **–** | **–** | **1.2** | **53.5** | **54.7** |
| Transactions with owners: | | | | | | |
| Share issues | **0.4** | **0.3** | **–** | **–** | **–** | **0.7** |
| ESOT shares net purchase | **–** | **–** | **(0.8)** | **–** | **–** | **(0.8)** |
| Dividends paid | **–** | **–** | **–** | **–** | **(8.9)** | **(8.9)** |
| Share based payments | **–** | **–** | **–** | **0.8** | **–** | **0.8** |
| **Balance at 31 March 2011** | **115.3** | **25.0** | **(8.0)** | **15.0** | **186.5** | **333.8** |

# Consolidated Statement of Cash Flows
## For the year ended 31 March

| | Notes | 2011 £m | 2010 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 18 | **37.9** | 36.3 |
| Interest received | | **0.1** | 0.1 |
| Interest paid | | **(21.9)** | (25.3) |
| Tax paid | | **(2.1)** | – |
| Net cash inflow from operating activities | | **14.0** | 11.1 |
| **Cash flows from investing activities** | | | |
| Purchase of investment properties | | **–** | (4.0) |
| Capital expenditure on investment properties | | **(9.4)** | (5.9) |
| Net proceeds from disposal of investment properties | | **43.9** | 57.1 |
| Purchase of intangible assets | | **(0.2)** | (0.2) |
| Purchase of property, plant and equipment | | **(0.4)** | (0.1) |
| Investment in and loan to joint ventures | | **(7.4)** | (0.8) |
| Movement in short-term funding balances with joint venture | | **0.6** | 2.0 |
| Net cash inflow from investing activities | | **27.1** | 48.1 |
| **Cash flows from financing activities** | | | |
| Net proceeds from issue of ordinary share capital | | **–** | 16.3 |
| Finance costs for new/amended borrowing facilities | | **(3.8)** | (1.8) |
| Former joint venture restructuring costs and priority fee | | **–** | (2.1) |
| Settlement and re-couponing of derivative financial instruments | | **(6.5)** | (8.6) |
| Repayment of bank borrowings | | **(17.3)** | (58.2) |
| Movement on bank facility rental income accounts | | **(5.0)** | – |
| ESOT shares net purchase | | **(0.8)** | (0.2) |
| Finance lease principal payments | | **(0.2)** | (0.4) |
| Dividends paid | 7 | **(8.2)** | (8.1) |
| Net cash outflow from financing activities | | **(41.8)** | (63.1) |
| **Net decrease in cash and cash equivalents** | | **(0.7)** | (3.9) |
| Cash and cash equivalents at start of year | 18 | **(0.2)** | 3.7 |
| **Cash and cash equivalents at end of year** | 18 | **(0.9)** | (0.2) |

The notes on pages 59 to 81 form part of these financial statements.

# Notes to the Financial Statements

Workspace Group PLC ('the Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of business accommodation to small and medium sized enterprises in London.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

The registered number of the Company is 2041612.

## Basis of Preparation

These financial statements are presented in sterling, which is the Company's functional and the Group's presentational currency and 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 consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless stated otherwise:

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 March 2011. 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 which the Group, either directly or indirectly, is in a position to jointly control the financial and operating policies of the entity. 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.

### Going Concern

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group should be able to continue to operate within the level of its current financing. All loan covenants are being comfortably met and the Group has sufficient liquidity for day to day activities and progressing business plans.

After making enquiries, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

### 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 rewards 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.

Investment properties are recognised as non-current 'assets held for sale' when it is considered highly probable that sale completion will take place.

**Property, plant and equipment**
**Land and Buildings**
Land and buildings within property, plant and equipment relate to the owner occupied building of Magenta House. The Group have adopted the revaluation model to show this asset category at fair value less subsequent depreciation for buildings. They were revalued at 31 March 2011 by CB Richard Ellis as detailed in note 12 to the financial statements.

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

Depreciation rates are as follows:

| | |
|---|---|
| Land | not depreciated |
| Buildings | 50 years |

**Equipment and Fixtures**
Equipment and fixtures (including motor vehicles) are stated at historical purchase cost less accumulated depreciation. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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 which range from 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 licenses and external costs of implementing or developing computer software programmes and websites are capitalised. These costs are amortised over their estimated useful lives of 5 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.

Other receivables include bank facility rental income accounts from which interest to lenders is paid.

### Trade and other payables
Trade and other payables are stated at cost.

### Cash and cash equivalents
Cash and cash equivalents include cash in hand, restricted cash in the form of tenants deposits, 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
The Group enters into derivative transactions such as interest rate collars and swaps in order to manage its interest rate risk. Financial derivatives are recorded at fair value calculated by valuation techniques based on market prices, estimated future cash flows and forward interest rates. Movements in fair value are recognised in the Income Statement within total finance costs. Amounts payable or receivable under such arrangements are included within interest payable or receivable, recognised on an accruals basis.

### 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 funds the ESOT in order to purchase Company shares, the loan is deducted from shareholders' equity as investment in own shares.

### 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 charges 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 conditional then the revenue associated with that conditional item is valued and included as deferred consideration.

### 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.

### Direct costs
Direct costs comprise service charge and other costs directly recoverable from tenants and non recoverable costs directly attributable to investment properties and other revenue streams.

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

The Group operates a number of share schemes under which the Group receives services from employees as consideration for equity instruments (options) of the Group.

Incentives in the form of shares are provided to employees under share option schemes. The fair value of the employee services received in exchange for the grant of options is recognised as an expense 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 obligations under employee share plans and other share based payment arrangements. The Company provides funding to the ESOT to purchase these shares and the cost is deducted from equity.

### Pensions

The Group operates a defined contribution pension scheme. Contributions are charged to the income statement on an accruals basis.

### 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, amendments and interpretations are mandatory for the first time for the Group's 31 March 2011 year end:

| Standard or interpretation | Content |
|---|---|
| IFRS 3 (revised) | Business Combinations |
| IAS 27 (revised) | Consolidated and separate financial statements |
| IAS 32 | Classification of rights issues |
| Amendment: IFRS 1 | Additional exemptions for first-time adopters |
| Amendment: IFRS 2 | Group cash-settled share-based payment transactions |
| IFRS 1 | First-time adoption of International Financial Reporting Standards |
| IAS 39 | Financial instruments: Recognition and measurement – Eligible hedged items. |
| IFRIC 17 | Distribution of non-cash assets to owners |
| IFRIC 18 | Transfers of assets from customers |
| Amendments | Annual improvements – 2009 |

IFRS 3 (revised) Business Combinations was adopted last year and was relevant to the acquisition of the former Workspace Glebe joint venture. The other standards or interpretations are either not relevant or have no significant impact on the Group's financial statements.

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

| Standard or interpretation | Content |
|---|---|
| IFRS 9 | Financial instruments |
| Amendment: IFRS 7 | Disclosures – Transfers of financial assets |
| Amendment: IAS 24 | Related party disclosures |
| Amendment: IFRIC 14 | Prepayments of a minimum funding requirement |
| IFRIC 19 | Extinguishing financial liabilities with equity instruments |
| Amendment: IFRS 1 | First time adoption on financial instrument disclosures |
| IFRIC 15 | Arrangements for construction of real estates |

# Notes to the Financial Statements
## For the year ended 31 March



### 1. Analysis of net rental income and segmental information

| | 2011 | | | 2010 (restated) | | |
|---|---|---|---|---|---|---|
| | **Revenue £m** | **Direct costs £m** | **Net rental income £m** | Revenue £m | Direct costs £m | Net rental income £m |
| Rental income | **52.0** | **(0.2)** | **51.8** | 49.8 | (0.2) | 49.6 |
| Service charges[1] | **13.8** | **(17.2)** | **(3.4)** | 13.6 | (16.5) | (2.9) |
| Empty rates and other non recoverables[1] | **0.5** | **(4.1)** | **(3.6)** | 0.6 | (4.0) | (3.4) |
| Services, fees, commissions and sundry income | **2.5** | **(1.4)** | **1.1** | 2.5 | (1.4) | 1.1 |
| | **68.8** | **(22.9)** | **45.9** | 66.5 | (22.1) | 44.4 |

[1] 2010 represented to combine other non recoverables and empty rates.

Discrete financial information is provided to the Executive Committee 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 Committee is aggregated and reviewed in total as one portfolio. As a result management have determined that the Group operates a single operating segment providing business accommodation for rent in London, which is continuing.

As noted above, the Executive Committee 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 Committee 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

| | **2011 £m** | 2010 £m |
|---|---|---|
| Right of light and other damages compensation | **0.1** | 0.3 |
| **Other income** | **0.1** | 0.3 |
| Legal fees relating to construction contract litigation | **–** | (1.2) |
| **Other expenses** | **–** | (1.2) |
| | **0.1** | (0.9) |

### 2(b). Profit on disposal of investment properties

| | **2011 £m** | 2010 £m |
|---|---|---|
| Gross proceeds from sale of investment properties | **44.3** | 62.4 |
| Book value at time of sale plus sale costs | **(41.1)** | (61.7) |
| | **3.2** | 0.7 |
| Movement in provision for joint venture tax indemnity | **–** | 5.1 |
| Unrealised profit on sale of properties to joint venture | **(0.4)** | – |
| Pre-tax profit on sale | **2.8** | 5.8 |

### 3. Operating profit

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

| | **2011 £m** | 2010 £m |
|---|---|---|
| Depreciation | **0.5** | 0.9 |
| Staff costs (including share based costs) | **9.9** | 9.6 |
| Repairs and maintenance expenditure on investment properties | **3.6** | 2.9 |
| Trade receivables impairment | **0.2** | 0.3 |
| Amortisation of intangibles | **0.2** | 0.1 |
| Operating lease rentals payable | **0.1** | 0.1 |
| Audit fees payable to the Group's auditors [1] | **0.2** | 0.2 |

[1] Services provided by the Group's Auditors – PricewaterhouseCoopers LLP:

## 3. Operating profit continued

| Analysis of audit and non-audit services: | 2011 £000 | 2010 £000 |
|---|---|---|
| **Audit services:** | | |
| Audit of Group and Company financial statements | **123** | 121 |
| Audit of subsidiary financial statements | **28** | 25 |
| **Non-audit services:** | | |
| Group interim review | **32** | 32 |
| Taxation and legal services | **123** | 117 |
| Other services | **4** | 2 |
| | **310** | 297 |

| Total administrative expenses are analysed below: | 2011 £m | 2010 £m |
|---|---|---|
| Staff costs | **5.4** | 5.2 |
| Cash settled share based costs | **0.3** | 0.1 |
| Equity settled share based costs | **0.8** | 1.0 |
| Other | **3.2** | 2.8 |
| | **9.7** | 9.1 |

## 4. Finance income and costs

| | 2011 £m | 2010 £m |
|---|---|---|
| Interest income on bank deposits | **–** | 0.1 |
| Interest income on corporation tax refunds | **0.1** | – |
| **Finance income** | **0.1** | 0.1 |
| Interest payable on bank loans and overdrafts | **(21.4)** | (24.1) |
| Amortisation of issue costs of bank loans | **(0.8)** | (0.3) |
| Interest payable on finance leases | **(0.2)** | (0.3) |
| Interest capitalised on property refurbishments | **0.2** | 0.1 |
| **Finance costs** | **(22.2)** | (24.6) |
| Change in fair value of financial instruments through the income statement | **5.3** | (0.6) |
| **Net finance costs** | **(16.8)** | (25.1) |

## 5. Employees and Directors

| Staff costs for the Group during the year were: | 2011 £m | 2010 £m |
|---|---|---|
| Wages and salaries | **7.5** | 7.4 |
| Social security costs | **0.8** | 0.7 |
| Defined contribution pension plan costs (see note 29) | **0.5** | 0.4 |
| Cash settled share based costs | **0.3** | 0.1 |
| Equity settled share based costs | **0.8** | 1.0 |
| | **9.9** | 9.6 |

| The monthly average number of people (including Executive Directors) employed during the year was: | 2011 Number | 2010 Number |
|---|---|---|
| Executive Directors | **2** | 2 |
| Head office staff | **67** | 68 |
| Estates and property management staff | **102** | 109 |
| | **171** | 179 |

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:-

| Key management compensation: | 2011 £m | 2010 £m |
|---|---|---|
| Salaries and short-term employee benefits | 2.3 | 2.2 |
| Pensions and other post-employment benefits | 0.2 | 0.2 |
| Termination benefits | – | 0.5 |
| Share-based payments | 0.5 | 0.5 |
| | 3.0 | 3.4 |

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 Directors' Remuneration Report on pages 44 and 52. These form part of the financial statements.

## 6. Taxation

| Analysis of charge in period: | 2011 £m | 2010 £m |
|---|---|---|
| Current tax | (0.7) | 1.9 |
| Deferred tax | – | (0.1) |
| Total taxation (credit)/charge | (0.7) | 1.8 |

| The charge in the period is analysed as follows: | 2011 £m | 2010 £m |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax | – | – |
| REIT conversion charge | – | 1.9 |
| REIT penalty tax charge provision* | – | (1.2) |
| Adjustments to tax in respect of previous periods | (0.7) | 1.1 |
| Total taxation (credit)/charge | (0.7) | 1.8 |

* A potential REIT penalty charge was waived in 2010 in light of changes introduced by the Finance Act 2009.

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

| | 2011 £m | 2010 £m |
|---|---|---|
| Profit on ordinary activities before taxation | 52.8 | 26.0 |
| Adjust losses/(gains) in joint ventures | 0.3 | (6.7) |
| | 53.1 | 19.3 |
| Tax at standard rate of corporation tax in the UK of 28% (2010: 28%) | 14.9 | 5.4 |
| Effects of: | | |
| REIT exempt income | (4.5) | (2.2) |
| REIT penalty tax charge | – | (1.2) |
| REIT conversion charge | – | 1.9 |
| Changes in fair value not subject to tax as a REIT | (11.1) | (1.5) |
| Share scheme adjustments | 0.2 | 0.3 |
| Provision for tax indemnity | – | (1.4) |
| Negative goodwill on business combination | – | (0.7) |
| Adjustments to tax in respect of previous periods | (0.7) | 1.1 |
| Losses carried forward | 0.5 | 0.1 |
| Total taxation per income statement | (0.7) | 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. A REIT conversion charge of £1.9m was provided for in 2010 on the values of the former Workspace Glebe joint venture properties brought into the REIT in December 2009. This was paid in the current year. The Group's 'residual' business (subject to tax) is small and consists mainly of ancillary services and commissions.

The Group currently has £6.0m (2010: £5.9m) of revenue tax losses carried forward calculated at a corporation tax rate of 26% (2010: 28%) which is the rate substantively enacted at the Balance Sheet date following the March 2011 UK Budget Statement. These have not been recognised as an asset as they are unlikely to be utilised in the foreseeable future. Further reductions in the main rate of corporation tax to 23% by 1 April 2014 are expected to be enacted. If this rate had been applied to tax losses at the Balance Sheet date it would have reduced losses by £0.7m.

## 7. Dividends

| Ordinary dividends paid | Payment date | Per share | 2011 £m | 2010 £m |
|---|---|---|---|---|
| For the year ended 31 March 2009 | | | | |
| Final dividend | August 2009 | 0.50p | – | 5.2 |
| For the year ended 31 March 2010 | | | | |
| Interim dividend | February 2010 | 0.25p | – | 2.9 |
| Final dividend | August 2010 | 0.50p | 5.7 | – |
| For the year ended 31 March 2011 | | | | |
| Interim dividend | February 2011 | 0.28p | 3.2 | – |
| Dividends for the year | | | 8.9 | 8.1 |
| Less dividends settled in shares | | | (0.7) | – |
| Dividends – cash paid | | | 8.2 | 8.1 |

In addition the Directors are proposing a final dividend in respect of the financial year ended 31 March 2011 of 0.55p per ordinary share which will absorb an estimated £6.3m of revenue reserves. If approved by the shareholders at the AGM, it will be paid on 5 August 2011 to shareholders who are on the register of members on 15 July 2011. The dividend will be paid as a Property Income Distribution (PID).

## 8. Earnings per share

The calculation of earnings per share is based on the weighted average number of shares in issue during the year excluding shares held in the Company's Employee Share Ownership Trust.

Diluted earnings per share is calculated by adjusting the weighted average number of shares to assume conversion from share option schemes.

| Earnings used for calculation of earnings per share: | 2011 £m | 2010 (restated) £m |
|---|---|---|
| Profit used for basic and diluted earnings | 53.5 | 24.2 |
| Change in fair value of investment property | (30.8) | (1.8) |
| Profit on disposal of investment properties | (2.8) | (5.8) |
| Movement in fair value of derivative financial instruments | (5.3) | 0.6 |
| Group's share of EPRA adjustments of joint venture | 0.3 | (6.7) |
| Negative goodwill on business combination | – | (2.4) |
| EPRA adjusted earnings | 14.9 | 8.1 |
| (Deduct)/add non-recurring items (including tax) | (0.8) | 2.7 |
| Adjusted underlying earnings (before tax) | 14.1 | 10.8 |

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

Underlying earnings consists of the EPRA earnings measure, with additional Company adjustments for non-recurring items and taxation.

Prior year EPRA adjusted earnings have been restated to exclude impact of negative goodwill and gain from share in joint venture.

| Weighted average number of shares used for calculation of earnings per share: | 2011 Number | 2010 Number |
|---|---|---|
| Weighted average number of shares (excluding shares held in the ESOT) | 1,143,192,516 | 1,073,361,020 |
| Dilution due to share option schemes | 25,272,506 | 11,540,185 |
| Shares for diluted earnings per share | 1,168,465,022 | 1,084,901,205 |

| In pence: | 2011 | 2010 |
|---|---|---|
| Basic earnings per share | 4.7p | 2.3p |
| Diluted earnings per share | 4.6p | 2.2p |
| EPRA earnings per share | 1.3p | 0.7p |
| Underlying earnings per share | 1.2p | 1.0p |

## 9. Net assets per share

The calculation of net assets per share is based on the number of shares in issue at the year end excluding shares held in the Company's Employee Share Ownership Trust.

Diluted net assets per share is calculated by adjusting the number of shares to assume conversion from share option schemes.

| Net assets used for calculation of net assets per share: | 2011 £m | 2010 £m |
|---|---|---|
| Net assets at end of year (basic) | **333.8** | 287.3 |
| Derivative financial instruments at fair value | **10.9** | 22.6 |
| EPRA net assets | **344.7** | 309.9 |
| EPRA net assets per share (pence) | **29.5p** | 26.7p |

| Number of shares used for calculating net assets per share: | 2011 Number | 2010 Number |
|---|---|---|
| Shares in issue at year-end | **1,152,731,338** | 1,149,459,056 |
| Less ESOT shares at year-end | **(9,750,321)** | (5,748,189) |
| Number of shares for calculating basic net assets per share | **1,142,981,017** | 1,143,710,867 |
| Dilution due to share option schemes | **26,959,784** | 14,968,151 |
| Number of shares for calculating diluted adjusted net assets per share | **1,169,940,801** | 1,158,679,018 |

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

## 10. Investment properties

| | 2011 £m | 2010 £m |
|---|---|---|
| Balance at 1 April | **713.2** | 664.1 |
| Property acquisitions | **–** | 5.1 |
| Capital expenditure | **10.0** | 6.4 |
| Additions from business combination with former joint venture | **–** | 96.7 |
| Capitalised interest on refurbishments | **0.2** | 0.1 |
| Disposals during the year | **(40.7)** | (60.6) |
| Depreciation on finance leases | **(0.1)** | (0.4) |
| Change in fair value of investment properties | **30.8** | 1.8 |
| Balance at 31 March | **713.4** | 713.2 |

Capitalised interest is included at a rate of capitalisation of 5.5% (2010: 6.7%). The total amount of capitalised interest included in investment properties is £3.2m (2010: £3.0m).

Investment property includes buildings under finance leases of which the carrying amount is £3.5m (2010: £3.5m). 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 non-cancellable rental receipts under operating leases granted to tenants are as follows:

| | 2011 £m | 2010 (restated) £m |
|---|---|---|
| Within one year | **20.3** | 20.4 |
| Between two and five years | **0.7** | 0.3 |
| Beyond five years | **0.7** | 0.2 |
| | **21.7** | 20.9 |

### Valuation

The Group's investment properties were revalued at 31 March 2011 by the external valuer, CB Richard Ellis, a firm of independent qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards, sixth edition on the basis of market value assuming that the property would be sold subject to any existing leases. 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.

### 10. Investment properties continued

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:

| | 2011 £m | 2010 £m |
|---|---|---|
| Total per CB Richard Ellis valuation report | **718.7** | 717.4 |
| Deferred consideration on sale of property (note 13) | **(4.9)** | (4.9) |
| Owner occupied property (note 12) | **(3.9)** | (2.7) |
| Head leases treated as finance leases under IAS 17 | **3.5** | 3.5 |
| Short leases valued as head leases | **–** | (0.1) |
| Total investment properties per balance sheet | **713.4** | 713.2 |

### 11. Intangible assets

| Computer software | £m |
|---|---|
| **Cost** | |
| Balance at 1 April 2009 | 0.8 |
| Additions during the year | 0.2 |
| Balance at 31 March 2010 | 1.0 |
| Additions during the year | 0.2 |
| **Balance at 31 March 2011** | 1.2 |
| **Accumulated amortisation** | |
| Balance at 1 April 2009 | 0.5 |
| Charge for the year | 0.1 |
| Balance at 31 March 2010 | 0.6 |
| Charge for the year | 0.2 |
| Balance at 31 March 2011 | 0.8 |
| **Net book value at 31 March 2011** | **0.4** |
| Net book value at 31 March 2010 | 0.4 |

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 or valuation** | | | | |
| Balance at 1 April 2009 | 0.5 | 1.6 | 4.3 | 6.4 |
| Additions during the year | – | 0.1 | 0.1 | 0.2 |
| Disposals 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 |
| Additions during the year | – | – | 0.4 | 0.4 |
| Disposal during the year | – | – | (0.2) | (0.2) |
| Gain/(loss) on revaluation | 1.5 | (0.3) | – | 1.2 |
| **Balance at 31 March 2011** | **2.9** | **1.0** | **4.5** | **8.4** |
| **Accumulated depreciation** | | | | |
| Balance at 1 April 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 |
| Charge for the year | – | – | 0.4 | 0.4 |
| Disposals during the year | – | – | (0.2) | (0.2) |
| **Balance at 31 March 2011** | **–** | **–** | **3.8** | **3.8** |
| Net book amount at 31 March 2010 | 1.4 | 1.3 | 0.7 | 3.4 |
| **Net book amount at 31 March 2011** | **2.9** | **1.0** | **0.7** | **4.6** |

As permitted by IAS 16 'Property, plant & equipment' the Group's owner occupied property (land and buildings) is included at valuation. The property was valued at 31 March 2011 by CB Richard Ellis, a firm of independent qualified valuers who value the whole of the Group's Investment property portfolio based on market information (see note 10). The carrying value of the land and buildings under the historic cost model would have been £2.0m. The net revaluation gain of £1.2m (2010: £0.7m) has been recognised in the statement of comprehensive income and taken to other reserves (note 22).

## 13. Trade and other receivables

| Non-current trade and other receivables | 2011 £m | 2010 £m |
|---|---|---|
| Deferred consideration on sale of investment property | **4.9** | 4.9 |
| | **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 on the basis of market value as at 31 March 2011, using appropriate discount rates, and will be revalued on a regular basis.

| Current trade and other receivables | 2011 £m | 2010 £m |
|---|---|---|
| Trade receivables | **2.4** | 3.3 |
| Less provision for impairment of receivables | **(0.5)** | (0.5) |
| Trade receivables – net (see note 17(b)) | **1.9** | 2.8 |
| Prepayments and accrued income | **1.4** | 1.7 |
| Bank facility rental income accounts | **5.0** | – |
| | **8.3** | 4.5 |

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:

| | 2011 £m | 2010 £m |
|---|---|---|
| Balance at 1 April | **0.5** | 0.3 |
| Provision for receivables impairment | **0.2** | 0.3 |
| Receivables written off during the year | **(0.2)** | (0.1) |
| Balance at 31 March | **0.5** | 0.5 |

As at 31 March 2011, the ageing of trade receivables past due but not impaired was as follows:

| | Total 2011 £m | Impairment 2011 £m | Unimpaired 2011 £m | Total 2010 £m | Impairment 2010 £m | Unimpaired 2010 £m |
|---|---|---|---|---|---|---|
| Up to 3 months past due | **1.6** | **(0.1)** | **1.5** | 2.5 | – | 2.5 |
| 3 to 6 months past due | **0.2** | **(0.1)** | **0.1** | 0.2 | (0.1) | 0.1 |
| Over 6 months past due | **0.6** | **(0.3)** | **0.3** | 0.6 | (0.4) | 0.2 |
| | **2.4** | **(0.5)** | **1.9** | 3.3 | (0.5) | 2.8 |

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 are provided against based on expected recoverability.

## 14. Cash and cash equivalents

| | 2011 £m | 2010 £m |
|---|---|---|
| Cash at bank and in hand | **0.2** | – |
| Restricted cash – tenants' deposit deeds | **2.1** | 2.1 |
| | **2.3** | 2.1 |

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

| | 2011 £m | 2010 £m |
|---|---|---|
| Trade payables | **1.9** | 2.0 |
| Taxation and social security payable | **1.4** | 1.8 |
| Tenants' deposit deeds (see note 14) | **2.1** | 2.1 |
| Tenants' deposits | **7.6** | 7.6 |
| Accrued expenses and deferred income | **11.2** | 11.3 |
| Amounts due to related parties | **0.6** | – |
| Deferred income-rent and service charges | **3.2** | 3.7 |
| | **28.0** | 28.5 |

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

| | 2011 £m | 2010 £m |
|---|---|---|
| **Current** | | |
| Bank loans and overdrafts due within one year or on demand (secured) | **3.2** | 2.3 |
| | **3.2** | 2.3 |
| **Non-current** | | |
| Bank loans (secured) | **360.3** | 380.6 |
| Finance lease obligations (part secured) | **3.5** | 3.5 |
| | **363.8** | 384.1 |
| | **367.0** | 386.4 |

The secured loans and overdraft facility are secured on investment properties with balance sheet values totalling £692.4m (2010: £670.6m).

### b) Maturity

| | 2011 £m | 2010 £m |
|---|---|---|
| **Secured (excluding finance leases)** | | |
| Repayable in less than one year | **3.2** | 2.3 |
| Repayable between one year and two years | **95.5** | – |
| Repayable between two years and three years | **–** | 312.8 |
| Repayable between three years and four years | **68.0** | – |
| Repayable between four years and five years | **200.0** | 68.0 |
| | **366.7** | 383.1 |
| Less cost of raising finance | **(3.2)** | (0.2) |
| | **363.5** | 382.9 |
| **Finance leases (part secured)** | | |
| Repayable in five years or more | **3.5** | 3.5 |
| | **367.0** | 386.4 |

### c) Interest rate and repayment profile

| | Principal £m | Interest rate | Interest payable | Repayable |
|---|---|---|---|---|
| **Current** | | | | |
| Bank overdraft due within one year or on demand | 3.2 | Base +2.25% | Variable | On demand |
| **Non-current** | | | | |
| Loan – Bayern LB | 200.0 | LIBOR +2.25% | Quarterly | June 2015 |
| Loan – Royal Bank of Scotland (RBS) | 95.5 | LIBOR +2.75% | Monthly | November 2012 |
| Loan – Bank of Scotland (BoS) | 68.0 | LIBOR +1.25% | Quarterly | December 2014 |

### d) Derivative financial instruments

The following interest rate derivatives are held:

| | Amount hedged £m | Rate payable (or cap strike rate) % | Rate Receivable % | Term/expiry |
|---|---|---|---|---|
| Interest rate cap | 100.0 | 5.43% | – | to October 2012 |
| Interest rate cap | 15.5 | 5.00% | – | to October 2012 |
| Interest rate swap | 100.0 | 4.00% | 3 month LIBOR | to October 2012 |
| Interest rate swap | 80.0 | 4.00% | 1 month LIBOR | to October 2012 |
| Interest rate swap | 50.0 | 5.16% | 3 month LIBOR | to June 2013 |
| Interest rate swap* | 40.0 | 1.50% | 3 month LIBOR | to October 2012 |
| Interest rate swap* | 140.0 | 3.23% | 3 month LIBOR | October 2012 to June 2015 |

* These swaps comprise three derivatives with different providers but with identical rates, payment dates and end dates.

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

| | **2011 Book Value £m** | **2011 Fair Value £m** | 2010 Book Value £m | 2010 Fair Value £m |
|---|---|---|---|---|
| **Financial liabilities not at fair value through profit or loss** | | | | |
| Bank overdraft | **3.2** | **3.2** | 2.3 | 2.3 |
| Bank loans | **360.3** | **360.3** | 380.6 | 380.6 |
| Finance lease obligations | **3.5** | **3.5** | 3.5 | 3.5 |
| | **367.0** | **367.0** | 386.4 | 386.4 |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Derivative financial instruments: | | | | |
| Liabilities | **10.9** | **10.9** | 22.6 | 22.6 |
| Assets | **–** | **–** | – | – |
| | **10.9** | **10.9** | 22.6 | 22.6 |

The total change in fair value of derivative financial instruments recorded in the income statement was a gain of £5.3m (2010: £0.6m loss). This is net of £6.5m (2010: £8.6m) paid in the year to settle/re-coupon some instruments.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined in accordance with IFRS 7 as below:

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 | – | 10.9 | – | 10.9 |
| Assets | – | – | – | – |

The total fair value calculated equates to 1.0p per share (31 March 2010: 2.0p).

## 16. Borrowings continued

### f) Finance leases
Finance lease liabilities are in respect of leased investment property.

| Minimum lease payments under finance leases fall due as follows: | 2011 £m | 2010 £m |
|---|---|---|
| Within one year | **0.3** | 0.4 |
| Between two and five years | **0.8** | 0.8 |
| Beyond five years | **21.7** | 21.9 |
| | **22.8** | 23.1 |
| Future finance charges on finance leases | **(19.3)** | (19.6) |
| Present value of finance lease liabilities | **3.5** | 3.5 |

## 17. Financial risk management objectives and policy
The Group has identified exposure to the following financial risks:
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 both fixed and floating rates of interest and then uses interest rate swaps and caps to generate the desired interest and risk profile.

The Group's policy is to fix at least 50% of its borrowings. At 31 March 2011 74% (2010: 72%) 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 +/-0.5% would have increased or decreased net interest payable and equity by £0.5m (2010: £0.5m).

### b) Credit risk
The Group's main financial assets are cash and cash equivalents, deposits with banks and financial institutions and trade and other receivables.

Credit risk is the risk of financial loss if a tenant or a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to this risk principally relates to the receivables from tenants and cash and cash equivalent balances held with counterparties.

The Group's exposure to credit risk in relation to receivables from tenants is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has some 4,000 tenants in approximately 100 properties. The largest 10 single tenants generate only 6% of net rent roll. As such, the credit risk attributable to individual tenants is low.

The Group's credit risk in relation to tenants is further managed by performing credit checks and analysis on new customers and requesting that tenants provide a deposit equivalent to three months rent on inception of lease as security against default. The Group also monitors aged debt balances and any potential bad debts every week, the information being reported to Board level every month 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 or building societies in order to minimise any risk exposure in this area.

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

| | **2011 £m** | 2010 £m |
|---|---|---|
| Cash and cash equivalents (note 14) | **2.3** | 2.1 |
| Trade receivables – current (note 13) | **2.4** | 3.3 |
| Other receivables - non current (note 13) | **4.9** | 4.9 |
| | **9.6** | 10.3 |

**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 daily cash flow review and forecasting, monthly monitoring of the maturity profile of debt and the regular revision of borrowing facilities in relation to the Group's requirements and strategy.

To ensure it can effectively manage its liquidity risk; the Group has an overdraft facility of £4m available on demand and ensures sufficient headroom on total borrowings. At 31 March 2011 headroom excluding overdraft was £35m (31 March 2010: £36m).

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 flows and any balances which are ring-fenced by lenders. The Board reviews compliance with loan covenants which include agreed interest cover and loan to value ratios, alongside review of available headroom on loan facilities.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities existing 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 2011**

| | 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 | 3.2 | 3.2 | – | – | – | 3.2 |
| Secured bank loans (note 16b) | 363.5 | – | 95.5 | – | 268.0 | 363.5 |
| Interest payable on secured bank loans | – | 10.8 | 9.6 | 7.4 | 8.0 | 35.8 |
| Derivative financial instruments | 10.9 | 8.3 | 7.3 | 3.9 | 3.8 | 23.3 |
| Finance lease liabilities | 3.5 | 0.3 | 0.4 | 0.4 | 21.7 | 22.8 |
| Trade and other payables | 24.8 | 24.8 | – | – | – | 24.8 |
| Bank priority fee | 0.9 | – | – | – | 0.9 | 0.9 |
| | 406.8 | 47.4 | 112.8 | 11.7 | 302.4 | 474.3 |

## 17. Financial risk management objectives and policy continued

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 | 24.8 | 24.8 | – | – | – | 24.8 |
| Bank priority fee | 0.9 | – | – | – | 0.9 | 0.9 |
| | 434.9 | 49.4 | 22.3 | 327.9 | 91.4 | 491.0 |

Prior year numbers have been restated to include bank priority fee and exclude deferred income.

### 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. During the year the Group refinanced its debt with Bayern LB to extend the facility to five years. The Group also entered into a joint venture with the BlackRock UK Property Fund using net proceeds from the deal to reduce borrowings and further enhance capital structure.

Actions taken in the last few years in relation to borrowings and capital raising have enabled the Group to have sufficient headroom on financing and to ensure it is comfortably within all applicable loan to value covenants applied on borrowings which range between 75% to 85%.

## 18. Notes to cash flow statement

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

| | **2011 £m** | 2010 £m |
|---|---|---|
| Profit for the period | **53.5** | 24.2 |
| Tax | **(0.7)** | 1.8 |
| Depreciation | **0.5** | 0.8 |
| Amortisation of intangibles | **0.2** | 0.1 |
| Profit on disposal of investment properties | **(2.8)** | (5.8) |
| Net gain from change in fair value of investment property | **(30.8)** | (1.8) |
| Equity settled share based payments | **0.8** | 1.0 |
| Change in fair value of financial instruments | **(5.3)** | 0.6 |
| Interest income | **(0.1)** | (0.1) |
| Interest expense | **22.2** | 24.6 |
| Share in joint ventures | **0.3** | (6.7) |
| Negative goodwill on business combination | **–** | (2.4) |
| Changes in working capital: | | |
| Decrease in trade and other receivables | **1.3** | 1.2 |
| (Decrease) in trade and other payables | **(1.2)** | (1.2) |
| Cash generated from operations | **37.9** | 36.3 |

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

| | **2011 £m** | 2010 £m |
|---|---|---|
| Cash at bank and in hand | **0.2** | – |
| Restricted cash – tenants' deposit deeds | **2.1** | 2.1 |
| Bank overdrafts | **(3.2)** | (2.3) |
| | **(0.9)** | (0.2) |

## 19. Analysis of net debt

| | At 1 April 2010 £m | Cash flow £m | Non-cash items £m | **At 31 March 2011 £m** |
|---|---|---|---|---|
| Cash at bank and in hand | – | 0.2 | – | **0.2** |
| Restricted cash – tenants' deposit deeds | 2.1 | – | – | **2.1** |
| Bank overdrafts | (2.3) | (0.9) | – | **(3.2)** |
| | (0.2) | (0.7) | – | **(0.9)** |
| Bank loans | (380.8) | 17.3 | – | **(363.5)** |
| Less cost of raising finance | 0.2 | 3.8 | (0.8) | **3.2** |
| Finance lease obligations | (3.5) | 0.2 | (0.2) | **(3.5)** |
| | (384.1) | 21.3 | (1.0) | **(363.8)** |
| Total | (384.3) | 20.6 | (1.0) | **(364.7)** |

## 20. Other non-current liabilities

| | **2011 £m** | 2010 £m |
|---|---|---|
| Bank priority fee | **0.9** | 0.9 |
| | **0.9** | 0.9 |

This fee is payable to Bank of Scotland before the end of the term of the associated loan in December 2014.

## 21(a). Share capital

| | **2011 Number** | 2010 Number |
|---|---|---|
| Issued: Fully paid ordinary shares of 10p each | **1,152,731,338** | 1,149,459,056 |

| | **2011 £m** | 2010 £m |
|---|---|---|
| Issued: Fully paid ordinary shares of 10p each | **115.3** | 114.9 |

| **Movements in share capital were as follows:** | **2011 Number** | 2010 Number |
|---|---|---|
| Number of shares at 1 April | **1,149,459,056** | 1,046,116,842 |
| Issue of shares | **3,272,282** | 103,327,509 |
| Save as You Earn share options exercised | **–** | 14,705 |
| Number of shares at 31 March | **1,152,731,338** | 1,149,459,056 |

The share issue during the year arose from the take up from the scrip dividend in August 2010.

## 21(b). Share-based payments

**The Group operates a number of share schemes:**

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 2010 LTIP scheme 11,112,334 performance and matching shares were awarded in June 2010 to Directors and senior management (2009 LTIP scheme: 17,900,696). The Directors' shares under these schemes are analysed in detail in the Directors' Remuneration Report on page 51.

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:

| | 2011 | 2010 |
|---|---|---|
| Share price at grant | 21p | 16p |
| Exercise price (pence) | Nil | Nil |
| Average expected life (years) | 3 | 3 |
| Risk free rate | 1% | 2% |
| Expected dividend yield | 4% | 5% |
| Average share price volatility | 59% | 51% |
| Fair value per option – Absolute TSR element | 12p | 7p |
| Fair value per option – Relative TSR element | 13p | 8p |

The relative NAV is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 21p. At each balance sheet date, the Directors assess the likelihood of meeting the conditions under this element of the scheme. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity. The assessment at year end was that up to 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 2008. 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.

Grants of ESOS options made in 2006, 2007 and 2008 did not meet the required performance conditions and have lapsed.

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.

## 21(b). Share-based payments continued

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 | 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 |
| Options granted | – | – | 347,851 | 17p |
| Options lapsed | (2,064,822) | 178p | (385,986) | 14p |
| At 31 March 2011 | 2,967,347 | 108p | 4,304,936 | 12p |

Of the outstanding ESOS options at 31 March 2011 2,967,347 (2010: 4,209,912) were exercisable immediately. None of the SAYE options outstanding were available to exercise.

At 31 March 2011 in total there were 7,272,283 (2010: 9,375,240) SAYE and ESOS share options exercisable on the Company's ordinary share capital. Of these, 1,587,213 were Directors' share options and are disclosed in the Directors' Remuneration Report. 5,685,070 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 | 89.39p | 499,027 | 29.07.2005 | 29.07.2012 |
| 30 June 2003 | ESOS | 85.10p | 456,444 | 30.06.2006 | 30.06.2013 |
| 30 June 2004 | ESOS | 13.58p | 270,140 | 30.06.2007 | 30.06.2014 |
| 17 June 2005 | ESOS | 18.37p | 226,810 | 17.06.2008 | 17.06.2015 |
| 1 September 2005 | ESOS | 19.99p | 80,044 | 01.09.2008 | 01.09.2015 |
| | | | | Exercisable between | |
| 22 July 2008 | SAYE | 91.7p | 4,370 | 01.09.2013 | 01.03.2014 |
| 21 July 2009 | SAYE | 11.9p | 2,948,206 | 01.09.2012 | 01.03.2013 |
| 21 July 2009 | SAYE | 11.9p | 852,178 | 01.09.2014 | 01.03.2015 |
| 20 July 2010 | SAYE | 17.1p | 318,939 | 01.09.2013 | 01.03.2014 |
| 20 July 2010 | SAYE | 17.1p | 28,912 | 01.09.2015 | 01.03.2016 |
| **Total** | | | **5,685,070** | | |

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 51.

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:

| | **2011 SAYE 3 year** | **2011 SAYE 5 year** | 2010 SAYE 3 year | 2010 SAYE 5 year |
|---|---|---|---|---|
| Weighted average share price at grant | **21p** | **21p** | 15p | 15p |
| Exercise price | **17p** | **17p** | 12p | 12p |
| Expected volatility | **59%** | **54%** | 51% | 42% |
| Average expected life (years) | **3** | **5** | 3 | 5 |
| Risk free rate | **1%** | **2%** | 2% | 2% |
| Expected dividend yield | **4%** | **4%** | 5% | 5% |
| Possibility of ceasing employment before vesting | **25%** | **25%** | 25% | 25% |

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.

### 21(b). Share-based payments continued

Fair values per share of these options were:

| | 2011 Grant date | 2011 Fair value of award | 2010 Grant date | 2010 Fair value of award |
|---|---|---|---|---|
| SAYE – 3 year | **20 July 2010** | **8p** | 21 July 2009 | 6p |
| SAYE – 5 year | **20 July 2010** | **8p** | 21 July 2009 | 5p |

iii) Co-Investment Plan

The Group operated a Co-Investment Plan 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 the Long Term Equity Incentive Plan (LTIP).

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

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. At each balance sheet date the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

Inputs to the model for the grants during the year are summarised as follows:

| | 2011 | 2010 |
|---|---|---|
| Share price at 31 March | **27p** | 24p |
| Exercise price | **–** | – |
| Expected volatility | **59%** | 51% |
| Term of option remaining (years) | **2.2** | 2.2 |
| Risk free rate | **1%** | 2% |
| Expected dividend yield | **4%** | 5% |
| Possibility of ceasing employment | **10%** | 10% |
| Fair value of cash based payment per share | **24p** | 22p |

v) Share based payment charges

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

| | 2011 £m | 2010 £m |
|---|---|---|
| Equity settled share based payments | **0.8** | 1.0 |
| Cash settled share based payments | **0.3** | 0.1 |
| | **1.1** | 1.1 |

The total liability at the end of the period in respect of cash-settled share based schemes was £0.4m (2010: £0.1m).

### 22. Other reserves

| | Owner occupied property £m | Equity settled share based payments £m | Merger reserve £m | Total £m |
|---|---|---|---|---|
| Balance at 1 April 2009 | – | 2.6 | – | 2.6 |
| Arising on share issue | – | – | 8.7 | 8.7 |
| Revaluation gain | 0.7 | – | – | 0.7 |
| Share based payments | – | 1.0 | – | 1.0 |
| Balance at 31 March 2010 | 0.7 | 3.6 | 8.7 | 13.0 |
| Revaluation gain | 1.2 | – | – | 1.2 |
| Share based payments | – | 0.8 | – | 0.8 |
| **Balance at 31 March 2011** | **1.9** | **4.4** | **8.7** | **15.0** |

The revaluation gain on owner occupied property relates to the accounting policy to include owner occupied land and buildings at valuation rather than historic cost.

The merger reserve was created in the prior year following the raising of £18.8m of equity through a cashbox share placing structure.

## 23. 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 4,002,132 shares for a cash consideration of £0.8m. At 31 March 2011 the number of shares held by the Trust totalled 9,750,321 (2010: 5,748,189). At 31 March 2011 the market value of these shares was £2.7m (2010: £1.4m) compared to a nominal value of £1.0m (2010: £0.6m).

| | 2011 £m | 2010 £m |
|---|---|---|
| Balance at 1 April | **7.2** | 5.7 |
| Acquisition of ordinary shares | **0.8** | 0.2 |
| Transfer of shares | **–** | 1.3 |
| Balance at 31 March | **8.0** | 7.2 |

## 24. Joint ventures

### a) BlackRock Workspace Property Trust

On 23 February 2011 the Company entered into an arrangement with the BlackRock UK Property Fund by creating a Jersey property unit trust. The Group holds a 20.1% interest in the trust (BlackRock Workspace Property Trust) whose aim is to build a £100m fund of office and industrial property in and around London. The Company is property manager with significant delegated powers including responsibility for asset management and recommending acquisitions and disposals. Transactions between the Group and the joint venture are on an arm's length basis. This joint venture has been equity accounted for in the Group's consolidated financial statements.

The Group's 20.1% share of the joint venture assets and liabilities at 31 March 2011 is shown below:

| | 31 March 2011 £m |
|---|---|
| Investment properties | **7.1** |
| Current assets | **0.3** |
| Total assets | **7.4** |
| Current liabilities | **(0.3)** |
| Total liabilities | **(0.3)** |
| Net assets | **7.1** |
| Unrealised surplus on sale of properties to joint venture | **(0.4)** |
| Investment in joint venture | **6.7** |

The Group's 20.1% share of the joint venture income and expenses for the period 23 February 2011 to 31 March 2010 is shown below:

| | Period ended 31 March 2011 £m |
|---|---|
| Revenue | **0.1** |
| Direct costs | **–** |
| Net rental income | **0.1** |
| Administrative expenses | **–** |
| Change in fair value of investment properties | **(0.3)** |
| Set up costs | **(0.1)** |
| Loss before tax | **(0.3)** |
| Taxation | **–** |
| Loss after tax | **(0.3)** |

### b) Workspace Glebe

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.

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.

## 24. Joint ventures continued

The Group's 50% share of the joint venture income and expenses for the period 1 April 2009 to 11 December 2009 is shown below:

| | Period ended 11 December 2009 £m |
|---|---|
| Revenue | 3.0 |
| Direct costs | (1.1) |
| Net rental income | 1.9 |
| Administrative expenses | – |
| Change in fair value of investment properties | (16.2) |
| Finance costs – interest payable | (2.6) |
| Change in fair value of derivative financial instruments | 0.8 |
| Loss before tax | (16.1) |
| Taxation | – |
| Loss after tax | (16.1) |

This loss and subsequent adjustments arising upon the business combination are shown below:

| | Year ended 31 March 2010 £m |
|---|---|
| Consideration for acquisition of joint venture | – |
| Net assets acquired on business combination | 3.1 |
| Acquisition related costs | (0.7) |
| **Negative goodwill on business combination** | **2.4** |
| Loss after tax | (16.1) |
| Revaluation of share in joint venture | 18.4 |
| Release of interest shortfall guarantee provision | 4.4 |
| **Share in former joint venture profit after tax** | **6.7** |
| **Total credited to income statement** | **9.1** |

## 25. Related party transactions

Transactions between the Group and its joint ventures are set out below. These are related party transactions as defined in IAS 24:

| | **2011 £m** | 2010 £m |
|---|---|---|
| Transactions year ended 31 March: | | |
| Net investment into joint ventures | **7.4** | – |
| Recharges to joint ventures | **–** | 0.4 |
| Recharges from joint ventures | **–** | (0.1) |
| Balances with joint ventures at 31 March: | | |
| Amounts payable to joint venture | **(0.6)** | – |

## 26. Capital commitments

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

| | **2011 £m** | 2010 £m |
|---|---|---|
| Under contract: | | |
| Property, plant and equipment | **0.4** | – |
| Purchases, construction or re-development of investment property | **2.0** | 0.4 |
| Repairs, maintenance or enhancement of investment property | **1.5** | 1.1 |
| | **3.9** | 1.5 |
| Authorised by Directors but not contracted: | | |
| Property, plant and equipment | **0.2** | 0.1 |
| Intangible assets | **0.1** | – |
| Purchases, construction or re-development of investment property | **8.2** | 5.6 |
| Repairs, maintenance or enhancement of investment property | **2.8** | 4.4 |
| | **11.3** | 10.1 |
| | **15.2** | 11.6 |

## 27. 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 repayment 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 arrangement.

At 31 March 2011 the proceeds sharing contingent liability assuming all properties were sold was calculated at £15.8m (2010: £8.4m). This is based on 31 March 2011 valuation of the former joint venture portfolio of £117m (2010: £101m).

The impact of this on EPRA NAV per share if the entire Glebe portfolio were sold would be a decrease of 1.3p (2010: 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.

## 28. 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 | 1004 shares of 0.1 pence |
| Workspace 13 Ltd | Property Investment | 138,769,653 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 16 (Jersey) Ltd | Investor in joint venture | 751 shares of £1 |
| Workspace Glebe Ltd | Property Investment | 2,000,004 shares of £1 |
| *Glebe Three 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 |
| Workspace Management Ltd | Property Management | 1 share of £1 |
| Anyspacedirect.co.uk Ltd | Website Service | 1 share of £1 |

* The share capital of these subsidiaries is held by other Group companies.
† Company registered in Jersey.

A full list of subsidiary undertakings at 31 March 2011 will be appended to the Company's next annual return.

## 29. 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 (2010: £0.5m) representing contributions payable by the Group to the fund and is charged through operating 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 20%. 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 98 (2010: 103).

## 30. Operating lease commitments

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

| Motor vehicles and office equipment: | 2011 £m | 2010 £m |
|---|---|---|
| Due within one year | **0.1** | 0.1 |
| Due between two and five years | **0.1** | – |
| | **0.2** | 0.1 |

## 31. Post balance sheet events

In April 2011 the Group completed the sale of Ewer Street car park (part of Great Guildford Street Business Centre) for £3.9m.

In June 2011 the Group signed a new £125m loan facility with RBS repayable in June 2015.

# 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 2011 which comprise the Parent Company 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 Statement of Directors' Responsibilities set out on page 53, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Group annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

### 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 2011;
- 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 2011.

Bowker Andrews (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 June 2011

# Parent Company Balance Sheet
## As at 31 March

| | Notes | 2011 £m | 2010 (restated) £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments in subsidiary undertakings | C | **260.4** | 252.1 |
| | | **260.4** | 252.1 |
| **Current assets** | | | |
| Debtors | D | **125.6** | 94.8 |
| **Creditors: amounts falling due within one year** | E | **(102.2)** | (56.0) |
| **Net current assets** | | **23.4** | 38.8 |
| Total assets less current liabilities | | **283.8** | 290.9 |
| **Net assets** | | **283.8** | 290.9 |
| **Capital and reserves** | | | |
| Called up share capital | F | **115.3** | 114.9 |
| Share premium account | F | **25.0** | 24.7 |
| Investment in own shares | F | **(8.0)** | (7.2) |
| Merger reserve | F | **8.7** | 8.7 |
| Share based payment reserve | F | **4.4** | 3.6 |
| Profit and loss account | F | **138.4** | 146.2 |
| **Total shareholders' funds** | | **283.8** | 290.9 |

The financial statements were approved by the Board of Directors on 3 June 2011 and were signed on its behalf by:

**H Platt**
**G Clemett**
Directors

The notes on pages 84 and 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 which have been applied consistently throughout the year are set out below:

### (a) Basis of accounting

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. 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 convention 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 based payment and investment in own shares

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. The Company recognises this as an investment in subsidiary undertakings with a corresponding increase to equity.

## B. Profit 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 £1.1m (2010: £25.9m).

Auditors' remuneration of £10,000 (2010: £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

| Cost | £m |
|---|---|
| Balance at 1 April 2010 | 299.2 |
| Additions in the year | 8.3 |
| Balance at 31 March 2011 | 307.5 |

| Impairment | £m |
|---|---|
| Balance at 31 March 2010 and 2011 | 47.1 |

| | |
|---|---|
| Net book value at 31 March 2011 | 260.4 |
| Net book value at 31 March 2010 | 252.1 |

During the year the Company acquired 751 shares in Workspace 16 (Jersey) Ltd, a company registered in Jersey.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Refer to note 28 to the consolidated financial statements for the list of subsidiary undertakings.

## D. Debtors

| | 2011 £m | 2010 £m |
|---|---|---|
| Amounts owed by subsidiary undertakings | **125.6** | 94.8 |
| | **125.6** | 94.8 |

Amounts owed by subsidiary undertakings are unsecured and repayable on demand. Interest is charged to subsidiary undertakings.

## E. Creditors: amounts falling due within one year

| | 2011 £m | 2010 £m |
|---|---|---|
| Amounts owed to subsidiary undertakings | **101.8** | 54.4 |
| Other taxation and social security payable | **0.4** | 0.4 |
| Corporation tax payable | **–** | 1.2 |
| | **102.2** | 56.0 |

Amounts owed to subsidiary undertakings are unsecured and repayable on demand. Interest is paid to subsidiary undertakings.

## F. Capital and reserves

Movements and notes applicable to share capital, share premium account, investment in own shares, merger reserve and share based payment reserve are shown in notes 21, 22 and 23 of the consolidated financial statements.

Prior year numbers have been restated to include share based payments in equity and investment in subsidiary undertakings.

| **Profit and loss account:** | £m |
|---|---|
| Balance at 1 April 2010 | 146.2 |
| Profit for the year | 1.1 |
| Dividends paid | (8.9) |
| **Balance at 31 March 2011** | **138.4** |

## G. Reconciliation of movements in shareholders' funds

| | 2011 £m | 2010 £m |
|---|---|---|
| Profit for the financial year | **1.1** | 25.9 |
| Dividends paid | **(8.9)** | (8.1) |
| Merger reserve arising on share issue | **–** | 8.7 |
| Issue of shares | **0.7** | 10.4 |
| Investment in own shares | **(0.8)** | (1.5) |
| Share based payments | **0.8** | 1.0 |
| Net movement in shareholders' funds | **(7.1)** | 36.4 |
| Opening shareholders' funds | **290.9** | 254.5 |
| Closing shareholders' funds | **283.8** | 290.9 |

## H. Related party transactions

The Company has taken advantage of the exemption under FRS 8 Related Party Disclosures not to disclose related party transactions with wholly owned subsidiary undertakings.

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements.

# Five Years Performance
## 2007 - 2011

| | 31 March 2011 £m | 31 March 2010 £m | 31 March 2009 £m | 31 March 2008 £m | 31 March 2007 £m |
|---|---|---|---|---|---|
| Rents receivable | **52.0** | 49.8 | 54.2 | 51.4 | 45.6 |
| Service charges and other income | **16.8** | 16.7 | 15.6 | 15.5 | 14.3 |
| **Revenue** | **68.8** | 66.5 | 69.8 | 66.9 | 59.9 |
| **Trading profit** | **36.2** | 35.3 | 38.4 | 37.0 | 31.6 |
| Net interest payable^ | **(22.1)** | (24.5) | (28.4) | (28.1) | (23.2) |
| **Trading profit after interest** | **14.1** | 10.8 | 10.0 | 8.9 | 8.4 |
| Profit/(loss) before taxation | **52.8** | 26.0 | (360.4) | (37.0) | 112.5 |
| Profit/(loss) after taxation | **53.5** | 24.2 | (360.4) | (34.7) | 193.4 |
| Earnings per share* | **4.7p** | 2.3p | (134.6)p | (15.2)p | 86.5p |
| Dividends per share* | **0.83p** | 0.75p | 1.15p | 3.43p | 3.11p |
| Dividends (total) | **9.5** | 8.6 | 7.8 | 7.8 | 7.0 |
| Investment properties | **713.4** | 713.2 | 664.1 | 994.3 | 1,001.6 |
| Less: net liabilities | **(12.8)** | (39.5) | (54.1) | (16.1) | (37.9) |
| Less: net borrowings | **(366.8)** | (386.4) | (358.1) | (441.4) | (381.1) |
| **Net assets** | **333.8** | 287.3 | 251.9 | 536.8 | 582.6 |
| Gearing | **110%** | 134% | 142% | 82% | 65% |
| Gearing on EPRA net assets | **106%** | 125% | 129% | 82% | 65% |
| Basic NAV per share* | **£0.29** | £0.25 | £0.24 | £2.35 | £2.55 |
| EPRA NAV per share* | **£0.30** | £0.27 | £0.27 | £2.33 | £2.52 |

* 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

| Workspace Group: | 31 March 2011 | 31 March 2010 | 31 March 2009 | 31 March 2008 | 31 March 2007 |
|---|---|---|---|---|---|
| Number of estates[1] | **94** | 105 | 106 | 106 | 101 |
| Lettable floorspace (m sq. ft.) ■[1] | **5.1** | 5.5 | 5.0 | 5.2 | 4.9 |
| Number of lettable units[1] | **4,856** | 5,156 | 4,546 | 4,611 | 4,304 |
| Average unit size (sq. ft.)[1] | **1,049** | 1,067 | 1,099 | 1,118 | 1,139 |
| Rent roll of occupied units[1] | **£48.9m** | £50.7m | £50.8m | £52.6m | £47.2m |
| Average rent per sq. ft.[1] | **£11.47** | £11.22 | £12.64 | £11.88 | £11.34 |
| Overall occupancy[1] | **83.6%** | 81.9% | 80.3% | 85.8% | 84.8% |
| Enquiries (number)* | **11,535** | 12,109 | 10,515 | 9,414 | 7,913 |
| Lettings (number)* | **1,051** | 1,203 | 1,035 | 1,007 | 1,149 |

| BlackRock Workspace Property Trust (BWPT): | 31 March 2011 |
|---|---|
| Number of estates | **8** |
| Lettable floorspace (m sq.ft.) ■ | **0.3** |
| Number of lettable units | **281** |
| Average unit size (sq.ft.) | **1,147** |
| Rent roll of occupied units | **£3.1m** |
| Average rent per sq.ft. | **£10.57** |
| Overall occupancy | **92.1%** |

■ Excludes storage space
[1] Excluding BWPT which is shown separately
* Including BWPT

# 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 at the investor website www.workspacegroupplc.co.uk

## Registrar
All general enquiries concerning ordinary shares in Workspace Group PLC, should be addressed to:

**Computershare Services PLC**
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
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

From early July 2011 our registered office and headquarters will be:
**Chester House**
Kennington Park
1-3 Brixton Road
London, SW9 6DE.

Registered number: 2041612
Telephone: +44 (0) 207 247 7614
Fax: +44 (0) 207 247 0157
Email: info@workspacegroup.co.uk

## Company Secretary:
Carmelina Carfora

## The Company's advisers include:

## Independent Auditors
**PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

## Joint Solicitors
**Norton Rose**
3 More London Riverside
London SE1 2AQ

## Joint Solicitors
**Slaughter and May**
One Bunhill Row
London EC1Y 8YY

## Bankers
**The Royal Bank of Scotland**
Corporate and Institutional Banking
280 Bishopsgate
London EC2M 4RB

## Financial Advisers
**N M Rothschild**
New Court
St Swithin's Lane
London EC4P 4DU

## Joint Stockbrokers
**Espirito Santo Investment Bank**
10 Paternoster Square
London EC4M 7AL

## Joint Stockbrokers
**Investec**
2 Gresham Street
London EC2V 7QP

# Glossary of Terms

**BWPT** BlackRock Workspace Property Trust, a joint venture property fund with the BlackRock UK Property Fund in which the Group holds a 20.1% interest.

**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 the 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)** 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 per sq. ft.** is the net rent divided by the occupied area.

**Rent roll** (see cash rent roll).

**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.

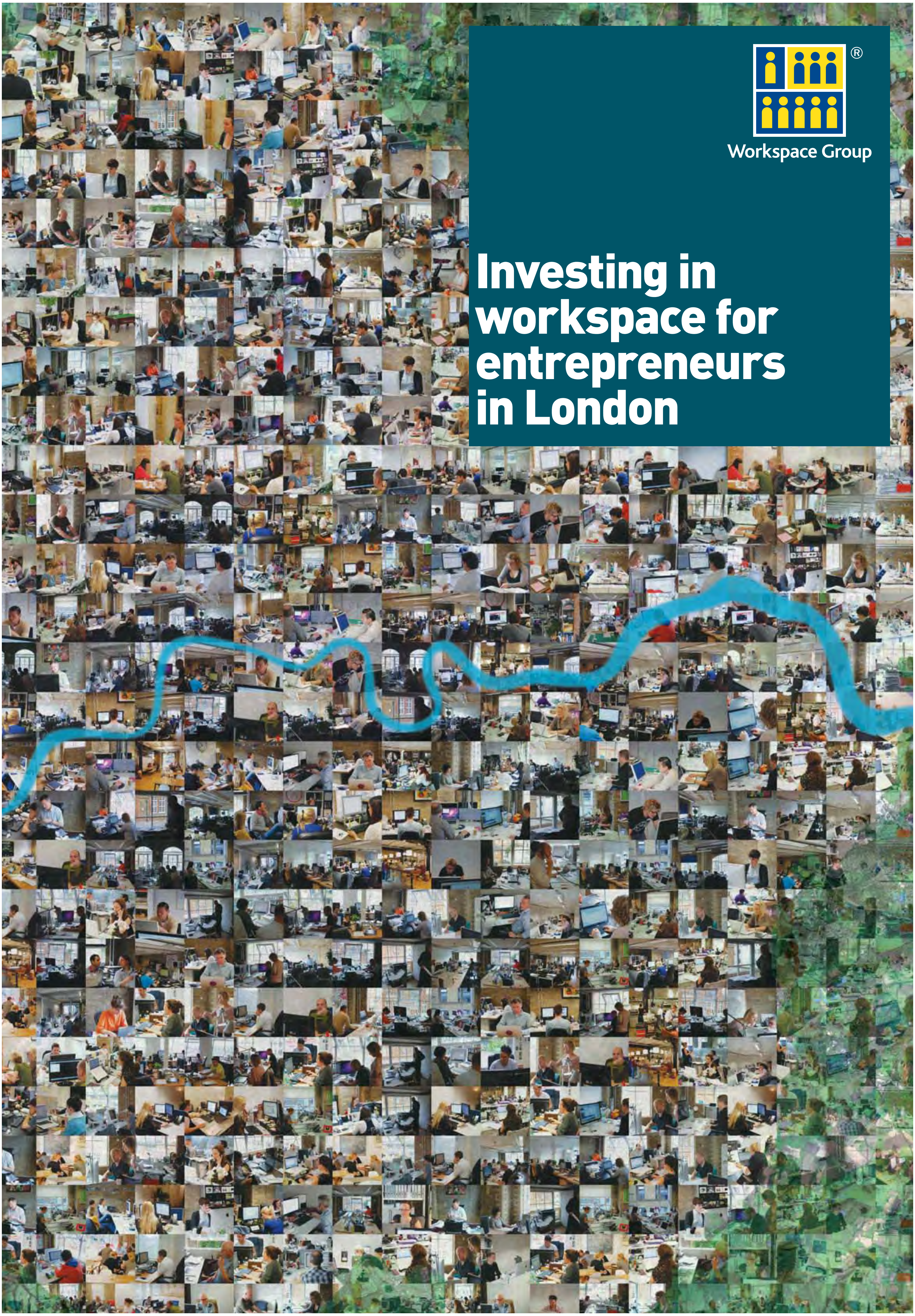
**Small and medium-sized enterprises (SMEs)** are those businesses with a turnover of less than £1m p.a. or staff of less than 50. Most Workspace customers are SME businesses with staffing of up to 20.

**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



# Why London?

**London is the prime driver of UK economic growth and a global hub for business and culture.**

**With 160-180,000 SMEs, London has the UK's densest, most-diverse and most active population of fast growing businesses.**

**This makes it the most attractive part of the SME market and gives us ample scope to expand.**

**As London continues to grow, the pressure on land will promote the intensification and change of use of our assets, further increasing their value.**

## Property portfolio characteristics

**94**
**Total number of estates**

**144**
**Total acres of property**

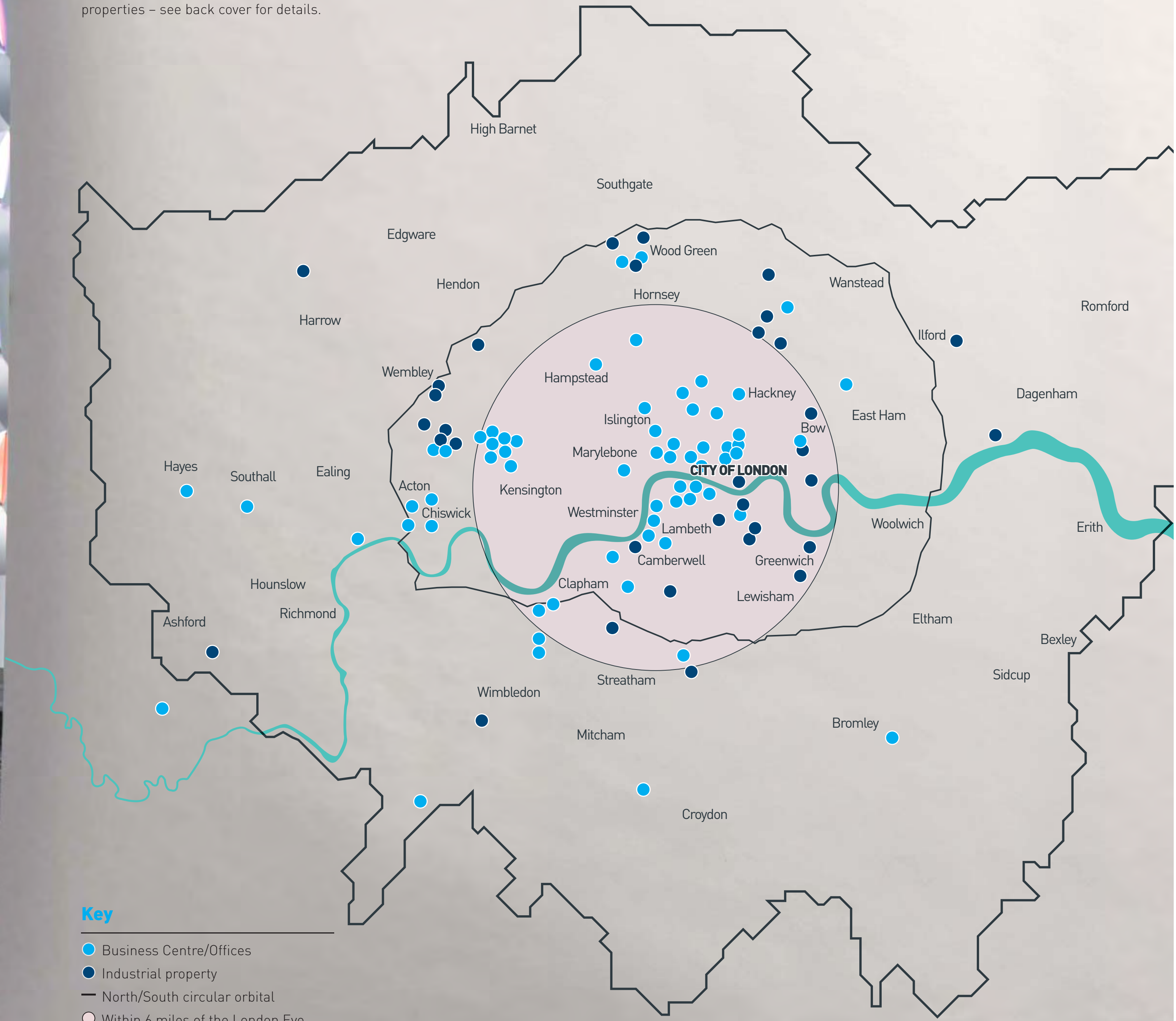
**5.1m**
**(sq.ft.) total lettable floor area**

**£137**
**(per sq.ft.) capital value of portfolio**

**3.3m**
**sq.ft. of our lettable space is within 6 miles of the London Eye**

**£11.47**
**(per sq.ft.) average rent of portfolio**

Above excludes BlackRock joint venture properties – see back cover for details.




**Key**

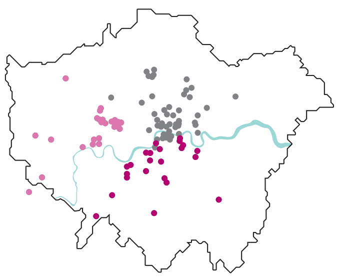
- Business Centre/Offices
- Industrial property
- North/South circular orbital
- Within 6 miles of the London Eye

# South & West London


Long Island House

Key

- Workspace properties
- South properties
- West properties



| Property Name | Post Code | Category | Property uses | Tenure* | Acreage | Lettable floor area sq. ft.† | Net Rent Roll of occupied units £000s | ERV £000s |
|---|---|---|---|---|---|---|---|---|
| **South** | | | | | | | | |
| ◆ Alscot Road Industrial Estate | SE1 3AW | Like for like | Industrial | f/h | 0.2 | 6,370 | 62 | 96 |
| ■ Avro & Hewlett Hse Havelock Terrace | SW8 4AS | Like for like | Business Centre/Offices | f/h | 0.7 | 58,363 | 563 | 587 |
| ◆ 55 Bendon Valley | SW18 4LZ | Like for like | Business Centre/Offices | f/h | 0.4 | 19,371 | 177 | 178 |
| ■ Bendon Valley Riverside | SW18 4UQ | Like for like | Business Centre/Offices | f/h | 2.0 | 80,130 | 776 | 747 |
| ◆ Canterbury Industrial Park | SE15 1NP | Like for like | Industrial | f/h | 1.0 | 18,893 | 145 | 177 |
| ■ Creekside (Faircharm Trading Estate) | SE8 3DX | Like for like | Industrial | f/h | 2.3 | 106,088 | 450 | 627 |
| ◆ Hamilton Rd | SE27 9SF | Like for like | Industrial | f/h | 1.0 | 23,531 | 193 | 210 |
| ◆ Homesdale Business Centre | BR1 2QZ | Like for like | Business Centre/Offices | f/h | 0.6 | 14,044 | 136 | 182 |
| ● Kennington Park | SW9 6DE | Refurbishment | Business Centre/Offices | f/h | 6.2 | 368,270 | 3,827 | 4,925 |
| ■ Lombard Business Centre | CR0 3JP | Like for like | Business Centre/Offices | f/h | 2.2 | 67,246 | 531 | 625 |
| ◆ Mahatma Ghandi | SE24 0JF | Like for like | Industrial | f/h | 0.9 | 16,750 | 93 | 173 |
| ◆ Michael Manley | SW8 4TU | Like for like | Industrial | f/h | 0.3 | 5,800 | 73 | 73 |
| ◆ Morie Street | SW18 1SL | Like for like | Business Centre/Offices | f/h | 0.3 | 21,695 | 258 | 285 |
| ■ Parkhall Road Trading Estate | SE21 8EN | Like for like | Business Centre/Offices | f/h | 2.2 | 126,960 | 635 | 870 |
| ◆ Pensbury Industrial Estate | SW8 4TL | Like for like | Industrial | f/h | 1.2 | 19,971 | 249 | 247 |
| ◆ Rainbow Industrial Estate | SW20 0JK | Like for like | Storage | f/h | 4.7 | 1,000 | 295 | 386 |
| ◆ Sundial Court | KT5 9RN | Like for like | Business Centre/Offices | f/h | 0.6 | 26,110 | 232 | 337 |
| ◆ T Marchant | SE16 3DH | Like for like | Industrial | f/h | 2.1 | 51,721 | 334 | 294 |
| ◆ Thurston Road Industrial Estate | SE13 7SH | Held for redevelopment/sale | Awaiting return of commercial space | f/h | 0.0 | 0 | 0 | 561 |
| ◆ Tower Bridge F Block | SE16 4DG | Held for redevelopment/sale | Industrial | f/h | 2.7 | 141,881 | 0 | 652 |
| ● Tower Bridge Business Complex | SE16 4DG | Like for like/ Held for redevelopment/sale | Business Centre/Offices | f/h | 9.9 | 416,898 | 2,468 | 2,996 |
| ■ Wandsworth Business Village | SW18 4JQ | Held for redevelopment/sale | Business Centre/Offices | f/h | 2.1 | 0 | 0 | 0 |
| ◆ Zennor Road | SW12 0PS | Like for like | Industrial | f/h | 1.9 | 66,054 | 317 | 510 |
| | | | | | **45.6** | **1,657,146** | **11,814** | **15,735** |
| **West** | | | | | | | | |
| ◆ 2 Cullen Way | NW10 6JZ | Like for like | Industrial | f/h | 0.1 | 1,562 | 17 | 15 |
| ◆ 10 Cullen Way | NW10 7JF | Like for like | Industrial | f/h | 0.2 | 10,304 | 34 | 59 |
| ◆ 28-30 Park Royal Road | NW10 7LF | Like for like | Business Centre/Offices | f/h | 0.7 | 28,175 | 171 | 258 |
| ◆ 330 Ladbroke Grove | W10 5AS | Held for redevelopment/sale | Business Centre/Offices | f/h | 0.0 | 2,000 | 34 | 34 |
| ■ Acton Business Centre | NW10 6TD | Like for like | Industrial | f/h | 2.0 | 50,361 | 459 | 589 |
| ◆ Arches Business Centre | UB2 4AU | Like for like | Business Centre/Offices | f/h | 1.5 | 40,725 | 309 | 287 |
| ◆ Artesian Close Industrial Estate | NW10 8RW | Like for like | Industrial | f/h | 1.2 | 15,814 | 193 | 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 | 48,507 | 320 | 364 |
| ■ Canalot Studios | W10 5BN | Refurbishment | Business Centre/Offices | f/h | 0.7 | 32,550 | 541 | 700 |
| ◆ Chiswick Studios | W4 5PY | Like for like | Business Centre/Offices | f/h | 0.5 | 14,244 | 153 | 190 |
| ◆ Enterprise, Hayes | UB3 1DD | Held for redevelopment/sale | Business Centre/Offices | f/h | 1.0 | 89,433 | 151 | 381 |
| ■ Grand Union Centre | W10 5AS | Held for redevelopment/sale | Business Centre/Offices | f/h | 1.6 | 50,690 | 482 | 609 |
| ◆ Ladbroke Hall | W10 6AZ | Like for like | Business Centre/Offices | f/h | 0.6 | 15,219 | 239 | 254 |
| ◆ Littleton House | TW15 1UU | Like for like | Business Centre/Offices | f/h | 1.4 | 41,716 | 203 | 323 |
| ◆ Long Island House | W3 0RG | Like for like | Business Centre/Offices | f/h | 0.2 | 29,973 | 179 | 295 |
| ◆ Maple Industrial Estate | TW13 7AW | Like for like | Industrial | Long l/h | 1.2 | 18,210 | 219 | 207 |
| ■ Pall Mall Deposit | W10 6BL | Like for like | Business Centre/Offices | f/h | 0.6 | 49,613 | 772 | 924 |
| ◆ Park Royal Business Centre | NW10 7LQ | Like for like | Business Centre/Offices | f/h | 0.5 | 30,347 | 253 | 344 |
| ◆ Park Royal House | NW10 7JH | Like for like | Business Centre/Offices | f/h | 0.1 | 1,591 | 22 | 76 |
| ◆ Q West | TW8 0GP | Refurbishment | Business Centre/Offices | Long l/h | 0.9 | 40,425 | 279 | 391 |
| ● The Barley Mow Centre | W4 4PH | Refurbishment | Business Centre/Offices | f/h | 0.9 | 73,813 | 1,182 | 1,446 |
| ■ The Light Box | W4 5PY | Like for like | Business Centre/Offices | f/h | 1.9 | 71,155 | 845 | 1,033 |
| ◆ The Shaftesbury Centre | W10 6BN | Like for like | Business Centre/Offices | f/h | 0.1 | 12,600 | 192 | 235 |
| ● Westbourne Studios | W10 5JJ | Like for like | Business Centre/Offices | Long l/h | 0.1 | 56,488 | 1,406 | 1,633 |
| ◆ Westwood Business Centre | NW10 6NB | Like for like | Industrial | f/h | 2.7 | 47,406 | 311 | 472 |
| | | | | | **23.0** | **877,421** | **8,981** | **11,330** |

● 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 2011

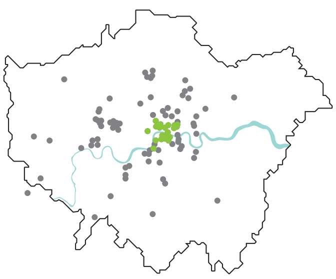
# Central London

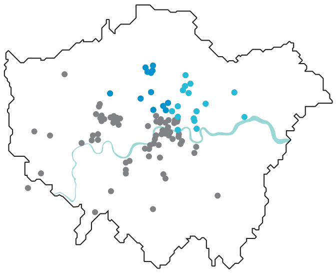
Clerkenwell Workshops

| Property Name | Post Code | Category | Property uses | 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 | 254 | 516 |
| ◆ 57/59 Whitechapel Road | E1 1DU | Held for sale/development | Business Centre/Offices | f/h | 0.1 | 2,760 | 20 | 41 |
| ■ Archer Street | W1D 7AZ | Like for like | Business Centre/Offices | f/h | 0.1 | 14,981 | 517 | 605 |
| ■ Baldwins Gardens - Hatton Sq | EC1N 7RJ | Like for like | Business Centre/Offices | f/h | 0.4 | 43,386 | 691 | 901 |
| ● Clerkenwell Workshops | EC1R 0AT | Like for like | Business Centre/Offices | f/h | 0.4 | 50,461 | 1,828 | 2,225 |
| ■ E1 Business Centre (formerly Neil House) | E1 6TD | Like for like | Business Centre/Offices | f/h | 0.3 | 41,108 | 463 | 689 |
| ● Enterprise Estate, Upper Grnd, & Hatfield | SE1 9PG | Like for like | Business Centre/Offices | f/h | 0.5 | 72,824 | 1,950 | 1,937 |
| ■ Exmouth House | EC1R 0JH | Like for like | Business Centre/Offices | Long l/h | 0.4 | 54,121 | 1,097 | 1,372 |
| ● Great Guildford Street | SE1 0HS | Refurbishment | Business Centre/Offices | f/h | 1.6 | 93,222 | 1,149 | 1,551 |
| ◆ Holywell Centre | EC2A 4PS | Like for like | Business Centre/Offices | f/h | 0.4 | 21,794 | 363 | 396 |
| ■ Linton House | SE1 0LH | Like for like | Business Centre/Offices | f/h | 0.2 | 34,179 | 661 | 680 |
| ◆ Magenta House | E1 1DU | Like for like | Business Centre/Offices | f/h | 0.1 | 0 | 200 | 0 |
| ■ Quality Court | WC2A 1HR | Like for like | Business Centre/Offices | f/h | 0.1 | 17,333 | 761 | 820 |
| ● Southbank House | SE1 | Like for like | Business Centre/Offices | f/h | 0.5 | 62,318 | 1,279 | 1,731 |
| ● The Leathermarket | SE1 3ER | Like for like | Business Centre/Offices | f/h | 1.7 | 120,499 | 2,397 | 2,710 |
| ■ Westminster Business Square | SE11 5JH | Like for like | Business Centre/Offices | f/h | 1.3 | 62,884 | 857 | 907 |
| ■ Whitechapel Technology Centre | E1 1DU | Like for like | Business Centre/Offices | Mainly f/h | 0.9 | 35,409 | 573 | 816 |
| | | | | | 9.3 | 738,240 | 15,060 | 17,898 |

Key

- ■ Workspace properties
- ■ Central properties






Cremer Business Centre

# North & East London

| Property Name | Post Code | Category | Property uses | 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 | 152,141 | 948 | 1,295 |
| ◆ Belgravia Workshops | N19 4NF | Like for like | Business Centre/Offices | f/h | 0.5 | 32,324 | 304 | 335 |
| ■ Bounds Green Industrial Estate | N11 2UL | Like for like | Industrial | f/h | 6.5 | 123,417 | 640 | 831 |
| ● Highbury Grove/Aberdeen Centre | N5 2EA | Like for like | Business Centre/Offices | f/h | 1.9 | 55,367 | 588 | 590 |
| ■ Leroy House | N1 3QP | Like for like | Business Centre/Offices | f/h | 0.5 | 46,924 | 662 | 770 |
| ◆ Mallard Place | N22 6TS | Like for like | Industrial | Long l/h | 0.3 | 10,150 | 83 | 83 |
| ◆ Parma House | N22 6XF | Like for like | Business Centre/Offices | f/h | 0.4 | 35,033 | 256 | 397 |
| ◆ 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 | 46,487 | 523 | 547 |
| ■ The Chocolate Factory | N22 6XJ | Like for like | Business Centre/Offices | Mainly f/h | 2.8 | 118,847 | 696 | 965 |
| ◆ The Ivories | N1 2HY | Like for like | Business Centre/Offices | f/h | 0.4 | 24,804 | 413 | 363 |
| ■ The Wenlock (formerly Wharf Road) | N1 7EU | Like for like | Business Centre/Offices | f/h | 0.7 | 27,946 | 550 | 564 |
| | | | | | **21.4** | **701,250** | **5,798** | **6,907** |
| **East** | | | | | | | | |
| ■ 1-13 Stratford Office Village | E15 4EA | Like for like | Business Centre/Offices | f/h | 1.6 | 52,058 | 547 | 966 |
| ◆ Alpha Business Centre | E17 7NX | Held for sale/development | Business Centre/Offices | Short l/h | 0.8 | 22,168 | 123 | 347 |
| ● Bow Enterprise Park | E3 3QY | Held for sale/development | Industrial | f/h | 3.5 | 77,417 | 521 | 632 |
| ◆ Bow Exchange | E3 3QP | Like for like | Business Centre/Offices | f/h | 0.8 | 37,585 | 289 | 327 |
| ◆ Buzzard Creek Industrial Estate | IG11 0EL | Like for like | Industrial | Long l/h | 3.1 | 42,500 | 247 | 329 |
| ■ Cremer Business Centre | E2 8HD | Like for like | Business Centre/Offices | f/h | 0.3 | 41,364 | 438 | 503 |
| ◆ Fairways | E10 7QT | Like for like | Industrial | f/h | 1.9 | 47,091 | 306 | 359 |
| ◆ Greenheath Business Centre | E2 6JL | Held for redevelopment/sale | Business Centre/ Offices | Mainly f/h | 0.4 | 56,527 | 140 | 332 |
| ■ Highway Business Park | E1 9HR | Like for like | Industrial | f/h | 1.1 | 19,969 | 236 | 301 |
| ■ Leyton Business Centre | E10 7QP | Like for like | Industrial | f/h | 6.3 | 114,210 | 444 | 589 |
| ◆ Leyton Studios | E10 7QE | Like for like | Industrial | f/h | 0.5 | 18,962 | 118 | 121 |
| ◆ Mare Street Studios | E8 3QE | Like for like | Business Centre/Offices | Mainly f/h | 0.8 | 39,443 | 348 | 411 |
| ■ Marshgate Centre | E15 2NH | Like for like | Industrial | f/h | 2.8 | 92,674 | 272 | 511 |
| ● Poplar Business Park | E14 9RL | Like for like | Industrial | Mainly f/h | 4.2 | 74,760 | 1,218 | 1,299 |
| ◆ Redbridge Enterprise Centre | IG1 1TY | Like for like | Industrial | f/h | 1.5 | 20,064 | 203 | 227 |
| ● Uplands | E17 5QN | Like for like | Industrial | f/h | 12.0 | 280,497 | 1,362 | 1,641 |
| | | | | | **41.4** | **1,037,289** | **6,812** | **8,896** |

● 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 2011)

| Property Name | Post Code | Category | Property uses | Tenure* | Acreage | Lettable floor area sq. ft.† | Net Rent Roll of occupied units £000s | ERV £000s |
|---|---|---|---|---|---|---|---|---|
| **Outside London** | | | | | | | | |
| ◆ Clyde House, Maidenhead | SL6 8BR | Like for like | Business Centre/Offices | Long l/h | 1.6 | 29,654 | 83 | 263 |
| ◆ Harlow Enterprise Centre, Harlow | CM20 2HS | Like for like | Industrial | f/h | 1.8 | 51,851 | 304 | 351 |
| | | | | | **3.4** | **81,505** | **387** | **614** |

## Property summary

| Property Name | Acreage | Lettable floor area sq. ft.† | Net Rent Roll of occupied units £000s | ERV £000s |
|---|---|---|---|---|
| Outside London | 3.4 | 81,505 | 387 | 614 |
| Central | 9.3 | 738,240 | 15,060 | 17,898 |
| North | 21.4 | 701,250 | 5,798 | 6,907 |
| South | 45.6 | 1,657,146 | 11,814 | 15,735 |
| East | 41.4 | 1,037,289 | 6,812 | 8,896 |
| West | 23.0 | 877,421 | 8,981 | 11,330 |
| **Total as at 31 March 2011** | **144.1** | **5,092,851** | **48,852** | **61,380** |

## BlackRock Workspace Property Trust

| Property Name | Post Code | Property uses | Tenure* | Acreage | Lettable floor area sq. ft.† | Net Rent Roll of occupied units £000s | ERV £000s |
|---|---|---|---|---|---|---|---|
| ■ Charles House | UB2 4BD | Industrial | f/h | 2.0 | 75,577 | 780 | 889 |
| ◆ Europa Building | NW10 6ND | Business Centre/Offices | f/h | 0.6 | 26,477 | 356 | 397 |
| ◆ Horton Road | UB7 8JD | Industrial | f/h | 1.9 | 41,495 | 178 | 193 |
| ◆ Kingsmill Business Park | KT1 3AP | Business Centre/Offices | Long l/h | 1.5 | 40,151 | 356 | 389 |
| ◆ Progress Park | CR0 4XD | Industrial | f/h | 1.8 | 31,002 | 282 | 268 |
| ◆ Rudolph Place | SW8 1RP | Business Centre/Offices | f/h | 0.4 | 14,609 | 233 | 250 |
| ■ Union Court | SW4 6JP | Business Centre/Offices | f/h | 1.9 | 67,203 | 675 | 670 |
| ◆ Windmill Place | UB2 4NJ | Business Centre/Offices | f/h | 0.7 | 25,779 | 281 | 365 |
| | | | | **10.8** | **322,293** | **3,140** | **3,421** |

■ 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 2011


**Workspace Group PLC**
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Workspace Group

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1. Annual Report 2011
2. Annual Report 2010
3. Annual Report 2009

1.


2.

3.

**Promotional Publications**
1-4 Property Marketing Brochures:
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2. The Wenlock
3. Barley Mow Centre
4. The start-up business pack

1.

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