PRELIMINARY ANNOUNCEMENT

6 June 2011

WORKSPACE GROUP PLC
FINAL RESULTS

DELIVERING A STRONG PERFORMANCE AND WELL POSITIONED FOR GROWTH

Workspace Group PLC ("Workspace"), London's leading provider of space to small and medium-sized enterprises (SMEs), announces its results for the 12 months ended 31 March 2011.

Highlights

Financial Results
- Trading profit after interest up 31% to £14.1m
- Profit before tax £53m, up from £26m last year
- Total dividend up 10% to 0.825p per share, 1.5 times covered by underlying earnings
- EPRA Net asset value per share 29.5p, up 10% from 26.7p at March 2010

Trading
- Net cash from operations up 45% to £16.1m
- Overall occupancy 84.1%, up 2.2% in the year
- Good levels of enquiries (averaging 960 per month) and lettings (averaging 88 per month) through the year
- Like-for-like occupancy 86.2%, up from 83.6% at March 2010
- Like-for-like cash rent roll up 3.9% in the year to £40.1m

Property Portfolio
- Underlying property valuation up 4.7% (£32m) in the year
- Like-for-like income yield 7.8% (7.9% at March 2010)
- £44m of property disposals completed and a further £13m of conditional disposals contracted for at an overall exit income yield of 5.9%

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
- New £125m RBS debt facility signed
- Average maturity of debt now 4 years, with no debt falling due in next 3 years
- Loan to value 50%, down from 53% at March 2010
- Average cost of debt reduced to 5.3% (2010: 6.7%)

BlackRock Joint Venture
- £100m property acquisition fund established with BlackRock UK Property Fund, seeded with £35m of Workspace property

Commenting, Harry Platt, Chief Executive of Workspace said:

"Our results for the year demonstrate our ability to drive occupancy, rental income and regeneration opportunities. Looking to the future, we have a solid platform from which to create further value. London is recovering well and our customers, SMEs across London are contributing to this.

As we improve occupancy we are seeing evidence of being able to increase rents. Regeneration is also an important part of our business model but has been a tough market from which to deliver value in recent years. I am, therefore, delighted to report that during the last year we have made significant progress on a number of schemes.

I believe that Workspace is strongly positioned in a dynamic and growing market, with excellent customer relationships, attractive assets with redevelopment potential, a sound balance sheet and a valuable brand. We look forward to the future with confidence" .

Date: 6th June 2011
For further information contact

Workspace Group PLC	City Profile
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Chairman’s Statement

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.

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 dividend of 0.825p 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.

Chief Executive's Statement

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 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.

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.

Business Review

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; enquires averaged 960 per month and lettings 87 per month over the last year. Good levels of enquiries and lettings have continued during the first two months of the current financial year.

	Quarter Ended			
Average number per month	**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 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

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 5 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 7-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 2 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 5 properties in this category we have planning consent for additional commercial space and refurbishment at a further 7 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 3 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**	**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).

<u>Priority 3: To continue to work and churn the asset base to realise its full potential</u>

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.

<u>BlackRock Joint Venture</u>
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 8 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:

Property	Status	Timing	Price	Use
Langdale House	Sold	Jul 2010	£4.25m	Commercial
Unit 5, 2 Cullen Way	Sold	Jan 2011	£0.28m	Commercial
Surrey House	Sold	Jan 2011	£4.65m	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 Aberdeen Studios, 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 7-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.

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 gym-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 2 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.

Cash Flow

£m	2011	2010
Operating cash flow	**37.9**	36.3
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 Property Trust 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 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 that 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 3 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 BWPT	**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. This would reduce the number of shares in issue from 1.15 billion to 115 million. If approved the new shares would be issued to shareholders in early August 2011.

KEY STATISTICS

Workspace Group Portfolio	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
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)	**29.5p**	-	27.6p	-	26.7p
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

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	21	**(0.3)**	6.7
Negative goodwill on business combination	21	**-**	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

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

Consolidated Balance Sheet
As at 31 March

	Notes	2011 £m	2010 £m
Non-current assets			
Investment properties	10	**713.4**	713.2
Intangible assets		**0.4**	0.4
Property, plant and equipment		**4.6**	3.4
Investment in joint venture	21	**6.7**	-
Trade and other receivables	11	**4.9**	4.9
		730.0	721.9
Current assets			
Trade and other receivables	11	**8.3**	4.5
Cash and cash equivalents	12	**2.3**	2.1
		10.6	6.6
Current liabilities			
Bank overdraft	14a	**(3.2)**	(2.3)
Derivative financial instruments	14d & e	**(10.9)**	(22.6)
Trade and other payables	13	**(28.0)**	(28.5)
Current tax liabilities		**-**	(2.8)
		(42.1)	(56.2)
Net current liabilities		**(31.5)**	(49.6)
Non-current liabilities			
Borrowings	14a	**(363.8)**	(384.1)
Other non-current liabilities	17	**(0.9)**	(0.9)
		(364.7)	(385.0)
Net assets		**333.8**	287.3
Shareholders' equity			
Ordinary shares	18	**115.3**	114.9
Share premium		**25.0**	24.7
Investment in own shares	20	**(8.0)**	(7.2)
Other reserves	19	**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

Consolidated Statement of Changes in Equity
For the year ended 31 March

	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	15	**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	15	**(0.2)**	3.7
Cash and cash equivalents at end of year	15	**(0.9)**	(0.2)

Notes to the Financial Statements
For the year ended 31 March

Basis of Preparation

The financial information in this report has been prepared under International Financial Reporting Standards (IFRS) but is abridged and does not constitute the Group's full Financial Statements for the years ended 31 March 2011 and 31 March 2010.

Full Financial Statements for the year ended 31 March 2010 were prepared under IFRS, received an unqualified auditors' report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

Financial Statements for the year ended 31 March 2011 will be presented to the members at the forthcoming Annual General Meeting; the auditors' report on these Financial Statements is unqualified and does not contain a statement under section 498(2) or 498(3) of Companies Act 2006.

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	13.8	(17.2)	(3.4)	13.6	(16.5)	(2.9)
Empty rates and other non recoverables	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

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:-

	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 can be analysed as:-

	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	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

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 was 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 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 (as 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 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 14(f).

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.

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 11)	(4.9)	(4.9)
Owner occupied property	(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. 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	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.

12. 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 cashflow statement (see note 15).

13. 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	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.

14 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).

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

15. 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, the 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)

16. 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)**

17. 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.

18. 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

	2011 Number	2010 Number
Movements in share capital were as follows:		
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.

19. 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.

20. 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

21 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 arms 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 2011 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.

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**

22. 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 cashflows of Workspace Glebe itself. All disposals are at the option of the Group. This gives rise to a contingent liability based upon the deemed value liable under this proceeds sharing arrangement.

At 31 March 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 was 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.

23. 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.

Responsibility Statement

The 2011 Annual Report, which will be issued at the end of June 2011, contains a responsibility statement in compliance with DTR 4.1.12. This states that on the date of approval of the Annual Report, the Directors confirm that to the best of their knowledge:

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

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

The directors of Workspace Group PLC are listed in the Group's 2011 Annual Report. A list of current Directors is maintained on the Group's website: www.workspacegroupplc.co.uk.